LOUISIANA PACIFIC CORP
Form 10-K405
March 16, 2001

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Washington, D.C. 20549

FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2000	Commission File Number 1-7107

Louisiana-Pacific Corporation

(Exact name of registrant as specified in its charter)

DELAWARE (State of Incorporation)	**93-0609074** (I.R.S. Employer Identification No.)
805 S.W. Broadway, Suite 1200 **Portland, Oregon 97205-3303** (Address of principal executive offices)	Registrant's telephone number (including area code) **503-221-0800**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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 /x/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /x/

State the aggregate market value of the voting stock held by nonaffiliates of the registrant: $1,007,638,000 as of March 12, 2001.

Indicate the number of shares outstanding of each of the registrant's classes of common stock: 104,360,850 of Common Stock, $1 par value, outstanding as of March 12, 2001.

Documents Incorporated by Reference

Definitive Proxy Statement for 2001 Annual Meeting: Part III

Except as otherwise specified and unless the context otherwise requires, references to "LP" 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 all 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 LP 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, the management of LP.

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include the words "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 and the adequacy of reserves for loss contingencies. These forward-looking statements are subject to various risks and uncertainties, including the following:

- Risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions;

- Possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions; and

- Actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials.

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 LP 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.

PART I

ITEM 1. *Business*

General

LP is a major building products firm, operating approximately 66 facilities in the United States, Canada, Chile and Ireland. For financial reporting purposes, LP divides its businesses into the following business segments: (1) Structural Products, which includes structural panel products (oriented strand board ("OSB") and plywood), lumber, engineered wood products ("EWP") and wood fiber resources; (2) Exterior Products, which includes wood and vinyl siding and related accessories, composite decking and specialty OSB products; (3) Industrial Panel Products, which includes particleboard, medium density fiberboard ("MDF"), hardboard and decorative panels; (4) Other Products; and (5) Pulp. With the exception of pulp, LP's products are used primarily in new home construction, repair, remodeling and manufactured housing. LP distributes its building products primarily through third-party distributors and home centers.

LP was organized as a Delaware corporation in 1972. LP's executive offices are located at 805 S.W. Broadway Suite 1200, Portland, OR 97205-3303.

Structural Products

Structural Panel Products. LP is one of the largest North American producers of OSB and is a major manufacturer of plywood. OSB is a manufactured composite wood product that is generally used as a lower cost substitute for plywood. These structural panel products are primarily used in new residential construction and remodeling applications such as subfloors, walls and roofs. According to the APA The Engineered Wood Association, the total North American market for structural panel products (OSB and plywood) is approximately 37 billion square feet annually. The OSB share of these products is approximately 50%, up from approximately 25% in 1990. In the past decade, land use regulations and endangered species and environmental concerns have resulted in reduced supplies and higher costs for domestic timber, causing many plywood mills to close permanently. The volume lost from those closed mills has been replaced primarily by OSB.

LP has 14 OSB mills in North America with a combined annual production capacity of approximately 5.8 billion square feet. LP also owns 65% of a joint venture in Ireland which has an OSB mill with an annual production capacity of approximately 450 million square feet, the output of which is primarily distributed in Ireland, the United Kingdom and Western Europe (this mill is considered part of LP's Other Products segment because it does not sell primarily to North American customers). Additionally, LP is currently constructing, under a joint venture relationship, an OSB mill in Chile that is expected commence operation in early 2001. This facility will have an annual capacity of 130 million square feet and the product will be targeted for South American markets.

LP has four plywood mills in the southern United States with a combined annual production capacity of approximately 1.2 billion square feet and one plywood mill in the Province of British Columbia, Canada with an annual production capacity of approximately 150 million square feet. Certain of these mills also produce veneers used in the manufacture of laminated veneer lumber. See Engineered Wood Products below.

Lumber. LP produces lumber in a variety of standard and specialty grades and sizes, and believes it is the largest North American producer of stud lumber.

LP has fourteen sawmills in the United States with a combined annual production capacity of approximately 1.2 billion board feet, two sawmills in the Province of Quebec, Canada with a combined annual production capacity of approximately 120 million board feet, and one sawmill in the Province of British Columbia, Canada with an annual production capacity of approximately 50 million board feet.

Engineered Wood Products. LP is one of the largest North American manufacturers of EWP, including I-joists and laminated veneer lumber ("LVL"). LP believes that its engineered I-joists, which are used primarily in residential and commercial flooring and roofing systems and other structural applications, are stronger, lighter and straighter than conventional lumber joists. LP's LVL is a high-grade, value- added structural product used in applications where extra strength is required, such as headers and beams. It is also used, together with OSB and lumber, in the manufacture of engineered I-joists.

Wood Fiber Resources. LP obtains wood fiber for its mills from several sources: fee-owned timberland, timber deeds, cutting contracts from other private and public landowners in the United States, Canada and Ireland and purchases from third parties. LP owns approximately 950,000 acres of timberland primarily in the southern and southeastern United States that supplied approximately 10% of its overall timber needs in 2000. See Item 2 "Properties" for additional discussion of LP's timber resources.

LP's mills are generally located in areas that are in close proximity to large and diverse supplies of wood fiber. In areas where LP does not own a significant amount of timberlands, its mills generally have the ability to procure wood fiber at competitive prices from third-party sources.

Exterior Products

LP manufactures exterior siding and other cladding products for the residential and commercial building markets. LP's siding product offerings fall into four categories: (1) SmartSystem® products, (2) hardboard siding products, (3) composite decking, and (4) vinyl siding products. These products are distributed through retail outlets and to builders and siding contractors. LP's portfolio of products offers customers a variety of siding choices at various performance levels and prices.

The SmartSystem® Products. LP's SmartSystem® products consist of a full line of OSB-based sidings, trim, soffit and facia. These products have quality and performance characteristics similar to solid wood at relatively more attractive prices due to lower raw material and production costs. Additionally, LP produces specialty OSB products. LP manufactures its SmartSystem® products at four facilities which have a combined annual production capacity of approximately 760 million square feet.

Hardboard Siding. LP's product offerings include a number of lap and panel siding products in a variety of patterns and textures, as well as trim products. LP operates a hardboard siding products facility in the southeastern United States with an annual production capacity of 245 million square feet. In addition, LP's East River facility has the ability to produce hardboard siding as needed.

Vinyl Siding. LP also manufactures vinyl siding products and accessories. These products are available in various styles and colors. LP manufactures these products at two facilities, one in the southern United States and one in Canada, with a combined annual production capacity of three million squares (i.e., units consisting of 100 square feet of material with an average weight of 32 pounds).

Composite Decking. LP manufactures wood composite decking and accessories. These products have superior quality and performance characteristics to solid wood. LP manufactures these products at two facilities which have a combined annual production of approximately 32 million lineal feet.

Additionally, the Exterior Products segment includes certain products that are in the developmental stage, such as OSB concrete form (panels used in the process of forming concrete structures) and treated OSB. Following satisfactory development, LP intends to invest in appropriate technological and sales and marketing support to commercialize these products.

Industrial Panel Products

LP manufactures industrial panel products particleboard, medium density fiberboard ("MDF"), hardboard and decorative panels at six plants. The combined annual production capacity of these plants is approximately 360 million square feet of particleboard, 50 million square feet of MDF and 800 million square feet of hardboard and decorative panels.

Part of LP's strategy in its Industrial Panel Products segment is to focus on LP's value-added specialty products that are complementary to its other product offerings. These value-added specialty product lines include flooring, shelving, door skins, door parts, decorative panels, paneling and other specialty applications.

Other Products

The Other Products segment includes value-added products such as Cocoon cellulose insulation, which is produced from recycled newspaper and has higher insulation efficiency performance levels and superior sound-deadening qualities compared to conventional fiberglass insulation of comparable

thickness. This product line was contributed to a joint venture with Casella Waste Systems in August of 2000 to create US GreenFiber, LLC. This segment also includes plastic molding products, as well as LP's distribution and wholesale business, wood chips and Ireland operations. Historically, the segment included coatings and specialty chemicals (sold in December 1999), and Alaska lumber and logging operations (sold in November 1999).

Pulp

LP has two pulp mills located in Samoa, California, and Chetwynd, British Columbia, Canada. LP is seeking to sell the Chetwynd, British Columbia pulp mill, which is presently managed by an unrelated party pursuant to a management agreement having a term of 24 months that expires in December 2001. LP recently sold a controlling ownership interest in the Samoa, California pulp mill (see Note 12 of the Notes to financial statements included in Item 8 of this report). Pulp accounted for approximately 5% of LP's net sales in 2000.

Employees

LP had approximately 11,000 employees at December 31, 2000. LP believes that its relations with its employees are good.

Raw Materials

The principal raw materials used in LP's business are logs, which are generally available from numerous sources. See Product Information Summary below, for information regarding LP's sources of logs. Because various factors, including land use regulations and environmental and endangered species concerns, have limited the amount of timber offered for sale by certain United States government agencies, LP must rely more heavily on the acquisition of timber from other sources (including domestic private timber owners) to supply its manufacturing facilities. The reduction in domestic timber supplies has resulted in upward pressure on the prices that LP must pay for timber. In addition, logs are subject to commodity pricing which fluctuates on the basis of market factors over which LP has no control.

LP also uses various resins in the manufacturing processes of its structural and industrial panel products as well as certain of its vinyl products. Resin product prices are influenced by changes in the raw materials used to produce resin, primarily petroleum products, and other competitive pressures.

