

LOUISIANA PACIFIC CORP  
Form 424B5  
August 10, 2001

FILED PURSUANT TO RULE 424(b)(5)  
REGISTRATION NO. 333-73157

Prospectus Supplement to Prospectus dated April 6, 2000.

**\$200,000,000**

## **Louisiana-Pacific Corporation**

### **10.875% Senior Subordinated Notes due 2008**

Louisiana-Pacific will pay interest on the notes on May 15 and November 15 of each year. The first such payment will be made on May 15, 2002. The notes will be issued only in denominations of \$1,000 and integral multiples of \$1,000.

Prior to November 15, 2005, Louisiana-Pacific has the option to redeem the notes, in whole or in part, at 100% of the principal amount of the notes plus a make-whole premium as described in this prospectus. At any time prior to November 15, 2004, Louisiana-Pacific also has the option to redeem up to 35% of the notes at the redemption price set forth in this prospectus using the proceeds of specified equity offerings. On or after November 15, 2005, Louisiana-Pacific has the option to redeem all or a portion of the notes at the redemption prices set forth in this prospectus.

The notes are unsecured and subordinated in right of payment to all existing and future senior debt of Louisiana-Pacific and will be effectively subordinated in right of payment to all existing and future debt and other liabilities of Louisiana-Pacific's subsidiaries. As of March 31, 2001, the senior debt of Louisiana-Pacific and the aggregate debt and other liabilities of its subsidiaries, on a consolidated basis, was \$921 million, excluding \$314 million of non-recourse debt.

*See Risk Factors beginning on page S-14 to read about certain factors you should consider before buying the notes.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	<b>Per Note</b>	<b>Total</b>
Initial public offering price	100.00%	\$200,000,000
Underwriting discount	2.00%	\$ 4,000,000
Proceeds, before expenses, to Louisiana-Pacific	98.00%	\$196,000,000

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from August 13, 2001 and must be paid by the purchaser if the notes are delivered after August 13, 2001.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on August 13, 2001.

*Joint Book-Running Managers*

**Goldman, Sachs & Co.**

**Banc of America Securities LLC**

**RBC Dominion Securities**

**Wachovia Securities, Inc.**

**Scotia Capital**

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Prospectus Supplement dated August 8, 2001.



## FORWARD-LOOKING STATEMENTS

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

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words such as may, will, could, should, believe, expect, anticipate, intend, plan, estimate, potential, could, 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.

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

- changes in general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products, including the effects of industry-wide increases in manufacturing capacity;
- changes in the relationship between supply of and demand for the raw materials, including wood fiber and resins, used in manufacturing our products;
- changes in other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar;
- changes in general and industry-specific environmental laws and regulations;
- unforeseen environmental liabilities or expenditures;
- the resolution of product-related litigation and other legal proceedings; and
- acts of God or public authorities, war, civil unrest, fire, floods, earthquakes and other matters beyond our control.

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

## OFFERING SUMMARY

*This summary highlights information contained elsewhere in this prospectus supplement. Because it is a summary, it does not contain all the information you should consider before making an investment decision. You should carefully consider all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the discussion under the caption Risk Factors of specific risks involved in an investment in the notes. In this prospectus supplement, unless the context requires otherwise, LP, the company, we, us and our each refers to Louisiana-Pacific Corporation and its subsidiaries.*

## Our Company

Our company, headquartered in Portland, Oregon, is a leading manufacturer and distributor of building materials. As of March 31, 2001, we had approximately 10,200 employees and operated 64 facilities in the U.S. and Canada, one facility in Chile and one facility in Ireland. We also own approximately 950,000 acres of timberland in the U.S., predominately in the south, and manage approximately 49 million acres of timberland in Canada. In 2000, our sales originating in the U.S. were \$2,331 million, representing approximately 79% of our total sales of \$2,933 million. Our focus is on delivering innovative, high-quality commodity and specialty building products to retail, wholesale, home building and industrial customers. With the exception of pulp, our products are used primarily in new home construction, repair and remodeling ( R&R ), and manufactured housing.

Our business is organized into five segments:

Our structural products segment manufactures and distributes structural panel products, including oriented strand board ( OSB ), an economic plywood substitute made from wood strands arranged in layers and bonded with resin, and plywood; lumber; and engineered wood products ( EWP ), including I-joists and laminated veneer lumber ( LVL ). Our structural products segment also includes our timberlands. We believe that in North America we are the largest and one of the most efficient producers of OSB, the largest producer of stud lumber and one of the largest producers of EWP. In 2000, structural products segment sales were approximately \$1,817 million, representing approximately 62% of our total net sales.

Our exterior products segment produces and markets wood and vinyl siding and related accessories, composite decking and specialty OSB products. Our exterior siding and other cladding products are used in the residential and commercial building markets. Our exterior product offerings are classified into five categories: (1) SmartSystem® siding products, (2) hardboard siding products, (3) vinyl siding products, (4) composite decking, and (5) developmental products. Our portfolio of products offers customers a wide variety of siding choices at various performance levels and prices. In 2000, exterior products segment sales were approximately \$329 million, representing approximately 11% of our total net sales.

Our industrial panel products segment manufactures and distributes particleboard, medium density fiberboard ( MDF ), hardboard and decorative panels. Our strategy in industrial panel products is primarily to focus on value-added specialty products that are complementary to our other product offerings. These value-added specialty product lines include flooring, shelving, door skins, door parts, decorative panels, paneling and other specialty applications. In 2000, industrial panel products segment sales were approximately \$287 million, representing approximately 10% of our total net sales. Our other products segment includes plastic molding products, as well as our distribution and wholesale business, wood chips and our OSB plants located in Chile and Ireland. Our other products segment previously included our Cocoon cellulose insulation business, which we contributed to a 50%-owned joint venture in August 2000. In 2000, other products segment sales were approximately \$348 million, representing approximately 12% of our total net sales.

Our pulp segment includes a pulp mill located in Chetwynd, British Columbia and previously included a pulp mill located in Samoa, California in which we sold a controlling interest in the first quarter of 2001. We are seeking to completely exit the pulp business with the sale of our Chetwynd pulp mill, which is presently managed by an unrelated party. In 2000, pulp segment sales were approximately \$152 million, representing approximately 5% of our total net sales.

