LOUISIANA-PACIFIC CORP
Form 10-Q
October 31, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Quarterly Period Ended September 30, 2016
Commission File Number 1-7107

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

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

414 Union Street, Nashville, TN 37219
(Address of principal executive offices) (Zip Code)
Registrant’s telephone number, including area code: (615) 986-5600

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filers” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 142,225,477 shares of Common Stock, $1 par value, outstanding as of October 31, 2016.

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

ABOUT FORWARD-LOOKING STATEMENTS

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

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like “may,” “will,” “could,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “po “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, capacity expansion and other growth initiatives and the adequacy of reserves for loss contingencies.

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

- changes in governmental fiscal and monetary policies and levels of employment;
- changes in general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction and repair activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products;
- changes in the relationship between supply of and demand for raw materials, including wood fiber and resins, used in manufacturing our products;
- changes in the cost of and availability of energy, primarily natural gas, electricity and diesel fuel;
- changes in the cost of and availability of transportation;
- changes in other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar, Australian dollar, Euro, Brazilian real and Chilean peso;
- changes in general and industry-specific environmental laws and regulations;
- changes in tax laws, and interpretations thereof;
- changes in circumstances giving rise to environmental liabilities or expenditures;
- the resolution of existing and future product related litigation and other legal proceedings;
- governmental gridlock and curtailment of government services and spending; and
- acts of public authorities, war, civil unrest, natural disasters, fire, floods, earthquakes, inclement weather and other matters beyond our control.

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

ABOUT THIRD-PARTY INFORMATION

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

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Item 1. Financial Statements.
CONSOLIDATED BALANCE SHEETS
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS)(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 559.7	$ 434.7
Restricted cash for redemption of long-term debt	93.4	—
Receivables, net of allowance for doubtful accounts of $1.1 million at September 30, 2016 and December 31, 2015	138.0	96.4
Inventories	227.1	222.0
Prepaid expenses and other current assets	8.4	7.0
Current portion of notes receivable from assets sales	410.0	—
Assets held for sale	9.2	9.0
Total current assets	1,445.8	769.1
Timber and timberlands	50.6	53.1
Property, plant and equipment, at cost	2,459.2	2,392.5
Accumulated depreciation	(1,603.9)	(1,530.1)
Net property, plant and equipment	855.3	862.4
Goodwill	9.7	9.7
Notes receivable from asset sales	22.2	432.2
Investments in and advances to affiliates	7.4	7.7
Restricted cash	15.1	14.3
Other assets	22.4	23.0
Long-term deferred tax asset	3.9	4.8
Total assets	$ 2,432.4	$ 2,176.3
LIABILITIES AND EQUITY		
Current portion of long-term debt	$ 458.1	$ 2.1
Accounts payable and accrued liabilities	193.8	139.6
Current portion of contingency reserves	1.3	1.3
Total current liabilities	653.2	143.0
Long-term debt, excluding current portion	374.3	751.8
Deferred income taxes	86.8	99.5
Contingency reserves, excluding current portion	14.6	15.5
Other long-term liabilities	150.7	149.5
Stockholders’ equity:		
Common stock, $1 par value, 200,000,000 shares authorized, 153,147,190, and 152,979,708 shares issued	153.1	153.0
Additional paid-in capital	475.7	496.5
Retained earnings	848.1	724.2
Treasury stock, 9,071,639 shares and 9,995,456 shares, at cost	(189.6)	(210.6)
Accumulated comprehensive loss	(134.5)	(146.1)

Total stockholders' equity	1,152.8	1,017.0
Total liabilities and stockholders' equity	$ 2,432.4	$ 2,176.3