Competition

The building products industry is highly competitive. LP competes internationally with several thousand forest and building products firms, ranging from very large, fully integrated firms to smaller firms that may manufacture only one or a few items. LP also competes less directly with firms that manufacture substitutes for wood building products. Some competitors have substantially greater financial and other resources than LP which, in some instances, could give them competitive advantages over LP.

Many of LP's products, including structural panels and lumber, are commodity products sold primarily on the basis of price, availability and delivery in competition with numerous other forest and building products companies. Consequently, the prices that LP can obtain for its commodity products may fluctuate unpredictably, which may have a material effect on LP's operating results.

Environmental Compliance

LP's operations are subject to a variety of environmental laws and regulations governing, among other things, the restoration and reforestation of timberlands, discharges of pollutants and other

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emissions on or into land, water and air, the disposal of hazardous substances or other contaminants and the remediation of contamination. In addition, certain 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. Compliance with environmental laws and regulations can significantly increase the costs of LP's operations and otherwise result in significant costs and expenses. Violations of environmental laws and regulations can subject LP to additional significant costs and expenses, including defense costs and expenses and civil and criminal penalties. There can be no assurance that the environmental laws and regulations to which LP is subject will not become more stringent, or be more stringently implemented or enforced, in the future.

LP's policy is to comply fully with all applicable environmental laws and regulations. In recent years, LP has devoted increasing financial and management resources to achieving this goal. In addition, from time to time, LP undertakes construction projects for environmental control facilities or incurs other environmental costs that extend an asset's useful life, improve efficiency, or improve the marketability of certain properties. LP believes that its estimated capital expenditures for environmental control facilities in 2001 and 2002 are not material.

Additional information concerning environmental matters is set forth under Item 3, Legal Proceedings, and in Note 8 of the Notes to financial statements in Item 8.

Executive Officers of Louisiana-Pacific Corporation

Information regarding each executive officer of LP as of March 8, 2001 (including certain executives whose duties may cause them to be classified as executive officers under applicable SEC rules), including employment history for the past five years, is set forth below.

Mark A. Suwyn, age 58, has been Chairman and Chief Executive Officer since January 1996. Before joining LP, Mr. Suwyn was Executive Vice President of International Paper Company from 1992 through 1995. Mr. Suwyn is also a director of LP.

J. Ray Barbee, age 53, has been Vice President, Industrial Panels and Distribution, since January 2001. He served as Vice President, Sales and Marketing and Industrial Panels from September 2000 to January 2001 and previously served as Vice President, Sales and Marketing from June 1998. Prior to joining LP as Director of Pulp in 1997, Mr. Barbee was Vice President and General Sales Manager of Boise Cascade Corporation from 1989 to 1997.

F. Jeff Duncan, Jr., age 46, has been Chief Information Officer of LP since October 1998 and Vice President since March 2001. Mr. Duncan had been Director of Information Technology of LP since September 1996. He was previously employed by E.I. du Pont de Nemours & Co. for 19 years in a variety of positions, most recently as Systems Manager New Business Development.

Warren C. Easley, age 59, has been Vice President, Technology and Quality since May 1996. He was Technical Manager Nylon Division, North America for E.I. du Pont de Nemours & Co. from 1969 to 1996.

Richard W. Frost, age 49, joined LP in May 1996 as Vice President, Timberlands and Procurement. Mr. Frost was Vice President and Operational Manager for S.D. Warren Company from 1992 to 1996.

M. Ward Hubbell, age 40, has been Director, Corporate Affairs since September 1997 and Vice President since March 2001. Before joining LP, Mr. Hubbell was employed by International Paper Company beginning in October 1992, first as Communications Director and then as Federal Affairs Manager.

Joseph B. Kastelic, age 37, has been Vice President, Specialty Products since November 2000 and Vice President, Sales and Specialty Products since January 2001. He previously served as Director,

Specialty Building Products from January 1999 to November 2000. From March 1997 to December 1998, Mr. Kastelic was Business Director, Siding/Exterior Products, and from September 1996 to March 1997 served as Marketing Development Manager for new construction and siding. Before joining LP in September 1996, Mr. Kastelic was the Marketing Development Manager at PPG Industries in Pittsburgh, Pennsylvania.

J. Keith Matheney, age 52, has been Vice President, OSB and Engineered Wood Products since November 2000. He previously served as Vice President, Core Businesses from June 1998 to November 2000, as Vice President, Sales and Marketing from January 1997 to June 1998, as General Manager Western Division from February 1996 to January 1997, and General Manager Weather-Seal Division from May 1994 to February 1996.

Curtis M. Stevens, age 48, has been Vice President, Treasurer and Chief Financial Officer since September 1997. Before joining LP, Mr. Stevens spent 13 years as the senior financial executive of Planar Systems, Inc., a leading manufacturer and supplier of electroluminescent flat panel displays, where he was named Executive Vice President and General Manager in 1996. He also served on the Board of Directors for Planar Systems.

Michael J. Tull, age 55, has been Vice President, Human Resources since May 1996. Before joining LP, Mr. Tull was employed by Sharp HealthCare, a regional system of hospitals and related facilities in San Diego, California, for more than 10 years, most recently as Corporate Vice President of Employee Quality and Development beginning in 1991.

Gary C. Wilkerson, age 54, has been Vice President and General Counsel since September 1997. Before joining LP, Mr. Wilkerson served as (acting) Senior Vice President, General Counsel and Secretary for the consumer products division of IVAX Pharmaceuticals beginning in early 1997. For the previous seven years, he was Senior Vice President, General Counsel and Secretary of Maybelline Co., a cosmetics manufacturer.

Walter M. Wirfs, age 53, has been Vice President, Lumber and Plywood since November 2000, and as Vice President, Manufacturing from March 1999 to November 2000. From January 1998 to March 1999, Mr. Wirfs served as President of Western Wood Products Association. Mr. Wirfs was employed by Willamette Industries, Inc., a forest products company headquartered in Portland, Oregon, for 23 years until December 1997, most recently as Vice President of its Southern and Atlantic Regions.

Executive officers are elected from time to time by the Board of Directors. Each officer's term of office runs until the meeting of the Board of Directors following the next annual meeting of the stockholders and until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

Segment and Price Trend Data

The following table sets forth, for each of the last five years, (1) LP's consolidated net sales by business segment, (2) LP's consolidated profit (loss) by business segment, (3) production volumes, (4) the average wholesale price of selected building products in the United States, and (5) logs used in

production by source. This information should be read in conjunction with the consolidated financial statements (including the notes thereto) and the other information contained in this report.

Product Information Summary
For Years Ended December 31 (Dollar Amounts in Millions)

SALES BY BUSINESS SEGMENT(3)	2000		1999		1998		1997		1996	
Structural products	$ 1,817	62%	$ 1,876	61%	$ 1,307	53%	$ 1,223	48%	$ 1,398	53%
Exterior products	329	11	276	9	116	5	112	4	108	4
Industrial panel products	287	10	300	10	192	8	199	8	217	8
Other products	348	12	477	16	731	30	861	34	717	27
Building products	2,781	95	2,929	95	2,346	96	2,395	93	2,440	92
Pulp	152	5	143	5	105	4	169	7	213	8
Total sales	$ 2,933	100	$ 3,072	100	$ 2,451	100	$ 2,564	100	$ 2,653	100

PROFIT (LOSS) BY BUSINESS SEGMENT	2000	1999	1998	1997	1996
Structural products	$ 173	$ 440	$ 198	$ 21	$ 135
Exterior products	19	53	22	9	17
Industrial panel products	2	13	6	13	31
Other products	(12)	(11)	(20)	(24)	(9)
Building products	182	495	206	19	174
Pulp	13	(15)	(38)	(29)	(91)
Unusual credits and charges, net	(71)	(8)	(48)	(32)	(350)
General corporate and other expense, net	(99)	(103)	(94)	(80)	(52)
Interest, net	(43)	(12)	(13)	(29)	8
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	$ (18)	$ 357	$ 13	$ (151)	$ (327)

PRODUCTION VOLUMES	2000	1999	1998	1997	1996
OSB, 3/8" basis, million square feet	5,122	4,406	3,934	3,762	3,621
Softwood plywood, 3/8" basis, million square feet	1,046	943	983	1,221	1,613
Lumber, million board feet	993	1,029	1,110	1,240	1,201
Wood-based siding, 3/8" basis, million square feet	949	678	383	238	387
Industrial panel products (particleboard, medium density fiberboard and hardboard), 3/4" basis, million square feet	598	621	575	589	580
Engineered I-Joists, million lineal feet	70	87	86	73	55
Laminated veneer lumber, thousand cubic feet	7,000	6,300	7,100	5,800	3,900
Pulp, thousand short tons	373	374	286	377	439

INDUSTRY PRODUCT PRICE TRENDS(1)	2000	1999	1998	1997	1996
OSB, MSF, 7/16" - 24/16" span rating (North Central price	$ 206	$ 260	$ 205	$ 142	$ 184
Southern pine plywood, MSF, 1/2" CDX (3 ply)	229	329	284	265	258
Framing lumber, composite prices, MBF	323	401	349	417	398
Industrial particleboard, 3/4" basis, MSF	284	273	259	262	276

% LOGS BY SOURCES(2)	2000	1999	1998	1997	1996
Fee owned lands	10	11	12	19	16
Private cutting contracts	14	16	14	14	14
Government contracts	17	17	13	7	6
Purchased logs	59	56	61	60	64
Total volumes million board feet	3,352	2,324	1,997	2,398	2,432

(1) Prices represent yearly averages stated in dollars per thousand board feet (MBF) or thousand square feet (MSF). Source: *Random Lengths*.