### **Our Industry**

Building products are used in the construction of new housing, including traditional frame houses, multi-family homes, manufactured housing, and the repair and remodeling of existing housing. Generally classified by their application, building products are segmented into two groups, structural products and non-structural products. Structural products are used when strength is important and include structural panels, such as OSB and plywood; lumber; and EWP. Non-structural products are generally used when strength is not necessarily required and include products used on the exterior of residential and commercial structures, such as siding and decking. Particleboard, MDF, and hardboard are also non-structural products, and are used in the construction of furniture and other non-load bearing applications.

Up until the late 1980s, plywood represented over 95% of the structural panel market. Since then, OSB has become an increasingly popular alternative to plywood because of its comparable performance attributes and generally lower cost. The relatively abundant and fast-growing deciduous trees and under-utilized coniferous trees used in the manufacture of OSB are generally less expensive than the trees used to make plywood. According to data from Institutional Wood Markets Research, Inc. ( IWMR ) and Resource Information Systems, Inc. ( RISI ), two industry research firms, OSB consumption surpassed that of plywood in 1998 and has continued to gain share in the structural panel market resulting in a 51% share in 2000.

Historically, building products consumption has been generally correlated with housing starts and residential remodeling and repair activity. According to U.S. government data, in the ten-year period from 1991 through 2000, U.S. housing starts grew at a 5% compounded annual rate, while residential improvement and repairs expenditures grew at a 3% compounded annual rate.

Correspondingly, according to IWMR and RISI, the compounded annual growth rate for structural panels consumption was 5% and the compounded annual growth rate for softwood lumber consumption was 3% in this ten-year period.

RISI has stated that it expects underlying housing demand to be bolstered by several key factors over the coming decade, including the changing age and class distribution of the U.S. population and a healthy economic environment. With an increase in the number of homes among family members and the number of families who maintain more than one residence, baby-boom generation demographics are expected by RISI to positively affect underlying housing demand. These factors are expected to increase significantly the number of household formations from 2000 to 2010. RISI has predicted a net increase in the average annual demand for all types of new housing of nearly 200,000 units, from 1.7 million units in the decade from 1990 to 2000 to 1.9 million units in the decade from 2000 to 2010.

Given the commodity nature of a considerable portion of the building products business, prices can fluctuate considerably due to supply and demand conditions. Industry players compete largely on the basis of price and to a significant extent on the ability to provide a broad product offering and a high level of customer service. Cost competitiveness is principally determined by the efficiency of manufacturing facilities, proximity to customers and access to competitively priced raw materials.

### **Our Strategy**

As a leading supplier of home building materials, we believe that the home building products industry presents significant growth opportunities and we intend to continue pursuing these opportunities by delivering innovative, high-quality commodity and specialty building products to retail, wholesale, home building and industrial customers. We believe that we can continue to enhance our success by implementing the following core business strategies:

*Focus on Being a Premier Provider of Building Products.* Since 1996, we have shifted our primary business focus from forest products to building products. In addition, we have focused on growth businesses, such as OSB and EWP. Consistent with our shift in focus, we have expanded our building product offerings and added production capacity in our core businesses. During the period from 1997 through 2000, we divested more than \$1 billion of non-strategic assets in order to redeploy our capital in our key product lines.

*Improve Operating Efficiencies.* We have improved and continue to improve the cost structure of our facilities through the sale or closure of underperforming mills and manufacturing facilities, as well as investing in technology. Given these initiatives and the strategic locations of many of our facilities, we believe that we are one of the lowest average delivered-cost producers of OSB in North America. We have also structured our management teams along product lines to enhance our ability to implement best manufacturing practices across product lines. We plan to continue to selectively invest in new technologies that modernize our manufacturing facilities and develop improved manufacturing processes.

*Generate Sales Growth through Customer Focus and Innovation.* Our sales and marketing efforts target customers by channel and focus on providing these customers with quality service and a broad array of traditional and specialty building products. Our facilities are located throughout the U.S. and Canada, which allows us to be closer to our customers and more responsive to end-user needs and trends. Through this focus on quality service, we continue to enhance our reputation for accurate deliveries on a timely basis. In addition, we continually seek to identify new specialty building products and markets where we can utilize our core competencies in the design, manufacturing and marketing of building products.

*Make Selective Strategic Acquisitions.* We intend to selectively target acquisitions that (1) complement our core competencies in structural panels, lumber, EWP and specialty building products and (2) have leading positions in established market segments. We believe that, through selective acquisitions, we can continue to provide our nationwide customer base with superior value.

### **Our Strengths**

Our competitive strengths that underlie our strategy include:

*Leading Market Positions.* We are an industry leader in building products. We believe we have the number one market position in our principal products, which include OSB structural panels and specialty OSB products, stud lumber, exterior cladding and, through a 50%-owned joint venture, cellulose insulation. We believe we also have leading market positions in decorative paneling and tileboard and plastic moldings. We believe our leading market positions and favorable cost structure give us an advantage over many of our competitors.

*Low Cost Producer.* We believe that we are among the lowest cost producers of building products in the markets in which we compete. We have been able to achieve this advantage due in part to the modern, efficient facilities that we own and operate. We attribute this high level of efficiency, in part, to the significant capital investments we have made. The efficiency of our manufacturing facilities is augmented by our national scope and geographic proximity to our customers, which enable us to rank among the most competitive suppliers of OSB in the industry based on average delivered-cost. In addition, our management team has demonstrated a commitment to streamlining our product offerings and focusing our manufacturing assets on key, high-margin products where we believe we have a competitive advantage. Our dedication to operating only low-cost, efficient facilities has resulted in the complete or partial sale, closure, or curtailment of approximately 50 facilities over the last five years.

*Modern Manufacturing Facilities and Low Required Ongoing Capital Expenditures.* We have made significant capital investments in each of our strategic business segments, which we believe has resulted in our facilities ranking among the most technologically modern and cost-competitive facilities in the industry. We believe these investments have enabled us to be a leading low-cost supplier of building products to our customers and will result in a lower level of capital expenditures for facility upgrades in the future.