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

CONSOLIDATED STATEMENTS OF INCOME
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	$596.4	$464.9	$1,683.4	$1,429.6
Operating costs and expenses:				
Cost of sales	442.6	416.2	1,301.2	1,287.4
Depreciation and amortization	29.6	25.9	86.0	77.9
Selling and administrative	47.0	38.3	135.8	114.9
Loss on sale or impairment of long-lived assets, net	0.3	0.9	1.0	1.5
Other operating credits and charges, net	—	1.0	11.4	12.6
Total operating costs and expenses	519.5	482.3	1,535.4	1,494.3
Income (loss) from operations	76.9	(17.4)	148.0	(64.7)
Non-operating income (expense):				
Interest expense, net of capitalized interest	(9.0)	(8.4)	(26.3)	(23.1)
Investment income	2.5	0.5	6.4	2.9
Loss on early debt extinguishment	(13.2)	—	(13.2)	—
Other non-operating items	(0.5)	(3.7)	1.4	(5.5)
Total non-operating income (expense)	(20.2)	(11.6)	(31.7)	(25.7)
Income (loss) from continuing operations before taxes and equity in income of unconsolidated affiliates	56.7	(29.0)	116.3	(90.4)
Provision (benefit) for income taxes	(7.5)	(2.4)	13.1	(7.7)
Equity in income of unconsolidated affiliates	(1.4)	(2.0)	(4.4)	(4.1)
Income (loss) from continuing operations	65.6	(24.6)	107.6	(78.6)
Loss from discontinued operations before taxes	—	(2.9)	—	(2.9)
Benefit for income taxes	—	(1.0)	—	(1.0)
Loss from discontinued operations	—	(1.9)	—	(1.9)
Net income (loss)	$65.6	$(26.5)	$107.6	$(80.5)
Net income (loss) per share of common stock (basic):				
Income (loss) from continuing operations	$0.46	$(0.17)	$0.75	$(0.55)
Loss from discontinued operations	—	(0.02)	—	(0.02)
Net income (loss) per share - basic	$0.46	$(0.19)	$0.75	$(0.57)
Net income (loss) per share of common stock (diluted):				
Income (loss) from continuing operations	$0.45	$(0.17)	$0.74	$(0.55)
Loss from discontinued operations	—	(0.02)	—	(0.02)
Net income (loss) per share - diluted	$0.45	$(0.19)	$0.74	$(0.57)
Weighted average shares of stock outstanding - basic	143.7	142.6	143.3	142.3
Weighted average shares of stock outstanding - diluted	145.4	142.6	145.2	142.3

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$65.6	$(26.5)	$107.6	$(80.5)
Other comprehensive income (loss):				
Foreign currency translation adjustments	0.1	(12.0)	10.3	(19.9)
Unrealized loss on investments, net of tax	(0.5)	(0.1)	(0.7)	(0.1)
Defined benefit pension plans:				
Change benefit obligations, translation adjustment	0.1	1.2	(0.6)	1.7
Amortization of amounts included in net periodic benefit cost:				
Actuarial loss, net of tax	0.9	1.1	2.5	3.1
Prior service cost, net of tax	—	0.1	0.1	0.2
Other	—	(0.1)	—	—
Other comprehensive income (loss)	0.6	(9.8)	11.6	(15.0)
Comprehensive income (loss)	$66.2	$(36.3)	$119.2	$(95.5)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$65.6	$(26.5)	$107.6	$(80.5)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	29.6	25.9	86.0	77.9
Equity in income of unconsolidated affiliates, including dividends	—	(2.0)	0.3	(4.1)
Loss on sale or impairment of long-lived assets, net	0.3	0.9	1.0	1.5
Loss on early debt extinguishment	13.2	—	13.2	—
Other operating credits and charges, net	—	1.0	11.4	12.6
Stock-based compensation related to stock plans	3.2	2.2	9.4	7.3
Exchange (gain) loss on remeasurement	(0.2)	1.2	(0.9)	5.5
Cash settlements of contingencies, net of accruals	(0.3)	(1.0)	(1.0)	(0.5)
Cash settlements of warranties, net of accruals	(4.6)	(0.3)	(11.4)	(5.7)
Pension expense, net of contributions	—	1.1	1.4	5.5
Non-cash interest expense, net	1.4	0.8	1.6	0.7
Other adjustments, net	(0.3)	0.5	(0.3)	1.3
Changes in assets and liabilities:				
(Increase) decrease in receivables	14.1	0.6	(37.0)	(16.0)
(Increase) decrease in inventories	4.8	(8.5)	(3.2)	(5.4)
(Increase) decrease in prepaid expenses	0.7	(1.8)	(1.9)	(1.0)
Increase in accounts payable and accrued liabilities	17.0	14.6	53.3	10.4
Increase (decrease) in income taxes	(9.2)	(7.5)	4.6	(10.8)
Increase in other liabilities	0.8	—	6.2	—
Net cash provided by (used in) operating activities	136.1	1.2	240.3	(1.3)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property, plant and equipment additions	(27.6)	(33.6)	(78.7)	(67.1)
Investments in and refunds from joint ventures	—	1.7	—	1.7
(Increase)/decrease in restricted cash under letters of credit/credit facility	0.2	(0.5)	(0.1)	(5.9)
Increase in restricted cash for redemption of long-term debt	(93.4)	—	(93.4)	—
Other investing activities	(0.1)	0.1	(0.2)	0.5
Net cash used in investing activities	(120.9)	(32.3)	(172.4)	(70.8)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt	350.0	—	350.0	—
Repayment of long-term debt	(274.8)	(0.8)	(282.7)	(2.2)
Payment of debt issuance fees	(5.0)	—	(5.0)	—
Sale of common stock, net of cash payments under equity plans	—	—	(0.1)	0.4
Taxes paid related to net share settlement of equity awards	(0.8)	(0.1)	(8.9)	(5.4)
Net cash provided by (used in) financing activities	69.4	(0.9)	53.3	(7.2)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	0.3	(1.3)	3.8	(5.7)
Net increase (decrease) in cash and cash equivalents	84.9	(33.3)	125.0	(85.0)
Cash and cash equivalents at beginning of period	474.8	481.0	434.7	532.7
Cash and cash equivalents at end of period	$559.7	$447.7	$559.7	$447.7