(2) Stated as a percentage of total log volume.

(3) Dollar amounts shown reflect the adoption of EITF Issue No. 00-10 and other reclassifications from prior year reporting.

For additional information regarding LP's business segments and information regarding LP's geographic segments, see Note 10 of the Notes to financial statements included in Item 8 of this report.

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ITEM 2. ***Properties***

Information regarding LP's principal properties and facilities is set forth in the following tables. Information regarding production capacities is based on normal operating rates and normal production mixes under current market conditions, taking into account known constraints such as log supply. Market conditions, fluctuations in log supply, and the nature of current orders may cause actual production rates and mixes to vary significantly from the production rates and mixes shown.

1. STRUCTURAL PRODUCTS

ORIENTED STRAND BOARD PANEL PLANTS NORTH AMERICA
(3/8-inch basis; 3 shifts per day; 7 days per week)

in millions	**Sq. Ft.**
Athens, GA	365
Carthage, TX	450
Chambord, Quebec, Canada	510
Dawson Creek, BC, Canada	375
Hanceville, AL	365
Hayward, WI	500
Houlton, ME	260
Jasper, TX	450
Maniwaki, Quebec, Canada	620
Montrose, CO	145
Roxboro, NC	400
Sagola, MI	375
St Michel, Quebec, Canada	510
Swan Valley, Manitoba, Canada	450
Total OSB Capacity (14 plants)	5,775

SOFTWOOD PLYWOOD PLANTS
(3/8-inch basis; 2 shifts per day, 5 days per week)

in millions	**Sq. Ft.**
Bon Wier, TX	260
Cleveland, TX	275
Golden, BC, Canada	150
Logansport, LA	225
Urania, LA	200

SOFTWOOD PLYWOOD PLANTS
(3/8-inch basis; 2 shifts per day, 5 days per week)

in millions	Sq. Ft.
Total Softwood Plywood Capacity (5 plants)	1,345

LUMBER
(1 to 3 shifts per day; 5 days per week)

in millions	Board Ft.
Belgrade, MT	90
Chambord, Quebec, Canada	30
Chilco, ID	140
Cleveland, TX	35
Deer Lodge, MT	140
Deer Lodge, MT (fingerjoint)	135
Evergreen, AL	35
Gwinn, MI	150
Jasper, TX	40
Malakwa, BC, Canada	50
Marianna, FL	35
Moyie Springs, ID	150
Sandpoint, ID (remanufacturing)	
Saratoga, WY	105
St. Michel, Quebec, Canada	90
Tacoma, WA	60
West Bay, FL	35
Total Lumber Capacity (17 plants)	1,320

ENGINEERED WOOD PRODUCTS I-JOIST PLANTS
(1 shift per day; 5 days per week)

in millions	Lineal Ft.
Hines, OR	32
Red Bluff, CA	42
Wilmington, NC	46
Total I-Joist Capacity (3 plants)	120

ENGINEERED WOOD PRODUCTS LAMINATED VENEER LUMBER PLANTS
(2 shifts per day; 7 days per week)

in thousands	Cu. Ft.
Hines, OR	2,300
Golden, BC, Canada	3,000
Wilmington, NC	4,600
Total LVL Capacity (3 plants)	9,900

2. EXTERIOR PRODUCTS

ORIENTED STRAND BOARD SIDING & SPECIALTY PLANTS
(3/8-inch basis; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.
Newberry, MI	125
Silsbee, TX	365
Tomahawk, WI	135

ORIENTED STRAND BOARD SIDING & SPECIALTY PLANTS
($^3/_8$-inch basis; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.
Two Harbors, MN	135
Total OSB Siding Capacity (4 plants)	760

DECKING WOOD POLYMERS
(lineal feet basis; 1 shift; 7 days per week)

in millions	Lineal Ft.
Meridian, ID	14
Selma, AL	17
Total Decking capacities (2 plants)	32

HARDBOARD SIDING PLANT
(surface measure; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.
Roaring River, NC	245

VINYL SIDING PLANTS

in millions	Squares(1)
Acton, Ontario, Canada	1.8
Holly Springs, MS	1.2
Total Vinyl Siding capacity (2 plants)	3.0

(1) A square is defined as 100 square feet of material unit with an average weight of 32 pounds.

3. INDUSTRIAL PANEL PRODUCTS

MEDIUM DENSITY FIBERBOARD PLANT
($^3/_4$-inch basis; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.
Urania, LA	50

PARTICLEBOARD PLANTS
($^3/_4$-inch basis; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.
Arcata, CA	125
Missoula, MT	155
Silsbee, TX	80
Total Particleboard Capacity (3 plants)	360

PARTICLEBOARD PLANTS
(3/4-inch basis; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.

HARDBOARD PLANTS
(3 shifts per day; 7 days per week)

in millions	Sq. Ft.
(surface measure)	
Alpena, MI	300
East River, Nova Scotia, Canada(1)	290
Total Hardboard Capacity (2 plants)	800

(1) The East River, Nova Scotia, plant produces hardboard panel products and hardboard siding products.

4. OTHER FACILITIES

PULP MILLS
(3 shifts per day; 7 days per week)

in thousands	Short Tons
Samoa, CA(1)	220
Chetwynd, BC, Canada	165
Total Pulp Capacity (2 plants)	385

(1) See Note 12 of the notes to the financial statements included in Item 8 of this report.

ORIENTED STRAND BOARD PLANT IRELAND
(3/8-inch basis; 3 shifts per day; 7 days per week)

in millions	Sq. Ft.
Waterford, Ireland	450

Chip mill:

Cleveland, TX

Finished tileboard and paneling plant (Industrial Panel Products Segment):

Toledo, OH

Plastic moldings plant:

Middlebury, IN

Veneer plant:

Rogue River, OR (softwood)

Distribution Centers:

Rocklin, CA

Conroe, TX

5. TIMBERLAND HOLDINGS

Location/Type	Acres
Fee Timber	
Idaho: Fir, Pine	35,400
Louisiana: Pine, Hardwoods	189,900
Montana: Whitewoods	11,000
Texas: Pine, Hardwoods	699,200
Other: Whitewoods, Pine, Hardwoods	10,700
Total Timberland Fee Holdings	946,200

Canadian Timberlands License Agreements in millions	Acres
British Columbia	7.9
Manitoba	6.3
Nova Scotia	.9
Quebec	33.6
Total timberlands under license agreements in Canada	48.7

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In addition to its fee-owned timberlands, LP has timber cutting rights under long-term contracts (five years and longer) on approximately 45,000 acres, and under shorter term contracts on approximately 220,000 acres, on government and privately owned timberlands in the United States in the vicinities of certain of its manufacturing facilities.

LP's Canadian subsidiaries have arrangements with four Canadian provincial governments which give LP's subsidiaries the right to harvest a volume of wood off public land from defined forest areas under supply and forest management agreements, long-term pulpwood agreements, and various other timber licenses. These subsidiaries also obtain wood from private parties in certain cases where the provincial governments require LP to obtain logs from private parties prior to harvesting from the licenses and to meet additional raw materials needs.

ITEM 3. ***Legal Proceedings***

Certain environmental matters and legal proceedings involving LP are discussed below.

ENVIRONMENTAL MATTERS

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

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

The Montana Department of Environmental Quality has levied a $144,000 fine as the result of alleged air violations at LP's Missoula, Montana facility in the late 1980s and the early 1990s. LP is contesting the fine and believes that it has substantial defenses to the imposition of the fine.

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

COLORADO CRIMINAL PROCEEDINGS

In June 1995, a federal grand jury returned an indictment in the U.S. District Court for the District of Colorado against LP in connection with alleged environmental violations, as well as alleged fraud in connection with the submission of unrepresentative oriented strand board (OSB) product samples to an industry product certification agency, by LP's Montrose (Olathe), Colorado OSB plant. Pursuant to a guilty plea to certain criminal violations entered in May 1998, (i) LP paid penalties of

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$37 million (of which $12 million was paid in 1998 and the balance was paid in the second quarter of 1999), and was sentenced to five years of probation and (ii) all remaining charges against LP were dismissed. The terms of LP's probation require, among other things, that LP not violate any federal, state or local law.

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

OSB SIDING MATTERS

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

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

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

The settlement requires LP to contribute $275 million to the settlement fund. Approximately $271 million of that obligation had been satisfied at December 31, 2000 through cash payments on a discounted basis of approximately $261 million. LP's remaining mandatory contributions to the settlement fund are due in June 2001 (approximately $2 million) and June 2002 (approximately $2 million). In addition to its mandatory contributions, at December 31, 2000, LP had paid, on a discounted basis, approximately $97 million of its two $50 million optional contributions, at a cost to

LP of approximately $66 million, and LP has committed to the court that it would make the balance of these two optional contributions when they became due in August 2001 and August 2002. LP was entitled to make its mandatory and optional contributions to the settlement fund on a discounted basis as a result of a court-approved early payment program (the "Early Payment Program").