*Significant Scale.* We operate 14 OSB facilities in North America, with nine facilities in the U.S. and five facilities in Canada. Our scale enables us to gain significant efficiencies that result from high-volume production runs and to employ and implement best practices and process improvements developed at one mill across all of our mills. We believe our geographic diversity allows us to be more efficient with respect to shipping and distribution of finished products. Our scale also enables us to serve national customers, such as Home Depot and Lowe's, in a variety of end markets, including retail home centers, wholesale distribution companies, building materials professional dealers, manufactured housing producers and industrial manufacturers. We believe that our ability to provide high quality service on a national scale to each of these customers is a significant competitive advantage.

*Well-Positioned to Benefit from Building Products Industry Dynamics.* We believe that we are well positioned to capture the benefits from increased new home construction and increased spending on the repair and remodeling of existing homes. RISI has estimated that average annual housing starts for the period from 2000 through 2005 will be 1.6 million, surpassing the average annual starts of 1.4 million for the period from 1991 to 2000. Additionally, RISI has predicted that the total dollars spent on R&R will increase to approximately \$138 billion by 2004, a substantial increase from approximately \$127 billion spent in 2000. We believe that we are well positioned to profit from these growth trends by capitalizing on our current leading market positions and by targeting corollary markets, such as EWP, with innovative, value-added products.

*Significant Cash Flow Generation Potential.* We maintain a low cost position and a disciplined capital expenditures program, which helps us to generate significant free cash flow. During the last five years, our businesses generated, on average, \$297 million per year in adjusted EBITDDA. Adjusted EBITDDA represents income (loss) before taxes, minority interests and equity in earnings of unconsolidated affiliate plus net interest expense, depreciation, depletion (also referred to as cost of timber harvested) and amortization, as adjusted to exclude unusual charges and credits and losses related to assets and liabilities transferred under contractual arrangement. As demonstrated by our dividend reduction announced in May 2001, our management team and board of directors are willing to take aggressive action to ensure the company maintains adequate liquidity and financial flexibility during both favorable and challenging markets.

*Experienced Management Team with Strong Strategic Vision.* Led by our CEO, Mr. Mark Suwyn, our senior management team has a proven track record of focused expansion of our building products business; successfully integrating acquisitions; divesting non-core or underperforming assets; generating additional revenues through product innovation and applied technologies; targeting capital investments on projects that enhance yields and improve cost; and maximizing performance during both favorable and challenging markets. Under Mr. Suwyn's leadership, our management team has been invigorated with a high level of focus on profitability, growth and cash flow generation.

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We were organized in Delaware in 1972. Our executive offices are located at 805 S.W. Broadway, Suite 1200, Portland, Oregon 97205. Our telephone number is (503) 821-5100.

## **Recent Developments**

### **Recent Financial Results**

On July 19, 2001, we announced our unaudited financial results for the three and six months ended June 30, 2001. For the three months ended June 30, 2001, our net sales and adjusted EBITDDA were \$650 million and \$57 million, respectively. For the three months ended June 30, 2001, our capital expenditures totaled \$12 million.

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Compared to the prior three-month period, our net sales for the three months ended June 30, 2001 increased approximately \$91 million or 16% primarily due to increases in wholesale building product prices and strong demand for our products as a result of continued robust U.S. residential construction activity. Net sales increases for structural products, exterior products and other products of 18%, 61% and 17%, respectively, more than offset a 3% decrease in net sales for industrial panel products. A comparison over the same periods of pulp sales is not meaningful due to the sale of a controlling interest in Samoa Pacific Cellulose LLC in the first quarter of 2001.

Similarly compared to the prior three-month period, our adjusted EBITDDA for the three months ended June 30, 2001 increased approximately \$89 million. Adjusted EBITDDA increases for structural products, exterior products and industrial panel products of \$66 million, \$16 million and \$3 million, respectively, more than offset a \$1 million decrease in adjusted EBITDDA for other products.

At June 30, 2001, our consolidated balance sheet reflected \$56 million of cash and cash equivalents, \$876 million of debt (excluding non-recourse debt) and \$1,181 million of stockholders' equity. During the three months ended June 30, 2001, total debt decreased by \$45 million.

Our capital expenditures for the six months ended June 30, 2001 were \$34 million, compared to \$98 million for the six months ended June 30, 2000, a decrease of 65%. The current level of capital spending is significantly less than one-half of depreciation, depletion and amortization.

The following table presents unaudited results of operations data for the three and six months ended June 30, 2000 and 2001. This data should be read in conjunction with the consolidated financial statements and the related notes and other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Interim results are not necessarily indicative of our future operating results for any interim period or any full year.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	2001	2000	2001
	(dollars in millions)			
Net sales(a)	\$832	\$650	\$1,661	\$1,208
Net interest expense(b)	(9)	(14)	(17)	(29)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	38	(14)	134	(127)
Net income (loss)	21	(10)	79	(99)
Income (loss) excluding unusual credits and charges(c)	44	(9)	101	(91)
Adjusted EBITDDA(d)	144	57	309	24
Capital expenditures(e)	56	12	98	34

(a) Sales figures for the three and six months ended June 30, 2000 have been reclassified to conform with EITF Issue No. 00-10 Accounting for Shipping and Handling Costs.

(b) Net interest expense is interest expense net of interest income, which is principally comprised of interest income on notes receivable from asset sales that provide collateral for our limited recourse notes payable.

(c) In the first quarter of 2000, we recorded a \$5 million (approximately \$3 million after taxes) gain on an insurance recovery for siding related matters and an impairment charge of approximately \$3 million (approximately \$2 million after taxes) to reduce the carrying value of a manufacturing facility to its estimated net realizable value. In the second quarter of 2000, we recorded a net \$38 million loss (approximately \$23 million after taxes) primarily related to an impairment charge to reduce the carrying value of a pulp mill in Samoa, California 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 first quarter of 2001, we recorded a net loss of approximately \$10 million (approximately \$6 million after taxes) associated with impairment charges on certain assets. We also recorded a net loss of \$2 million (approximately \$1 million after taxes) for additional reserves for non-product litigation. In the second quarter of 2001, we recorded a net loss of \$2 million (approximately \$1 million after taxes) associated with the impairment of an equity investment.