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS FOR PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries for the interim periods presented. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in LP’s Annual Report on Form 10-K for the year ended December 31, 2015.

NOTE 2 - STOCK-BASED COMPENSATION

LP has a Management Incentive Plan (MIP) that is administered by the Compensation Committee of the Board of Directors. The Compensation Committee authorizes the grants of restricted stock, restricted stock units, performance share awards payable in stock upon the attainment of specified performance goals, stock options, stock settled stock appreciation rights (SSAR), other stock-based awards and cash-based awards at the discretion of the Compensation Committee. A detailed discussion of this is presented in Note 15 to the consolidated financial statements included in LP's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. As of September 30, 2016, 3.2 million shares were available for grant under the 2013 Omnibus Plan.

	Quarter Ended September 30,		Nine Months Ended September 30,	
Dollar amounts in millions	2016	2015	2016	2015
Total stock-based compensation expense (costs of sales and general and administrative)	$3.2	$2.2	$9.4	$7.3
Income tax benefit related to stock-based compensation	$(0.4)		$(3.2)	
Impact on cash flow due to taxes paid related to net share settlement of equity awards	$0.8	$0.1	$8.9	$5.4

At September 30, 2016, $12.7 million of compensation cost related to unvested restricted performance shares, restricted stock and SSARs attributable to future service had not yet been recognized.

LP adopted Accounting Standards Update (ASU) No. 2016-09, Improvements to Employee Share-based Payment Accounting, as of January 1, 2016. This standard is required to be adopted using the modified retrospective approach. As such, LP recorded a cumulative-effect adjustment of $16.3 million during the quarter ended March 31, 2016 to increase LP's December 31, 2015 retained earnings and increase LP's December 31, 2015 deferred tax asset balance. Additionally, ASU 2016-09 addresses the presentation of excess tax benefits and employee taxes paid on the statement of cash flows. LP is now required to present excess tax benefits as an operating activity (combined with other income tax cash flows) on the statement of cash flows rather than as a financing activity, and LP has adopted this change prospectively. ASU 2016-09 also requires the presentation of employee taxes as a financing activity on the statement of cash flows, which is where LP has previously classified this item.

Grants of awards

During the first nine months of 2016, the Company granted 90,444 performance units at an average grant date fair value of $20.45 per share, 509,127 SSARs at an average grant date fair value of $6.99 per share and 451,795 restricted stock awards (shares or units) at an average grant date fair value of $16.00 per share.