During 2000, LP offered eligible claimants the opportunity to receive a pro rata share of the court approved second settlement fund (the "Second Settlement Fund") in satisfaction of their claims. Pursuant to this offer, LP paid approximately $114 million from the Second Settlement Fund in satisfaction of approximately $319 million in claims. Most of the payments under the Second Settlement Fund were completed during 2000. 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. The Second Settlement Fund is closed and no further claims may be submitted to this fund.

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

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

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

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

being accepted, there remain approximately 700 claims that were timely made for which inspections still must be conducted. In addition, there are approximately 700 claims that were timely made but that have been identified as requiring additional information before they will be processed.

ABT HARDBOARD SIDING MATTERS

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

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

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

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

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

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

NATURE GUARD CEMENT SHAKES MATTERS

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

LP no longer manufactures or sells cement shakes, but established and maintains a claims program for the Nature Guard shakes previously sold by it. LP believes that it has substantial defensives and intends to defend this action vigorously.

FIBREFORM WOOD PRODUCTS, INC. PROCEEDINGS

LP has been named as a defendant in an action filed by FibreForm Wood Products, Inc. ("FibreForm") in the Superior Court of Los Angeles County, California on July 13, 1999. The action was subsequently removed by LP and the other named defendants to the United States District Court for the Central District of California. FibreForm has alleged, in connection with failed negotiations between FibreForm and LP regarding a possible joint venture, that LP and the other defendants engaged in a fraudulent scheme to gain control over FibreForm's proprietary manufacturing processes under the guise of such negotiations. FibreForm has alleged causes of action based on fraudulent misrepresentation, negligent misrepresentation, misappropriation of trade secrets, unfair competition, breach of contract and breach of a confidentiality agreement by LP and the other defendants. FibreForm seeks general, special and consequential damages of at least $250 million, punitive damages, restitution, injunctive and other relief and attorneys' fees. LP filed a counterclaim against FibreForm for failing to pay amounts due under a $500,000 promissory note, as well as for attorneys' fees related to LP's effort to collect amounts due under that note.

In a series of orders commencing on June 7, 2000, the United States District Court for the Central District of California: (1) dismissed FibreForm's alleged causes of action based on fraudulent misrepresentation, negligent misrepresentation and breach of contract; and (2) ordered FibreForm to pay LP approximately $800,000, representing the total of the amount due under the promissory note, interest on that amount, and the attorneys' fees and costs that LP incurred while attempting to collect under the promissory note. FibreForm has appealed the Court's actions with respect to these matters. The parties have stipulated to the dismissal with prejudice of FibreForm's other alleged causes of action in order to expedite FibreForm's appeal.

LP believes that FibreForm's allegations are without merit and intends to continue to defend this action vigorously.

OTHER PROCEEDINGS

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

LP.

CONTINGENCY RESERVES

LP maintains reserves for the estimated cost of the legal and environmental matters referred to above. However, as with any estimate, there is uncertainty of predicting the outcomes of claims and litigation and environmental investigations and remediation efforts, that could cause actual costs to vary materially from current estimates. Due to various uncertainties, LP cannot predict to what degree actual payments (including payments under the OSB siding litigation settlements or any alternative strategies adopted by LP with respect to OSB siding claims) will materially exceed the recorded liabilities related to these matters. However, it is possible that, in either the near term or the longer term, revised estimates or actual payments will significantly exceed the recorded liabilities.

For information regarding LP's financial statement reserves for the estimated costs of the environmental and legal matters referred to above, see Note 8 of the Notes to financial statements included in Item 8, Financial Statements and Supplementary Data included in this report.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

No matter was submitted to a vote of LP's security holders during the fourth quarter of 2000.

PART II

ITEM 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

The common stock of LP is listed on the New York Stock Exchange with the ticker symbol "LPX". The Dow-Jones newspaper quotations symbol for the common stock is "LaPac." Information regarding market prices for the common stock is included in the table in Item 6 headed "High and Low Stock Prices."

Information regarding cash dividends paid during 2000 and 1999 is included in the tables in Item 6 headed "2000 Quarterly Data" and "1999 Quarterly Data." Holders of the common stock may participate in LP's dividend reinvestment program maintained by its transfer agent.

ITEM 6. ***Selected Financial Data***

DOLLAR AMOUNTS IN MILLIONS EXCEPT PER SHARE		**2000**	**1999**
ANNUAL DATA			
	Net sales	$ 2,932.8	$ 3,071.6
	Net income (loss)	(13.8)	216.8
	Net income (loss) per share basic and diluted	(0.13)	2.04
	Net cash provided by operating activities	82.5	472.6
	Capital expenditures plants, logging roads and timber (excludes acquisitions)	220.3	117.9
	Working capital	275.9	198.7
	Ratio of current assets to current liabilities	1.73 to 1	1.37 to 1
	Total assets	3,374.7	3,488.2
	Long-term debt, excluding current portion	1,183.8	1,014.8
	Long-term debt as a percent of total capitalization	47.8%	42.7%
	Stockholders' equity	1,295.2	1,360.0
	Stockholders' equity per ending share of common stock	12.41	12.96
	Number of employees	11,000	13,000
	Number of stockholders of record	15,485	16,400

		1ST QTR		2ND QTR		3RD QTR		4TH QTR		YEAR
2000 QUARTERLY DATA										
Net sales(1)	$	829.7	$	831.5	$	702.7	$	568.9	$	2,932.8
Gross profit(2)		167.9		152.1		44.4		(29.7)		334.7
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate		96.7		37.7		(31.5)		(121.1)		(18.2)
Net income (loss)		57.7		21.0		(40.9)		(51.6)		(13.8)
Net income (loss) per share basic and diluted		0.55		0.20		(0.39)		(0.50)		(0.13)
Cash dividends per share		0.14		0.14		0.14		0.14		0.56
1999 QUARTERLY DATA										
Net sales(1)	$	641.4	$	816.6	$	849.7	$	763.9	$	3,071.6
Gross profit(2)		89.2		191.9		193.5		121.9		596.5
Income before taxes and minority interest		43.8		140.4		115.2		57.6		357.0
Net income		27.2		84.9		69.3		35.4		216.8
Net income per share basic and diluted		0.26		0.79		0.65		0.34		2.04
Cash dividends per share		0.14		0.14		0.14		0.14		0.56
HIGH AND LOW STOCK PRICES										
2000 High	$	14.05	$	14.65	$	11.24	$	10.37	$	14.65
Low		10.25		10.05		8.17		6.96		6.96
1999 High	$	20.75	$	24.38	$	24.88	$	16.38	$	24.88
Low		17.25		18.50		14.75		11.38		11.38

(1) Reflects the adoption of EITF Issue No. 00-10.

(2) Gross profit is income before selling and administrative expense, unusual credits and charges, taxes, minority interest, interest and equity in earnings of unconsolidated affiliate.

In the second quarter of 1999, LP recorded a $5.0 million gain ($3.0 million after taxes, or $.03 per diluted share) on the sale of timberland.

In the third quarter of 1999, LP's Ketchikan Pulp Company subsidiary recorded a net charge of $18.7 million ($11.5 million after taxes, or $0.11 per diluted share) primarily related to reducing the carrying value of the assets to be sold to the expected sales value and to record an increase in estimated environmental remediation liabilities.

In the fourth quarter of 1999, LP recorded a gain on the sale of its Associated Chemists, Inc. subsidiary of $14.5 million ($8.9 million after taxes, or $0.08 per diluted share) and a write-off a note receivable of $9.2 million ($5.7 million after taxes, or $0.05 per diluted share) received in a sale of assets in a prior year.

In the first quarter of 2000, LP recorded a $5.0 million ($3.1 million after taxes, or $0.03 per diluted share) gain on an insurance recovery for siding related matters and an impairment charge of $3.4 million ($2.1 million after taxes, or $0.02 per diluted share) to reduce the carrying value of a manufacturing facility to its estimated net realizable value.

In the second quarter of 2000, LP recorded a net charge of $38.0 million ($22.7 million after taxes, or $.21 per diluted share) primarily related to an impairment charge to reduce the carrying value of the Samoa pulp mill to its estimated net realizable value, an impairment charge at an MDF facility, a mark to market charge on an interest rate hedge and a gain on an insurance recovery for siding related matters.

In the third quarter of 2000, LP recorded a gain on an insurance recovery of $10.6 million ($6.4 million after taxes, or $.06 per diluted share) related to a 1999 fire at its Athens, Georgia OSB facility. LP also recorded gains on the sales of the Mellen, Wisconsin veneer facilities and a former plant site in California that totaled $6.1 million ($3.7 million after taxes, or $.03 per diluted share). In addition, LP recorded charges relating to the settlement of an interest rate hedge, additional environmental reserves for sites in Quebec that were acquired in 1999, additional reserves for non-product litigation and impairment charges relating to several facilities which will be permanently closed totaling $17.8 million ($10.7 million after taxes, or $.10 per diluted share).

In the fourth quarter of 2000, LP recorded a net charge of $15.4 million ($9.4 million after taxes, or $.09 per share) associated with the permanent closure or planned sale of several high-cost non-competitive mills. Additionally, LP recorded impairment charges of $15.4 million ($9.4 million after taxes, or $.09 per share) related to other assets held. LP also recorded $2.3 million ($1.3 million after taxes, or $.01 per share) of severance charges related to a reorganization of administrative functions.

Also in the fourth quarter, LP recognized a loss of $5.3 million ($3.3 million after taxes, or $.04 per share) associated with its share of restructuring charges at GreenFiber, the joint venture between LP and Casella Waste Systems, Inc. This loss is reported on the line item "Equity in earnings of unconsolidated affiliate" in LP's consolidated statements of income.