(d) EBITDDA represents income (loss) before taxes, minority interests and equity in earnings of unconsolidated affiliate plus net interest expense, depreciation, depletion (also referred to as cost of timber harvested) and amortization. Adjusted EBITDDA represents EBITDDA, as adjusted to exclude unusual charges and credits and losses related to assets and liabilities transferred under contractual arrangement. Adjusted EBITDDA provides a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. Adjusted EBITDDA does not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), cash flow or other measures of performance prepared in accordance with generally accepted accounting principles. Our definitions of EBITDDA and adjusted EBITDDA may not be comparable to those reported by other companies.



(e) Excludes acquisitions.

**Recent Wholesale Prices of Selected Building Products**

The following table sets forth, for the three months ended March 31, 2001 and June 30, 2001, the average wholesale prices of selected building products in the U.S.

	Three Months Ended March 31, 2001	Three Months Ended June 30, 2001	% Change
OSB, <sup>7</sup> /16 basis <sup>24</sup> /16 span rating (North Central price), MSF(a)	\$132	\$191	45%
Southern pine plywood, <sup>1</sup> /2 basis CDX (3-ply), MSF(a)	242	303	25
Framing lumber, composite prices, MBF(a)	284	366	29
Industrial particleboard, <sup>3</sup> /4 basis, MSF(a)	257	260	1

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

**Dividend Reduction**

On May 7, 2001, we announced that our board of directors had reduced the company's quarterly dividend by 65% from \$0.14 per share to \$0.05 per share. Our board of directors indicated that, despite some recent improvement, product prices had been at near-record lows since their rapid decline starting in the second quarter of 2000. The board's action to reduce the dividend was based on a variety of factors including market conditions, an uncertain economy and a desire to increase our financial flexibility. The dividend reduction is expected to result in annual cash savings of approximately \$38 million.

**The Transaction**

We will use the gross proceeds from the sale of the notes to repay all debt outstanding under an existing term loan maturing in 2003, to repay a portion of the debt outstanding under an existing revolving credit facility and to pay related transaction costs relating to this offering. This offering of notes and the use of proceeds as described above are referred to in this prospectus supplement as the Transaction. The table below sets forth the estimated sources and uses for the Transaction based on balances as of March 31, 2001 (dollars in millions):

Sources		Uses	
10.875% senior subordinated notes due 2008	\$200	Repay term loan	\$170
		Repay portion of revolving credit facility	25
		Transaction costs	5
<b>TOTAL SOURCES</b>	<b>\$200</b>	<b>TOTAL USES</b>	<b>\$200</b>

In addition to the Transaction, as of the date of this prospectus supplement, the arranger of a new \$200 million three-year senior secured revolving credit facility for LP had received written commitments, subject to customary conditions, from financial institutions for \$180 million of this new facility. We expect this new credit facility to be in place by the end of the third quarter of 2001. As of June 30, 2001, the outstanding balance under our existing revolving credit facility was approximately \$67 million. Had we closed this new revolving credit facility on June 30, 2001 and repaid the remaining debt outstanding under our existing domestic revolving credit facility and paid related fees and expenses, we would have had approximately \$158 million of initial availability under this new facility. See Description of Other Indebtedness New Domestic Revolving Credit Facility. In addition, we are in the process of seeking to arrange a \$125 million trade receivables financing facility in order to further enhance our liquidity. We have targeted closing the trade receivables financing facility by the end of the fourth quarter of 2001. See Description of Other

Indebtedness Receivables Financing Facility.

### The Offering

*The following summary is not intended to be complete. For a more detailed description of the notes, see Description of the Notes.*

Issuer

Louisiana-Pacific Corporation  
the present values of the remaining scheduled payments of the principal of and interest on the notes being redeemed discounted to the date of redemption as desired on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Yield (as defined herein) plus 50 basis points; plus, in either case, accrued interest on the notes being redeemed to the date of redemption. See Description of the Notes Optional Redemption. At any time prior to November 15, 2004, we may also redeem up to 35% of the notes at our option at the redemption price listed in Description of the Notes Optional Redemption using the proceeds of specified public equity offerings. On or after November 15, 2005, we may redeem some or all of the notes at our option at the redemption prices listed in Description of the Notes Optional Redemption.

sell assets;

### Risk Factors

You should carefully consider all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the discussion under the caption Risk Factors of specific risks involved in an investment in the notes.

### SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The historical financial data as of and for the years ended December 31, 1998, 1999 and 2000 were derived from our audited consolidated financial statements included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. The historical financial data as of and for the three months ended March 31, 2000 and 2001 were derived from our unaudited consolidated financial statements included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. Our unaudited consolidated financial statements were prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation. Interim results are not necessarily indicative of our future operating results for any interim period or any full year. This summary financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated historical financial statements and related notes included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This data reflects the adoption of EITF Issue No. 00-10 and other reclassifications to conform to the 2000 presentation.

	Year Ended December 31,			Three Months Ended March 31,	
	1998	1999	2000	2000	2001
(dollars in millions, except ratio data)					
<b>Income statement data:</b>					
Net sales:					
Structural products	\$1,307	\$1,876	\$1,817	\$ 532	\$ 344

	Year Ended December 31,			Three Months Ended March 31,	
Exterior products	116	276	329	71	70
Industrial panel products	192	300	287	81	53
Other products	731	477	348	103	59
Pulp	105	143	152	43	33
Total net sales	\$2,451	\$3,072	\$2,933	\$ 830	\$ 559
Gross profit (loss)(a)	\$ 258	\$ 597	\$ 335	\$ 163	\$ (40)
Adjusted operating profit (loss)(b)	74	377	96	104	(81)
Net interest expense(c)	(13)	(12)	(43)	(8)	(15)
Net income (loss)	2	217	(14)	58	(89)

	Year Ended December 31,			Three Months Ended March 31,	
	1998	1999	2000	2000	2001
<b>Production volumes:</b>					
OSB, <sup>3</sup> /8 basis, million square feet	3,934	4,406	5,122	1,395	1,367
Softwood plywood, <sup>3</sup> /8 basis, million square feet	983	943	1,046	268	207
Lumber, million board feet	1,110	1,029	993	264	229
Wood-based siding, <sup>3</sup> /8 basis, million square feet	383	678	949	169	154
Industrial panel products, <sup>3</sup> /4 basis, million square feet	575	621	598	173	131
Engineered I-Joists, million lineal feet	86	87	70	24	14
Laminated veneer lumber, thousand cubic feet	7,100	6,300	7,000	2,150	1,700
Pulp, thousand short tons	286	374	373	99	51