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Financial Summary

dollar amounts in millions except per share

Year ended December 31	**2000**	**1999**	**1998**	**1997**	**1996**
SUMMARY INCOME STATEMENT DATA(1)					
Net sales(3)	$ 2,932.8	$ 3,071.6	$ 2,451.1	$ 2,563.5	$ 2,652.6
Gross profit(2)	334.7	596.5	257.9	91.9	170.7
Interest, net	(43.1)	(11.9)	(12.8)	(29.0)	(7.8)
Provision (benefit) for income taxes	(11.5)	139.5	14.4	(44.4)	(126.1)
Net income (loss)	(13.8)	216.8	2.0	(101.8)	(200.7)
Net income (loss) per share basic and diluted	(0.13)	2.04	0.02	(0.94)	(1.87)
Cash dividends per share	0.56	0.56	0.56	0.56	0.56
Average shares of common stock outstanding (millions)					
Basic	104.1	106.2	108.4	108.5	107.4
Diluted	104.1	106.2	108.6	108.5	107.4
SUMMARY BALANCE SHEETS					
Current assets	$ 654.1	$ 739.4	$ 612.1	$ 596.8	$ 612.9
Timber and timberlands, at cost less cost of timber harvested	590.6	611.1	499.0	634.2	648.6
Property, plant and equipment, net	1,308.8	1,334.0	913.3	1,191.8	1,278.5
Notes receivable from asset sales	403.8	403.8	403.8	49.9	
Goodwill and other assets	417.4	399.9	90.9	105.7	82.4
Total assets	$ 3,374.7	$ 3,488.2	$ 2,519.1	$ 2,578.4	$ 2,622.4
Current liabilities	$ 378.2	$ 540.7	$ 366.6	$ 319.3	$ 378.4
Long-term debt, excluding current portion	1,183.8	1,014.8	459.8	572.3	458.6
Deferred income taxes and other	517.5	572.7	469.9	400.6	357.8
Stockholders' equity	1,295.2	1,360.0	1,222.8	1,286.2	1,427.6
Total liabilities and stockholders' equity	$ 3,374.7	$ 3,488.2	$ 2,519.1	$ 2,578.4	$ 2,622.4
KEY FINANCIAL TRENDS					
Working capital	$ 275.9	$ 198.7	$ 245.5	$ 277.5	$ 234.5
Plant and logging road additions(4)	$ 187.7	$ 88.3	$ 77.8	$ 106.2	$ 208.9
Timber additions, net	32.6	29.6	44.7	49.7	22.0
Total capital additions	$ 220.3	$ 117.9	$ 122.5	$ 155.9	$ 230.9

dollar amounts in millions except per share

Long-term debt as a percent of total capitalization	48%	43%	27%	31%	24%
Income (loss) as a percent of average equity	(1)%	17%		(8)%	(13)%

(1) Includes unusual credits and charges. See the notes to financial statements included in Item 8 of this report.

(2) Gross profit (loss) is income (loss) before selling and administrative expense, unusual credits and charges, income taxes, minority interest, interest and equity in earnings of unconsolidated affiliate.

(3) Reflects the adoption of EITF Issue No. 00-10.

(4) Excludes acquisitions.

ITEM 7. ***Management's Discussion and Analysis***

RESULTS OF OPERATIONS

LP lost $13.8 million ($.13 per diluted share) in 2000, including pre-tax net unusual charges of $75.8 million ($45.8 million after taxes, or $.44 per diluted share). Included in the unusual charges is $5.3 million ($3.3 million after taxes, or $.04 per share) included in the Equity in Earnings of Unconsolidated Affiliate line item. This compares to profits of $216.8 million ($2.04 per diluted share) in 1999 including pre-tax net unusual charges of $8.2 million ($5.1 million after taxes, or $.05 per diluted share). LP earned $2.0 million ($.02 per diluted share) in 1998, including pre-tax net unusual charges of $47.8 million ($36.1 million after taxes, or $.33 per diluted share). The unusual credits and charges are discussed in further detail in Note 7 of the Notes to the financial statements included in Item 8 of this report. Excluding the effects of unusual credits and charges, LP earned $32.1 million ($.31 per diluted share) in 2000, $221.9 million ($2.09 per diluted share) in 1999 and $38.1 million ($.35 per diluted share) in 1998.

Sales in 2000 were $2.9 billion, a 5% decrease from 1999 sales of $3.1 billion. Sales in 1999 were 25% higher than 1998 sales of $2.4 billion.

Reduced demand for building products and the slowing housing markets factored negatively into the results for 2000. This softening demand resulted in reduced market prices for structural panels (oriented strand board (OSB), plywood and lumber). The market-related decrease in sales was partially offset by the inclusion for a full year of the operations of ABT Building Products Corporation (ABT), which was acquired in late February 1999, Le Group Forex Inc. (Forex), which was acquired in September 1999 and certain assets of Evans Forest Products Ltd. (Evans), which were acquired in November 1999. ABT expanded product offerings in the Exterior Products segment with hardboard and vinyl siding and added plastic moldings to LP's product line in the Other Products segment. Forex added OSB capacity on the East Coast of North America, helping to fill a geographic gap. OSB is part of the Structural Products segment. Evans added to LP's laminated veneer lumber (LVL), cedar decking and plywood production capacities, all of which are part of the Structural Products segment.

LP's 1999 results showed improvement over 1998 largely as a result of increased demand for OSB and plywood, which reduced the effects of industry-wide over capacity which was prevalent in 1998. In late 1998 and early 1999, LP also divested or closed numerous unprofitable operations which reduced sales and improved earnings.

LP operates in five major business segments: Structural Products, Exterior Products, Industrial Panel Products, Other Products, and Pulp. Structural Products is the most significant segment, accounting for approximately 50% or more of net sales in 2000, 1999, and 1998. LP's results of operations are discussed below for each of these segments separately. Additional information about the factors affecting LP's segments is presented in Item 1 under the heading "Segment and Price Trend Data."

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

Demand for the majority of LP's products is subject to cyclical fluctuations over which LP has no control. Demand for LP's building products is heavily influenced by the level of residential construction activity and the repair and remodeling markets, both of which are subject to fluctuations due to changes in economic conditions, interest rates, population growth and other factors. These cyclical

fluctuations in demand are unpredictable and may have substantial effects on LP's results of operations.

Selected Segment Data

dollar amounts in millions

year ended December 31	**2000**	**1999**	**1998**	**increase (decrease) 00-99**	**99-98**
Sales:					
Structural products	$ 1,817	$ 1,876	$ 1,307	(3.1)%	43.5 %
Exterior products	329	276	116	19.1 %	137.9 %
Industrial panel products	287	300	192	(4.2)%	56.3 %
Other products	348	477	731	(26.9)%	(34.9)%
Pulp	152	143	105	5.9 %	36.2 %
Total sales	$ 2,933	$ 3,072	$ 2,451	(4.5)%	25.3 %
Operating Profit (Loss):					
Structural products	$ 173	$ 440	$ 198	(60.7)%	122.2 %
Exterior products	19	53	22	(63.8)%	140.9 %
Industrial panel products	2	13	6	(86.2)%	116.7 %
Other products	(12)	(11)	(20)	(9.1)%	45.0 %
Pulp	13	(15)	(38)	183.3 %	60.5 %
Total operating profit (loss)	$ 195	$ 480	$ 168	(59.5)%	185.7 %

Numbers above reflect adjustment for EITF Issue No. 00-10 "Accounting for shipping and handling costs".

STRUCTURAL PRODUCTS

The Structural Products segment includes OSB, plywood, lumber and EWP, primarily LVL and I-joists. The decline in sales for 2000 compared to 1999 was primarily due to lower OSB, plywood and lumber prices, which were partially offset by higher sales volumes resulting from the inclusion of a full year of operation of Forex and Evans which were acquired in late 1999. The increase in Structural Products segment sales in 1999 as compared to 1998 was primarily the result of strong demand, which increased average selling prices. Divestitures and closures of less efficient and non-strategic manufacturing facilities partially offset the OSB sales increase in 1999.

OSB average selling prices declined 21% in 2000 compared to 1999 and increased 27% in 1999 compared to 1998. LP and several of its competitors plan to construct new OSB plants or expand existing facilities, which will add significantly to industry capacity in the next few years. This anticipated capacity, combined with a slow-down in the US economy that may slow the pace of future housing starts and, therefore, the demand for building products, drove down the average pricing for OSB in the year 2000. OSB sales volume increased 17% in 2000 compared to 1999 primarily as a result of the Forex acquisition. Volumes increased approximately 23% in 1999 compared to 1998 primarily as a result of the Forex acquisition and improvements in operating efficiencies.

Plywood results also declined in 2000. Plywood average selling prices fell 22% in 2000 compared to 1999. Plywood prices increased 19% in 1999 compared to 1998. LP has continued to shift production to higher-value products and away from commodity sheathing products. Plywood sales volume increased 3% in 2000 compared to 1999 and increased 23% in 1999 compared to 1998, primarily as a result of a shift to a higher percentage of outside sales and a lower percentage of sales to the distribution business within LP. Sales from LP's distribution business are shown in the Other Products segment.