- (a) Gross profit (loss) represents income (loss) before selling and administrative expense, unusual credits and charges, income taxes, minority interest, interest and equity in earnings of unconsolidated affiliate.
- (b) Adjusted operating profit (loss) represents income (loss) before taxes, minority interests, interest, and equity in earnings of unconsolidated affiliate, excluding unusual charges, net of unusual credits, of \$(48) million, \$(8) million, \$(71) million, \$2 million and \$(12) million, respectively, for the years ended December 31, 1998, 1999, and 2000 and the three months ended March 31, 2000 and 2001.
- (c) Net interest expense is interest expense net of interest income, which is principally comprised of interest income on notes receivable from asset sales that provide collateral for our limited recourse notes payable.
- (d) EBITDDA represents income (loss) before taxes, minority interests and equity in earnings of unconsolidated affiliate plus net interest expense, depreciation, depletion (also referred to as cost of timber harvested) and amortization. Adjusted EBITDDA represents EBITDDA, as adjusted to exclude unusual charges and credits and losses related to assets and liabilities transferred under contractual arrangement. Adjusted total EBITDDA includes corporate expenses as well as the adjusted EBITDDA of each segment. Adjusted EBITDDA provides a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. Adjusted EBITDDA does not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), cash flow or other measures of performance prepared in accordance with generally accepted accounting principles. Our definitions of EBITDDA and adjusted EBITDDA may not be comparable to those reported by other companies.
- (e) Earnings are defined as income (loss) before taxes and minority interests and equity in earnings of unconsolidated affiliate plus fixed charges. Fixed charges consist of interest incurred on debt including capitalized interest, capitalized expenses related to indebtedness and an estimated portion of rental expense that is representative of the interest factor under operating leases deemed to be the equivalent of interest. Earnings were insufficient to cover fixed charges by approximately \$15 million for the year ended December 31, 2000 and approximately \$113 million for the three months ended March 31, 2001.
- (f) Adjusted total debt excluding non-recourse portion reflects total debt after giving effect to the offering as if it had been completed as of March 31, 2001, and excluding approximately \$314 million of non-recourse debt. The excluded non-recourse debt represents 90% of approximately \$349 million of debt secured by notes receivable issued to us by Simpson Timber Company. Adjusted total EBITDDA is calculated for the twelve months ended March 31, 2001.

- (g) Adjusted total EBITDDA is calculated for the twelve months ended March 31, 2001. Pro forma interest expense reflects interest expense after giving effect to the offering as if it had been completed at the beginning of the twelve months ended March 31, 2001.
- (h) Prices represent yearly and quarterly averages stated in dollars per thousand board feet (MBF) or thousand square feet (MSF). Source: *Random Lengths*.

## RISK FACTORS

*You should carefully consider the risks described below, together with all of the other information set forth or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.*

### Risks Related to Our Indebtedness and the Notes

#### **Our substantial debt could adversely affect our cash flow and prevent us from fulfilling our obligations.**

We have a significant amount of debt. As of March 31, 2001, after giving effect to the Transaction, we would have had (1) pro forma consolidated total debt of approximately \$926 million (excluding approximately \$314 million of non-recourse debt), all of which would have been expressly or effectively senior to the notes, and (2) a pro forma ratio of total debt to total capitalization, excluding the non-recourse portion of debt in each case, of approximately 44%. See Capitalization and Description of Other Indebtedness.

Our substantial debt could have important consequences. For example, it could:

require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements;

limit our flexibility in planning for, or reacting to, changes and opportunities in, the building products industry, which may place us at a competitive disadvantage compared to our competitors;

limit our ability to incur additional debt on commercially reasonable terms, if at all;

increase our vulnerability to adverse economic and industry conditions; and

make it more difficult or impossible for us to make payments on the notes or any other indebtedness or obligations.

#### **We must generate significant cash flow to service our debt. Our ability to generate cash depends on many factors beyond our control.**

Our ability to make payments on our existing and future senior debt and the notes and to pay our expenses will depend on our ability to generate cash in the future. Our ability to generate cash is subject to various risks and uncertainties, including those disclosed or incorporated by reference in this prospectus supplement and the accompanying prospectus. Based on our current level of operations, we believe our cash flow from operations and other capital resources will be sufficient to meet our liquidity needs for the foreseeable future. However, we cannot assure you that these capital resources will be sufficient to enable us to repay our senior debt and the notes and to pay our expenses. If we do not have enough money to make these payments, we may be required to refinance all or part of our debt, sell assets, curtail discretionary capital expenditures, further reduce dividend payments or borrow more money. We cannot assure you that we will be able to do these things on commercially reasonable terms, if at all. In addition, the terms of our existing or future debt agreements may restrict us from pursuing any of these alternatives.

#### **The agreements governing our existing and future debt contain and will contain various covenants that limit our discretion in the operation of our business.**

The agreements and instruments governing our existing and future debt contain and will contain various restrictive covenants that, among other things, require us to comply with or maintain certain financial tests and ratios and restrict our ability to:

incur debt;

incur liens;

redeem and/or prepay debt;

- make acquisitions;
- make investments, including loans and advances;
- make capital expenditures;
- engage in mergers, consolidations or sales of assets;
- engage in transactions with affiliates; and
- pay dividends or engage in stock redemptions.

Our ability to comply with these covenants is subject to various risks and uncertainties, and events beyond our control which could affect our ability to comply with and maintain the financial tests and ratios. Any failure by us to comply with and maintain all applicable financial tests and ratios and to comply with all applicable covenants could result in an event of default with respect to, and the acceleration of the maturity of, a substantial portion of our debt. Even if we are able to comply with all applicable covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities.

**Your right to receive payments on the notes may be adversely affected by the rights of our senior creditors.**

All of the company's existing debt and all of the existing debt and other liabilities, including trade payables and lease obligations, of our subsidiaries are senior in right of payment to the notes. Except to the extent, if any, that any of the company's future debt is expressly subordinated to be on parity with or junior to the notes, all future debt of the company and all future debt or other liabilities, including trade payables and lease obligations, of our subsidiaries will be senior in right of payment to the notes. As a result, upon any distribution to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to the company and our subsidiaries, the holders of our senior debt and the holders of the debt and other liabilities, including trade payables and lease obligations, of our subsidiaries will be entitled to be paid in full in cash before any payment may be made on the notes.