Lumber sales in 2000 declined compared to 1999 due to weakened market conditions. Average selling prices decreased 19% and volume decreased 6% in 2000. The price decrease in 2000 reflects an oversupply of lumber in North American markets. Lumber sales increased in 1999 due to a 5% increase in prices and a 10% increase in volume. This increase was due to strong demand and a shift to a higher percentage of outside sales and a lower percentage of sales to the distribution business within LP. Sales from the distribution business are shown in the Other Products segment.

Engineered wood products (EWP) include engineered I-Joists, laminated veneer lumber (LVL) and hardwood veneer. EWP sales grew in 2000 due to increasing volumes while pricing was virtually unchanged. Average selling prices decreased 3% for I-Joist and 1% for LVL in 2000 offset by volume increases of 7% for I-Joist. The volume increase was primarily due to agreements to market products of independent producers. The increase in sales in 1999 was primarily due to a fast-growing market for these products and due to a marketing agreement to sell the products of an independent producer.

In 2000, the profitability of the Structural Products segment declined significantly, primarily as a result of price declines in OSB, plywood and lumber. Additionally, this segment was negatively impacted by significant increases in resin and energy costs. In 1999, the profitability of the Structural Products segment increased significantly, largely due to price improvements for OSB, plywood and lumber. Overall, log costs did not change significantly in 2000 or 1999. LIFO (last-in first-out) inventory income (expense) adjustments of $10 million in 2000, $(6) million in 1999 and $14 million in 1998 are included in the Structural Products segment.

EXTERIOR PRODUCTS

The Exterior Products segment consists of siding, both wood composite and vinyl, specialty OSB products and related products such as soffit, facia and trim and composite decking. Average selling prices of OSB-based exterior products decreased 21% in 2000 compared to 1999, while volumes increased 61% over 1999. The volume increase was primarily due the conversion of a commodity OSB mill into a specialty OSB mill in early 2000. Total profits decreased in 2000 primarily due to decreased sales prices and significant increase in resin costs associated with both the wood-based siding and vinyl operations. Average selling prices were relatively flat in 1999 compared to 1998. Sales volume increased as market acceptance of the product increased and due to the acquisition of ABT in early 1999. In 2000 and 1999, LP's specialty OSB manufacturing facilities produced and sold a moderate volume of commodity OSB sheathing product, which made a positive contribution to earnings.

INDUSTRIAL PANEL PRODUCTS

The Industrial Panel Products segment consists of particleboard, medium density fiberboard (MDF), hardboard and the hardboard and laminated industrial panel products. Decreased demand for particleboard and MDF resulted in relatively flat average sales prices and significant reduction in volumes. During 2000, LP permanently closed two MDF facilities and one hardboard facility due to market conditions. Profits in this segment were negatively impacted by reduced volumes and significant increases in energy costs. The addition of ABT products in 1999 is the primary reason for the increase in sales and profits of this segment in 1999 compared to 1998.

OTHER PRODUCTS

The Other Products segment includes distribution facilities, plastic moldings, wood chips, coatings and specialty chemicals (sold in December 1999), cellulose insulation (contributed to a joint venture in August 2000), Ireland operations, Alaska lumber and logging operations (sold in November 1999) and other products. The primary cause of the decrease in sales in the Other Products segment for 2000 compared to 1999 was the sale of the coatings and specialty chemicals business and the Alaska lumber and logging operations in 1999. Additionally, significant declines in commodity prices negatively

impacted sales and profits of LP's distribution facilities. The sales decrease in 1999 compared to 1998 is primarily due to the sale in mid-1998 of two California distribution centers, the Weather-Seal windows and doors operations and Creative Point Inc., which sold consumer electronic media storage devices. Increases in sales from the Ireland OSB plant and sales from the newly acquired ABT molding and shutter operations in 1999 partially offset the other sales decreases in 1999.

The operating loss in this segment was relatively flat in 2000 compared to 1999. This was a result of the sale or closure of unprofitable businesses offset by the impact of reduced pricing on the distribution business. The decreased losses in this segment in 1999 are primarily the result of the addition of the ABT molding operations, a reduction of losses in the cellulose insulation business due to cost cutting efforts and strategic changes and an increase in the profitability of the Ireland OSB operations due to the improved sales markets.

PULP

Pulp segment operations improved significantly in 2000. Sales volumes declined 18% while average selling prices rose 48%. The pulp markets improved as the Asian economy improved and pulp producers closed operations or took downtime. This improvement has been seen over the last two years. These improved prices significantly improved operating profits. Average sales prices increased 13% in 1999 while volumes rose 38%. Pulp markets in 1998 were negatively impacted by the worldwide over-capacity in the pulp industry and the Asian economic crisis.

LP pulp products represent the majority of LP's export sales. Therefore, the increase in pulp sales was the primary reason for the increase in export sales in 2000 and 1999. Information regarding LP's geographic segments and export sales are provided in Note 10 of the Notes to the financial statements included in Item 8 of this report.

GENERAL CORPORATE EXPENSE, NET

Net general corporate expense was $99 million in 2000, compared to $103 million in 1999 and $94 million in 1998. The decline in 2000 is primarily related to a reduction in management bonuses tied to company performance. The increase in 1999 is primarily attributable to increased sales and marketing personnel as LP has focused on its customers and the addition of key personnel to implement management's strategies.

UNUSUAL CREDITS AND CHARGES, NET

For a discussion of unusual credits and charges, net, refer to Note 7 of the Notes to the financial statements included in Item 8 of this report.

INTEREST, NET

In 2000, net interest expense was $43 million, a significant increase from the 1999 expense of $12 million. Interest expense increased in 2000 due to the indebtedness incurred in connection with the Forex, ABT and Evans acquisitions.

EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATE

In August 2000, LP and Casella Waste Systems, Inc. each contributed most of the assets of their respective cellulose insulation operations to a joint venture, U.S. GreenFiber, LLC (GreenFiber). Pursuant to the Limited Liability Company Agreement, each company owns 50% of GreenFiber. Subsequent to the formation of the joint venture, GreenFiber recorded a restructuring charge related to the closure of duplicate facilities and other activities associated with streamlining the combined business. LP's share of this restructuring charge was $5.3 million ($3.3 million after taxes, or $.03 per

diluted share). GreenFiber elected to be treated as a partnership for income tax purposes and therefore the entity is not taxed directly.

INCOME TAXES

The Company recorded a tax benefit of $11.5 million in 2000 and tax provisions of $139.5 million in 1999 and $14.4 million for 1998. For 2000, the change in the effective tax rate was due to the effects of non deductible goodwill, reductions in prior year provisions due to closure of prior year tax audits and an increase in the valuation allowance related to foreign tax credits due to expectation of lower future foreign income. Additionally, the income tax effects of LP's share of the loss of GreenFiber are recorded in the line item "provision (benefit) for income taxes" in LP's consolidated income statement, while LP's share of the pre-tax income or loss are recorded in the line item "equity in earnings of unconsolidated affiliate." In 1999, LP's effective tax rate approximated the statutory rates. In 1998, the high effective rate was primarily due to the effects of nondeductible goodwill and nondeductible fines.

LEGAL AND ENVIRONMENTAL MATTERS

Refer to Note 8 of the Notes to the financial statements included in Item 8 of this report for a discussion of the background of certain legal matters involving LP as well as the past and potential future impact on LP. In addition, a more detailed discussion of the significant past charges recorded by LP related to OSB siding litigation and the current status of related settlements follows.

Background of OSB Siding Litigation. Prior to 1995, LP primarily dealt with claims regarding the quality and performance of its siding through the product warranty process. In 1994 and early 1995, LP was served with numerous lawsuits alleging monetary damages as a result of OSB siding manufactured by LP. In 1995, LP discontinued payment of warranty claims (except under certain circumstances such as emergency claims) due to the pending litigation. In 1995 and 1996, LP settled the majority of these lawsuits through one of the following three mechanisms:

A class action settlement in Florida for owners of homes or other structures with LP OSB siding in that state only (the "Florida Settlement"),

A class action settlement for owners of homes or other structures with LP OSB siding in the remaining states in the U.S. (the "National Settlement"), and,

Individual settlements with claimants who opted not to participate in either of the above two settlements.

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

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

In addition, the settlements allowed management to focus its energies on reorganizing and reviving LP's business, rebuilding its damaged relations with the builders and consumers who purchase its products and preserving the market for its improved siding product that was introduced in 1996.

The National Settlement also afforded LP the opportunity to control both the amount and timing of payments in order to better manage liquidity and capital resources. (See the more complete discussion of the settlements in Note 8 to the Notes to the financial statements included in Item 8 of this report). It also gave LP a degree of control over the total liability for siding through the mechanism of optional funding payments for claims in excess of mandatory funding payments of $275 million. LP has the ability to prevent the assertions of claims by class members outside of the settlement as long as LP continues to make all optional funding payments provided for under the National Settlement. LP also has the ability to allow the settlement to expire if management determines that the settlement is no longer in the best interest of LP and its shareholders.

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

A request for a claim form is received and the potential claimant is entered into the system.

A claim form and related instructions and information are mailed to the potential claimant.

Upon receipt of a completed claim, it is reviewed for completeness. Incomplete claims packages are referred back to the claimant for additional information.

Each complete claim package is forwarded to a court-approved third party inspection firm that is responsible for inspecting the structure and determining the footage of damaged siding, as defined under the appropriate settlement and, in the case of the Florida Settlement, determining whether any contributing factors exist such as improper installation or maintenance.