If we fail to pay our senior debt when due, whether upon maturity or as a result of acceleration or otherwise, we could be prohibited from making any payments on the notes until the default is cured or all of the senior debt is paid in full. In addition, payments on the notes may be blocked for periods, each up to 179 consecutive days, in the event of other defaults relating to specified senior debt.

In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to the company, holders of the notes will participate ratably with our general unsecured creditors and ratably with all other holders of all of our senior subordinated indebtedness, if any, in the assets remaining after we have paid all of the senior debt. However, because the indenture requires that amounts otherwise payable to holders of the notes in a bankruptcy or similar proceeding be paid to holders of senior debt instead, holders of the notes may receive less, ratably, than our other general unsecured creditors in any such proceeding. In any of these cases, we may not have sufficient funds to pay all of our creditors, including the holders of the notes.

**The assets of our subsidiaries may not be available to make payments on the notes.**

The notes will not be guaranteed by our subsidiaries, and payments on the notes are required to be made only by us. We may not have direct access to the assets of our subsidiaries unless these assets are transferred by dividend or otherwise to us. The ability of our subsidiaries to pay dividends or otherwise transfer assets to us is subject to various restrictions, including restrictions under applicable law.

In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to any of our subsidiaries, holders of indebtedness of our subsidiaries, including trade creditors, would generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. Any right that we have to receive any assets of any of our subsidiaries upon its liquidation or reorganization will be effectively subordinated to the claims of creditors of the subsidiary, except to the extent that we are a creditor of the subsidiary, in which case our claims would still be subordinated in right of payment to any secured indebtedness of that subsidiary and any indebtedness of the subsidiary that is senior to that held by us. As a result, the notes will be effectively subordinated to the debt and other liabilities, including trade payables and lease obligations, of all of our subsidiaries. As of March 31, 2001, our subsidiaries had \$514 million of debt (including \$314 million of non-recourse debt and excluding all intercompany debt) and \$431 million of trade payables and other liabilities outstanding.

**We may incur substantially more debt. This could further increase the risks associated with our substantial leverage.**

We may incur substantially more debt in the future. Any such additional debt could increase the risks associated with our substantial leverage.

### **Risks Related to Our Business**

#### **Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial condition and results of operations.**

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

#### **We have a high degree of product concentration.**

OSB accounted for approximately 30% of our revenues during fiscal 2000, and we expect OSB sales to continue to account for a substantial portion of our revenues in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. For example, according to Random Lengths, an industry source, during the three months ended March 31, 2000, average OSB pricing per thousand board feet was \$261. For the same period in 2001, average OSB pricing per thousand board feet was \$132. We cannot assure you that prices for OSB or our other products will not decline from current levels.

#### **Increased industry production capacity for OSB could constrain our operating margins for the foreseeable future.**

According to the APA The Engineered Wood Association (the APA), an industry trade association, total North American OSB annual production capacity increased by about 3 billion square feet in 2000 to approximately 24 billion square feet on a <sup>3</sup>/<sub>8</sub>-inch equivalent basis and is projected to increase by approximately 6 billion square feet in the 2001 to 2006 period. The APA has projected that total North American demand for OSB will increase by about 5 billion square feet during the 2001 to 2006 period. If increases in OSB production capacity exceed increases in OSB demand, OSB could have constrained operating margins for the foreseeable future.

#### **Intense competition in the building products industry could prevent us from increasing or sustaining our net sales and from regaining or sustaining profitability.**

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

#### **Our results of operations may be harmed by increases in raw material costs.**

The most significant raw material used in our operations is wood fiber. We currently obtain more than 50% of our wood fiber requirements in the open market. Wood fiber is subject to commodity pricing, which fluctuates on the basis of market factors over which we have no control. In addition, the cost of various types of wood fiber that we purchase in the market has at times fluctuated greatly because of economic or industry conditions. In addition to wood fiber, we also use a significant quantity of various resins in the manufacturing processes for our structural and industrial panel products, as well as certain of our vinyl products. Resin product costs are influenced by changes in the prices of raw materials used to produce resin, primarily petroleum products, as well as

demand for resin products. Selling prices of our products have not always increased in response to raw material cost increases. We are unable to determine to what extent, if any, we will be able to pass any future raw material cost increases through to our customers through product price increases. Our inability to pass increased costs through to our customers could have a material adverse effect on our financial condition, results of operations and cash flow.

**Our operations require substantial capital and our capital resources may not be adequate to provide for all of our cash requirements.**

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

**We are subject to significant environmental regulation and environmental compliance expenditures and liabilities.**

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

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

**We are involved in various environmental matters and legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties.**

We currently are and from time to time in the future will be involved in a number of environmental matters and legal proceedings. These matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject to inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time. At March 31, 2001, the estimated amount of approved but unpaid claims under the settlement agreement relating to the class action settlement of our national OSB siding litigation, exceeded the sum of the then-current balance of the related settlement fund and our remaining mandatory contributions to the related settlement fund by approximately \$101 million. Consequently, the actual costs we ultimately incur may vary significantly from the estimated costs reflected in our contingency reserves. Moreover, we may incur costs in respect of existing and future environmental matters and legal proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

**We do not maintain insurance for losses to our standing timber from natural disasters or other causes.**

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

**High energy costs could adversely affect our results of operations.**

Energy has become an increasing variable operating expense for us as a result of rapid and substantial price increases which commenced in mid-2000 and have continued in 2001. Although some of our facilities generate a portion of their energy requirements through the burning of wood waste, the cost of natural gas and electricity purchased from outside suppliers has increased significantly. We have not been able, and in the future may not be able, to pass all increased energy costs through to our customers. The total estimated natural gas and electricity expenditures for the three months ended March 31, 2001 were approximately \$30 million (as adjusted for acquisitions, dispositions, or closures of our facilities during the comparable periods), as compared to less than \$24 million (as adjusted for acquisitions, dispositions, or closures of our facilities during the comparable periods) for the three months ended March 31, 2000, representing an increase of approximately 28%.

**USE OF PROCEEDS**

The estimated net proceeds from the sale of the notes will be approximately \$195 million, after deducting the estimated underwriting discount and estimated offering expenses payable by us. We will use the gross proceeds from the sale of the notes to repay all debt outstanding under an existing term loan maturing in 2003, to repay a portion of the debt outstanding under an existing revolving credit facility due in January 2002 and to pay related transaction costs relating to this offering. At March 31, 2001, the term loan bore interest at the rate of 6.3% per annum and the revolving credit facility debt bore interest at a weighted average rate of 5.5% per annum.

This offering of notes and the use of proceeds as described above are referred to in this prospectus supplement as the Transaction. The table below sets forth the estimated sources and uses for the Transaction based on balances as of March 31, 2001 (dollars in millions):

<b>Sources</b>		<b>Uses</b>	
10.875% senior subordinated notes due 2008	\$200	Repay term loan	\$170
		Repay portion of revolving credit facility	25
		Transaction costs	5
<b>TOTAL SOURCES</b>	<b>\$200</b>	<b>TOTAL USES</b>	<b>\$200</b>

In addition to the Transaction, as of the date of this prospectus supplement, the arranger of a new \$200 million three-year senior secured revolving credit facility for LP had received written commitments, subject to customary conditions, from financial institutions for \$180 million of this new facility. We expect this new credit facility to be in place by the end of the third quarter of 2001. As of June 30, 2001, the outstanding balance under our existing revolving credit facility was approximately \$67 million. Had we closed this new credit revolving facility on June 30, 2001 and repaid the remaining debt outstanding under our existing domestic revolving credit facility and paid related fees and expenses, we would have had approximately \$158 million of initial availability under this new facility. See Description of Other Indebtedness New Domestic Revolving Credit Facility. In addition, we are in the process of seeking to arrange a \$125 million trade receivables financing facility in order to further enhance our liquidity. We have targeted closing the trade receivables financing facility by the end of the fourth quarter of 2001. See Description of Other Indebtedness Receivables Financing Facility.

**CAPITALIZATION**

The following table sets forth, as of March 31, 2001, our historical capitalization and our as adjusted capitalization giving effect to (1) the sale of the notes and (2) the application of the net proceeds from the sale of the notes as described in Use of Proceeds. The table should be read in conjunction with our consolidated financial statements and related notes and the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

March 31, 2001



	Actual	As Adjusted
	(dollars in millions)	
Existing revolving credit facility(a)	\$ 115	\$ 90
Other short-term debt	47	47
Total short-term debt	\$ 162	\$ 137
Term loan	170	
8.500% senior notes due 2005	189	189
8.875% senior notes due 2010	199	199
Other long-term debt	118	118
Limited recourse notes payable(b)	397	397
10.875% senior subordinated notes due 2008		200
Total long-term debt	\$1,073	\$1,103
Total debt	\$1,235	\$1,240
Total debt excluding non-recourse portion(c)	\$ 921	\$ 926
Stockholders' equity	\$1,193	\$1,193
Total capitalization	\$2,428	\$2,433
Total capitalization less non-recourse portion of debt(c)	\$2,114	\$2,119

- (a) As of June 30, 2001, the outstanding balance under our existing revolving credit facility was approximately \$67 million.
- (b) At March 31, 2001, the recourse portion of the debt represented by these notes was approximately \$83 million.
- (c) Reflects the exclusion of approximately \$314 million of non-recourse debt.

#### SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The historical financial data as of and for the five years ended December 31, 2000 (after making reclassifications to conform with EITF Issue No. 00-10) were derived from our audited consolidated financial statements included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. The historical financial data as of and for the three months ended March 31, 2000 and 2001 were derived from our unaudited consolidated financial statements included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. Our unaudited consolidated financial statements were prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation. Interim results are not necessarily indicative of our future operating results for any interim period or any full year. This selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated historical financial statements and related notes included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This data reflects the adoption of EITF Issue No. 00-10 and other reclassifications to conform to the 2000 presentation.

	Year Ended December 31,					Three Months Ended March 31,	
	1996(a)	1997(a)	1998(a)	1999(a)	2000(a)	2000(a)	2001(a)
	(dollars in millions)						
<b>Income statement data:</b>							
Net sales	\$2,653	\$2,564	\$2,451	\$3,072	\$2,933	\$ 830	\$ 559

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	Year Ended December 31,					Three Months Ended March 31,	
Cost of sales	2,290	2,288	2,008	2,273	2,363	605	549
Depreciation, amortization and depletion	192	184	185	202	236	61	49
Net interest expense(b)	(8)	(29)	(13)	(12)	(43)	(8)	(15)
Income (loss) before taxes and minority interest and equity in earnings of unconsolidated affiliate	(327)	(151)	13	357	(18)	97	(113)
Provision (benefit) for income taxes	(126)	(44)	14	140	(12)	39	(22)
Net income (loss)	(201)	(102)	2	217	(14)	58	(89)

- (a) See the notes to our financial statements included or incorporated by reference in this prospectus supplement for a discussion of unusual charges and credits that affected our results of operations.
- (b) Net interest expense is interest expense net of interest income, which is principally comprised of interest income on notes receivable from asset sales that provide collateral for our limited recourse notes payable.
- (c) Excludes acquisitions.
- (d) Earnings are defined as income (loss) before taxes and minority interests and equity in earnings of unconsolidated affiliate plus fixed charges. Fixed charges consist of interest incurred on debt including capitalized interest, capitalized expense related to indebtedness and an estimated portion of rental expense that is representative of the interest factor under operating leases deemed to be the equivalent of interest. Earnings were insufficient to cover fixed charges by \$331 million for the year ended December 31, 1996, \$151 million for the year ended December 31, 1997, approximately \$15 million for the year ended December 31, 2000, and approximately \$113 million for the three months ended March 31, 2001.