The independent administrator calculates the monetary damages based on the footage of damaged siding, the age of the siding, the average cost of siding replacement in the appropriate geographic region and, in the case of the Florida Settlement, contributing factors such as improper installation or maintenance.

The claim processing is completed and the claim is either paid (immediately in the case of the Florida class action settlement and when money is available in the National Settlement fund) or placed in the payment queue for the National Settlement.

As of December 31, 2000, (i) approximately 299,000 requests had been received for claim forms for the National Settlement and the Florida Settlement, compared to 273,000 at December 31, 1999, and (ii) approximately 192,000 completed claim forms for the National Settlement and the Florida Settlement had been received, compared to 172,000 at December 31, 1999. The average payment amount for settled claims as of December 31, 2000 and December 31, 1999 was approximately $3,800, and $5,100, respectively. Excluding claims satisfied on a discounted basis pursuant to the Second Settlement Fund, the average payment amount for settled claims as of December 31, 2000 was $5,100. The total number of completed claim forms pending (not settled) as of December 31, 2000 was approximately 21,000 (approximately 67,000 at December 31, 1999) while approximately 137,000 had been claims settled (approximately 76,000 at December 31, 1999) and approximately 34,000 claims had been dismissed (approximately 29,000 at December 31, 1999). 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.

As of December 31, 2000, approximately 26,000 Florida class action claims had been paid. Although new claims are no longer being accepted, there remain approximately 700 claims that were

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timely made for which inspections still must be conducted. In addition, there are approximately 700 claims that were timely made but that have been identified as requiring additional information before they will be processed.

Amount and Timing of Accruals. The amount and timing of the accruals related to the siding matters are discussed below.

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

Dollar amounts in millions

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

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

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

During the first half of 1997, the independent administrators and third-party claims inspectors for the National Settlement began to reduce a backlog of unprocessed claims that had arisen during the months after final court approval of the National Settlement. At that time, management continued to believe the estimate of the total liability was adequate. LP engaged an outside statistician who developed a model to assist management in estimating the liabilities by projecting the monetary amount of claims in the system at any point in time based upon the total number of claims forms requested to

date. This projection method is based on factors and ratios that must be estimated from actual claims experience and trends in claim form requests. Additionally, trends in claim form requests themselves (which drive the projections over the longer term) have remained very erratic and difficult to forecast. Factors such as weather, publicity about siding matters, revisions in the National Settlement, and other factors have affected the pattern of claim form requests which has made it difficult for the statistician to extract any meaningful underlying trend. The statistician's model is affected by the foregoing factors and has not played a decisive role in management's estimation of the future liability.

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

An increase in the average cost per settled claim (under the National Settlement only) from approximately $5,400 at the end of 1996 to approximately $6,100 by the end of the third quarter of 1997.

A steady to increasing rate of claims forms requested and returned where LP originally estimated those figures to decrease over time. For example, completed claims forms received by the National Settlement claims administrator increased from approximately 33,000 at the end of 1996 to approximately 61,000 at the end of the third quarter of 1997.

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

In subsequent quarters of 1997 and 1998, LP continued to monitor the claims figures in order to evaluate the need for adjustments to the liability. During the third quarter of 1998 management evaluated available options under the National Settlement because of continuing changes occurring with the underlying data. The National Settlement claims administrator had received approximately 10,000 claims forms per quarter from the fourth quarter of 1997 through the third quarter of 1998, bringing the total to approximately 101,000 claims forms received through September 1998. This represented an increase of approximately 65% in one year. The average cost per settled claim did not change significantly during this period. The options under consideration included (i) allowing the settlement to terminate under the National Settlement terms and conditions; (ii) continuing the settlement without modification by electing to fund the optional payments as they became due; or (iii) attempting to resolve remaining claims through an alternative method.

In July 1998, LP formally proposed to class counsel enhancements to the National Settlement: (i) the Early Payment Program; and (ii) Second Settlement Fund. After numerous negotiating sessions, LP and class counsel were able to finalize an agreement on the terms of these programs, which were agreed to by the parties in the third quarter of 1998 and subsequently approved by the court in October 1998. Consistent with this agreement, LP accrued the estimated costs of these programs. The incremental cost of these programs was estimated to be approximately $22.3 million (netting the effect of prior accruals and the effect of discounts of payments allowed under this program) for the Early Payment

Program and $125.0 million for the Second Settlement Fund. These amounts were accrued during the third quarter of 1998 as were additional amounts totaling $112.7 million for the legal and administrative costs of these programs, claims of claimants who may opt out of the Second Settlement Fund, additional Florida Settlement claims based on statistical estimates, warranty claims subsequent to the expiration of the National and Florida Settlements and other costs.

Throughout the period the National and Florida Settlements have been in effect, LP has recorded accruals which represent management's best estimates of amounts to be paid based on available information. The unusual nature of the National and Florida Settlements and the various remedies available to LP makes the process of estimating these accruals difficult. Class members in the Florida Settlement had until October 4, 2000 to submit claims. LP expects to complete payments to Florida claimants during 2001 within its established reserves. In connection with the National Settlement, the liability recorded at December 31, 2000 represents management's best estimate of the future liability related to the 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. Numerous factors affect the total amount of the future liability. These factors are discussed below.

Early Payment Program And Second Settlement Fund. LP entered into these programs in 1998 after careful consideration of the potential monetary and non-monetary impacts of all of its alternatives and based on management's belief that they will help to keep the average cost per claim from increasing. Despite the increased costs of entering into these programs, LP's management deemed them to be in the best interests of LP and its stockholders. This decision was based on several very important considerations and assumptions.

LP's management believed that the Early Payment Program would be attractive to claimants who wished to repair or replace their exterior siding in a timely manner, as the discounts proposed were relatively modest. In addition, management believed that the Second Settlement Fund would encourage claimants to timely submit new claims during 1999 and accept a discounted payment in 2000, thereby removing these claimants from any future action. With these two programs, management believed the likelihood of any residual claimants initiating successful legal action after 2003 would be significantly diminished. Management also believed the effects of negative publicity regarding LP's siding products would be reduced under these programs. Negative publicity could severely limit the growth of LP's new siding products. Finally, management believed these programs would be a lower risk approach to extinguishing remaining claims at an acceptable cost. Payment of claims under the Second Settlement Fund was at the discretion of LP. During 2000, L-P paid approximately $114 million from the Second Settlement Fund in satisfaction of approximately $319 million in claims. 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

Future Costs. Other factors potentially influencing future costs include:

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

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

Insurance Recoveries. LP recorded approximately $17.2 million of insurance recoveries in 2000 and approximately $28.4 million of insurance recoveries in 1998. LP does not expect any further insurance recoveries related to OSB siding claims.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was $83 million in 2000, $473 million in 1999 and $123 million in 1998. In 2000, the decline in cash provided by operations resulted primarily from the decline in operating income and increased cash outflows for litigation contingencies, including settlements under the Second Settlement Fund. In 1999, the increase in cash provided by operations resulted primarily from improved operating profits. LP paid out $162 million in 2000, $104 million in 1999 and $113 million in 1998 related to litigation settlements.

Net cash used by investing activities was $261 million in 2000 and was primarily used for acquisitions of capital equipment to improve the efficiencies of existing mills. Additionally, LP used $55 million to acquire the assets of Sawyer Lumber Company and the assets of Hoff Companies, Inc. Net cash used by investing activities was $783 million in 1999 and was primarily used for the ABT, Forex and Evans acquisitions as well as other capital expenditures. LP received proceeds of $21 million in 2000 for the sale of several sawmills, a veneer plant and various land sites. LP received proceeds of $74 million in 1999, from the sale of the Alaskan operations and from the sale of the coatings and chemicals operations (Associated Chemists, Inc. subsidiary). Net cash provided by investing activities was $246 million in 1998. In 1998, LP received $368 million from the sale of assets, primarily timber, sawmill and distribution assets in California, the Weather-Seal windows and doors operations and Creative Point, Inc.

In 2000, net cash provided by financing activities was $101 million, compared to $300 million in 1999 and cash used in financing activities of $275 million in 1998. In 2000, LP borrowed $668 million and repaid $502 million primarily associated with the public debt offering which was primarily used to pay off bridge loans associated with 1999 acquisitions. The public debt offering consisted of $200 million of 8.875% senior notes due 2010 and $190 million of 8.50% senior notes due 2005 and was completed on August 18, 2000. Additional debt was incurred to finance the acquisitions of the assets of Sawyer Lumber Company and Hoff Companies, Inc. and payments from the Second Settlement Fund described above. In 1999, LP borrowed $629 million, primarily to finance acquisitions, and repaid $225 million of existing debt. In 1998, LP borrowed $348 million by issuing senior secured notes backed by notes receivable received in a separate asset sale transaction and repaid a total of $496 million of term and revolving loans. Treasury stock purchases were $11 million in 2000, $48 million in 1999 and $67 million in 1998.

LP expects to be able to meet the future cash requirements of its existing businesses through cash from operations, existing cash balances and existing credit facilities. Cash and cash equivalents totaled $38 million at December 31, 2000 as compared to $116 million at December 31, 1999 and $127 million at December 31, 1998. LP has a $300 million revolving credit facility, under which $107 million was outstanding at December 31, 2000. This facility is available until 2002. LP is currently in negotiations to renew this facility. LP also has a $50 million (Canadian) revolving credit facility, under which no borrowings were outstanding at December 31, 2000. This facility matures in March 2001 and LP is in the process of negotiating its renewal. Most of LP's debt agreements contain standard loan covenants. One of these covenants is a limitation on the ratio of funded debt to total capital (terms are defined in the agreements). Because operating losses reduce LP's total capital, future operating losses could reduce LP's capacity to borrow additional funds, including amounts under the revolving credit facilities discussed above. LP has several options available to it under those circumstances including, but not limited to, raising additional equity or seeking waivers of the covenant or amendments to the agreements that contain this covenant.

Contingency reserves, which represent an estimate of future cash needs for various contingencies (principally, payments for siding litigation settlements), totaled $162 million at December 31, 2000, of which $35 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of such estimates. As described above and

in Note 8 to the financial statements, the amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount.

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

STOCK REPURCHASE PROGRAM

On July 27, 1998, LP announced a program to repurchase up to 20 million common shares from time to time in the open market. As of December 31, 2000, LP had reacquired approximately 7.9 million shares for approximately $125 million. LP had approximately 104 million shares outstanding at year-end.

CARRYING VALUE OF CERTAIN ASSETS

LP is seeking to sell its Chetwynd, British Columbia pulp mill, which is presently managed by an unrelated party pursuant to a management agreement that expires in December 2001. LP currently believes it has adequate support for the carrying value of the affected assets. As the sale process progresses, it is possible that LP will be required to record an additional impairment charge based upon the indications of interest of prospective buyers or the actual sales price.

Due to the current market slowdown, LP is currently reviewing several mills for additional possible impairments. LP currently believes it has adequate support for the carrying value of each of these mills based upon the current projections and pricing assumptions. However, if the markets for the company's products do not improve, it is possible that LP will be required to record further impairment charges.

Refer to Note 1 to the financial statements for a discussion of LP's accounting policy regarding asset impairments.

ITEM 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

A portion of LP's outstanding debt bears interest at variable rates. Accordingly, LP's interest expense can fluctuate based upon changes in prevailing interest rates. See Note 4 of the Notes to financial statements included in Item 8 of this report for additional information regarding LP's variable rate debt and corresponding interest rates as of December 31, 2000.

LP's international operations create exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar. Although LP has entered into foreign exchange contracts to manage a portion of the foreign currency rate risk associated with certain of its indebtedness, LP historically has not entered into material currency rate hedges with respect to its exposure from operations (although it may do so in the future). See Notes 4 and 10 of the Notes to financial statements included in Item 8 of this report for a discussion of LP's foreign exchange contracts and geographic segment information, respectively.

LP historically has not entered into material commodity futures and swaps, although it may do so in the future.

ITEM 8. ***Financial Statements and Supplementary Data***

Consolidated Balance Sheets

dollar amounts in millions

	December 31	
	2000	**1999**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38.1	$ 116.0
Accounts receivable, less reserves of $3.7 and $3.2	129.6	200.7
Inventories	327.5	293.4
Prepaid expenses	22.8	18.5
Income tax refunds receivable	91.5	
Deferred income taxes	44.6	110.8
Total current assets	654.1	739.4
Timber and timberlands, at cost less cost of timber harvested	590.6	611.1
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	163.6	201.1
Buildings	324.7	307.5
Machinery and equipment	1,966.7	1,972.0
Construction in progress	107.8	56.8
	2,562.8	2,537.4

	December 31	
Accumulated depreciation	(1,254.0)	(1,203.4)
Net property, plant and equipment	1,308.8	1,334.0
Goodwill, net of amortization	326.3	347.7
Notes receivable from asset sales	403.8	403.8
Other assets	91.1	52.2
Total assets	$ 3,374.7	$ 3,488.2

See Notes to Financial Statements.

Consolidated Balance Sheets (Continued)

dollar amounts in millions

	December 31	
	2000	**1999**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 39.4	$ 44.9
Accounts payable and accrued liabilities	303.8	306.5
Income taxes payable		9.3
Current portion of contingency reserves	35.0	180.0
Total current liabilities	378.2	540.7
Long-term debt, excluding current portion:		
Limited recourse notes payable	396.5	396.5
Other debt	787.3	618.3
Total long-term debt	1,183.8	1,014.8
Deferred income taxes	334.0	396.3
Contingency reserves, excluding current portion	126.6	128.8
Other long-term liabilities and minority interest	56.9	47.6
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1 par value, 200,000,000 shares authorized, 116,937,022 shares issued	117.0	117.0
Preferred stock, $1 par value, 15,000,000 shares authorized, no shares issued		
Additional paid-in capital	440.2	445.4
Retained earnings	1,004.3	1,076.4
Treasury stock, 12,576,172 shares and 11,968,577 shares, at cost	(235.1)	(228.3)
Loan to Employee Stock Ownership Trust		(6.9)
Accumulated comprehensive loss	(31.2)	(43.6)

	December 31	
Total stockholders' equity	1,295.2	1,360.0
Total liabilities and stockholders' equity	$ 3,374.7	$ 3,488.2

See Notes to Financial Statements.

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Consolidated Statements of Income

dollar amounts in millions, except per share

	year ended December 31		
	2000	**1999**	**1998**
Net sales	$ 2,932.8	$ 3,071.6	$ 2,451.1
Operating costs and expenses:			
Cost of sales	2,362.6	2,272.5	2,007.8
Depreciation and amortization	184.4	156.3	143.8
Cost of timber harvested	51.1	45.7	41.6
Selling and administrative	234.7	219.4	184.7
Unusual credits and charges, net	70.5	8.2	47.8
Total operating costs and expenses	2,903.3	2,702.1	2,425.7
Income from operations	29.5	369.5	25.4
Non-operating income (expense):			
Interest expense, net of capitalized interest	(81.0)	(47.9)	(37.5)
Interest income	37.9	36.0	24.7
Foreign exchange gains (losses)	(4.6)	(0.6)	
Total non-operating income (expense)	(47.7)	(12.5)	(12.8)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	(18.2)	357.0	12.6
Provision (benefit) for income taxes	(11.5)	139.5	14.4
Minority interest in net income (loss) of consolidated subsidiaries		0.7	(3.8)
Equity in earnings of unconsolidated affiliate	7.1		
Net income (loss)	$ (13.8)	$ 216.8	$ 2.0
Net income (loss) per share basic and diluted	$ (0.13)	$ 2.04	$ 0.02
Cash dividends per share of common stock	$ 0.56	$ 0.56	$ 0.56
Average shares of common stock outstanding (millions)			
Basic	104.1	106.2	108.4

	year ended December 31		
Diluted	104.1	106.2	108.6

See Notes to Financial Statements.

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Consolidated Statements of Cash Flows

dollar amounts in millions

	year ended December 31		
	2000	**1999**	**1998**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ (13.8)	$ 216.8	$ 2.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and cost of timber harvested	235.5	202.0	185.4
Unusual credits and charges, net	85.6	8.2	61.2
Cash settlements of contingencies	(162.4)	(104.0)	(113.2)
Other adjustments	14.5	20.4	11.2
Decrease (increase) in receivables	67.5	7.0	(3.8)
Decrease (increase) in inventories	(37.4)	13.5	7.1
Decrease (increase) in income tax refunds receivable	(91.5)	46.0	33.7
Increase in prepaid expenses	(3.0)	(5.9)	(4.0)
Increase (decrease) in accounts payable and accrued liabilities	(0.4)	12.7	(64.2)
Increase (decrease) in income taxes payable	(8.3)	2.6	
Increase (decrease) in deferred income taxes	(3.8)	53.3	7.6
Net cash provided by operating activities	82.5	472.6	123.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant, equipment and logging road additions	(187.7)	(88.3)	(77.8)
Timber and timberland additions	(32.6)	(29.6)	(44.7)
Assets sale proceeds	20.5	74.2	367.6
Acquisitions, including replacement of debt	(54.7)	(726.1)	
Other investing activities, net	(6.6)	(13.6)	1.3
Net cash provided by (used in) investing activities	(261.1)	(783.4)	246.4
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in short-term notes payable			(22.0)
Long-term borrowings, including net increase in revolving borrowings	667.6	629.3	348.6
Repayment of long-term debt	(502.4)	(224.6)	(473.9)
Cash dividends	(58.3)	(59.2)	(60.7)
Purchase of treasury stock	(11.3)	(47.9)	(66.5)
Loans to ESOT s			(15.0)
Treasury stock sold to ESOT s			15.0
Other financing activities, net	5.1	2.7	(0.3)
Net cash provided by (used in) financing activities	100.7	300.3	(274.8)

	year ended December 31		
Net increase (decrease) in cash and cash equivalents	(77.9)	(10.5)	94.6
Cash and cash equivalents at beginning of year	116.0	126.5	31.9
Cash and cash equivalents at end of year	$ 38.1	$ 116.0	$ 126.5

See Notes to Financial Statements.

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Consolidated Statements of Stockholders' Equity

dollar and share amounts in millions except per share amounts

	Common Stock		Treasury Stock							
	Shares	Amount	Shares	Amount	Additional Paid In Capital	Retained Earnings	Loans to ESOTs	Accumulated Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income (Loss)
BALANCE AS OF DECEMBER 31, 1997	116.9	$ 117.0	7.3	$ (163.4)	$ 472.2	$ 977.5	$ (37.7)	$ (79.4)	$ 1,286.2	
Net income						2.0			2.0	$ 2.0
Cash dividends, $.56 per share						(60.7)				