## SELECTED HISTORICAL BUSINESS SEGMENT FINANCIAL DATA

The historical financial data as of and for the five years ended December 31, 2000 (after making reclassifications to conform with EITF Issue No. 00-10) were derived from our audited consolidated financial statements included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. The historical financial data as of and for the three months ended March 31, 2000 and 2001 were partially derived from our unaudited consolidated financial statements included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. Our unaudited consolidated financial statements were prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation. Interim results are not necessarily indicative of our future operating results for any interim period or any full year. This selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated historical financial statements and related notes included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This data reflects the adoption of EITF Issue No. 00-10 and other reclassifications to conform to the 2000 presentation.

	Year Ended December 31,					Three Months Ended March 31,	
	1996(a)	1997(a)	1998(a)	1999(a)	2000(a)	2000(a)	2001(a)
	(dollars in millions)						
<b>Net sales:</b>							
Structural products	\$1,398	\$1,223	\$1,307	\$1,876	\$1,817	\$ 532	\$ 344
Exterior products	108	112	116	276	329	71	70
Industrial panel products	217	199	192	300	287	81	53
Other products	717	861	731	477	348	103	59
Pulp	213	169	105	143	152	43	33
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total net sales	\$2,653	\$2,564	\$2,451	\$3,072	\$2,933	\$ 830	\$ 559
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Adjusted operating profit (loss)(b):</b>							
Structural products	\$ 135	\$ 21	\$ 198	\$ 440	\$ 173	\$ 114	\$ (31)
Exterior products	17	9	22	53	19	8	(4)
Industrial panel products	31	13	6	13	2	3	(7)
Other products	(9)	(24)	(20)	(11)	(12)	1	(2)
Pulp	(91)	(29)	(38)	(15)	13	4	(13)
Corporate	(52)	(80)	(94)	(103)	(99)	(26)	(24)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Adjusted total operating profit (loss)	\$ 31	\$ (90)	\$ 74	\$ 377	\$ 96	\$ 104	\$ (81)

	Year Ended December 31,					Three Months Ended March 31,	
<b>Adjusted EBITDDA(c):</b>							
Structural products	\$ 242	\$ 135	\$ 303	\$ 563	\$ 340	\$ 158	\$ 4
Exterior products	23	13	29	67	39	14	1
Industrial panel products	37	19	11	27	16	7	(4)
Other products	16	2	7	6	2	4	
Pulp	(81)	(15)	(26)	(4)	23	7	(11)
Corporate	(14)	(60)	(65)	(80)	(88)	(24)	(22)
Adjusted total EBITDDA	\$ 223	\$ 94	\$ 259	\$ 579	\$ 332	\$ 166	\$ (32)
<b>Assets (at period end):</b>							
Structural products	\$1,079	\$1,105	\$ 927	\$1,738	\$1,689	\$1,761	\$1,596
Exterior products	41	45	46	199	203	226	204
Industrial panel products	179	175	124	160	142	163	137
Other products	314	302	255	174	228	223	215
Pulp	166	266	178	176	143	175	50
Corporate	843	685	989	1,041	970	987	1,057
Total assets	\$2,622	\$2,578	\$2,519	\$3,488	\$3,375	\$3,535	\$3,259
<b>Capital expenditures:</b>							
Structural products	\$ 115	\$ 116	\$ 87	\$ 94	\$ 146	\$ 19	\$ 14
Exterior products	8	5	1	3	27	7	2
Industrial panel products	9	6	2	6	7	1	1
Other products	13	3	18	8	20	4	3
Pulp	36	4	7	4	2	1	0
Corporate	50	22	8	3	18	10	2
Total capital expenditures(d)	\$ 231	\$ 156	\$ 123	\$ 118	\$ 220	\$ 42	\$ 22

- (a) See the notes to our financial statements included or incorporated by reference in this prospectus supplement for a discussion of unusual charges and credits that affected our results of operations.
- (b) Adjusted operating profit (loss) represents income (loss) before taxes, minority interests, interest, and equity in earnings of unconsolidated affiliate, excluding unusual charges, net of unusual credits, of \$(350) million, \$(33) million, \$(48) million, \$(8) million, \$(71) million, \$2 million and \$(12) million, respectively, for the years ended December 31, 1996, 1997, 1998, 1999, and 2000 and the three months ended March 31, 2000 and 2001.
- (c) EBITDDA represents income (loss) before taxes, minority interests and equity in earnings of unconsolidated affiliate plus net interest expense, depreciation, depletion (also referred to as cost of timber harvested) and amortization. Adjusted EBITDDA represents EBITDDA, as adjusted to exclude unusual charges and credits and losses related to assets and liabilities transferred under contractual arrangement. Adjusted total EBITDDA includes corporate expenses as well as the adjusted EBITDDA of each segment. Adjusted EBITDDA provides a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. Adjusted EBITDDA does not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), cash flow or other measures of performance prepared in accordance with generally accepted accounting principles. Our definitions of EBITDDA and adjusted EBITDDA may not be comparable to those reported by other companies.
- (d) Excludes acquisitions.

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

*This prospectus supplement contains, in addition to historical information, forward-looking statements. These forward-looking statements involve risks and uncertainties, and our actual results could differ materially from the results expressed or implied by the forward-looking statements. See Forward-Looking Statements. You should carefully consider all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the discussion under the caption Risk Factors of specific risks involved in an investment in the notes.*

## General

We operate in five segments: structural products; exterior products; industrial panel products; other products; and pulp. Structural products is the most significant segment, accounting for more than 60% of sales for both the year ended December 31, 2000 and the three months ended March 31, 2001. Our results of operations are discussed separately for each segment below. Production volumes and industry product price trends are presented below in the tables captioned Summary of Production Volumes and Industry Product Price Trends.

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

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

### Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000

Our net loss for the first quarter of 2001 was \$89 million, or \$0.86 per diluted share, on sales of \$559 million, compared to first quarter 2000 net income of \$58 million, or \$0.55 per diluted share, on sales of \$830 million. Excluding unusual items totaling a loss of \$12 million, \$8 million after tax, or \$0.07 per diluted share, the loss for the first quarter of 2001 was \$81 million, or \$0.78 per diluted share, compared to first quarter 2000 income, excluding unusual items, of \$57 million, or \$0.54 per diluted share.

Reduced demand for many building products and the slowing economy factored negatively into the results for the quarter ended March 31, 2001. This softening demand resulted in reduced market prices for structural products: OSB, plywood and lumber.

#### *Selected Segment Data*