NOTE 3 – FAIR VALUE MEASUREMENTS

LP estimated its Senior Notes due in 2020 to have a fair value of $90.9 million at September 30, 2016 and $366.2 million at December 31, 2015 based upon market quotations. LP estimated its Senior Notes due in 2024 to have a fair value of $350.4 million at September 30, 2016.

Carrying amounts reported on the balance sheet for cash and cash equivalents, accounts receivables and accounts payable approximate fair value due to the short-term maturity of these items.

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share are based on the weighted-average number of shares of common stock outstanding. Diluted earnings per share are based upon the weighted-average number of shares of common stock outstanding plus all potentially dilutive securities that were assumed to be converted into common shares at the beginning of the period under the treasury stock method. This method requires that the effect of potentially dilutive common stock equivalents (stock options, SSARs, performance shares, incentive shares and warrants) be excluded from the calculation of diluted earnings per share for the periods in which LP recognizes losses from continuing operations or at such time that the exercise prices of such awards are in excess of the weighted average market price of LP's common stock during these periods because the effect is anti-dilutive.

Dollar and share amounts in millions, except per share amounts	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Numerator:				
Income (loss) from continuing operations	$65.6	$(24.6)	$107.6	$(78.6)
Loss from discontinued operations	—	(1.9)	—	(1.9)
Net income (loss)	$65.6	$(26.5)	$107.6	$(80.5)
Denominator:				
Denominator for basic earnings per share:				
Weighted average common shares outstanding - basic	143.7	142.6	143.3	142.3
Effect of dilutive securities:				
Dilutive effect of stock warrants	0.2	—	0.2	—
Dilutive effect of employee stock plans	1.5	—	1.7	—
Dilutive potential common shares	1.7	—	1.9	—
Denominator for diluted earnings per share:				
Weighted average shares outstanding - diluted	145.4	142.6	145.2	142.3
Basic earnings per share:				
Income (loss) from continuing operations	$0.46	$(0.17)	$0.75	$(0.55)
Loss from discontinued operations	—	(0.02)	—	(0.02)
Net income (loss) per share - basic	$0.46	$(0.19)	$0.75	$(0.57)
Diluted earnings per share:				
Income (loss) from continuing operations	$0.45	$(0.17)	$0.74	$(0.55)
Loss from discontinued operations	—	(0.02)	—	(0.02)
Net income (loss) per share - diluted	$0.45	$(0.19)	$0.74	$(0.57)

For the quarter and nine months ended September 30, 2016, stock options, warrants and SSARs relating to approximately 2.2 million and 2.7 million shares of LP common stock were considered not in-the-money for purposes of LP's earnings per share calculation.

For the quarter and nine months ended September 30, 2015, stock options, warrants and SSARs relating to approximately 4.7 million and 5.0 million shares of LP common stock were considered anti-dilutive for purposes of LP's earnings per share calculation due to LP's loss position from continuing operations.

At September 30, 2016, outstanding warrants were exercisable to purchase approximately 227,129 shares.

NOTE 5 – RECEIVABLES

Receivables consist of the following:

Dollar amounts in millions	September 30, 2016	December 31, 2015
Trade receivables	$ 127.6	$ 82.6
Income tax receivable	3.6	2.0
Other receivables	7.9	12.8
Allowance for doubtful accounts	(1.1)	(1.0)
Total	$ 138.0	$ 96.4

Other receivables at September 30, 2016 and December 31, 2015 primarily consist of sales tax receivables, vendor rebates, interest receivables and other miscellaneous receivables.

NOTE 6 – INVENTORIES

Inventories are valued at the lower of cost or market. Inventory cost includes materials, labor and operating overhead. The major types of inventories are as follows (work in process is not material):

Dollar amounts in millions	September 30, 2016	December 31, 2015
Logs	$ 46.5	$ 58.6
Other raw materials	24.4	21.6
Semi-finished inventory	19.0	18.5
Finished products	137.2	123.3
Total	$ 227.1	$ 222.0

NOTE 7 – NOTES RECEIVABLE FROM ASSET SALES

Notes receivable from asset sales are related to transactions that occurred during 1997, 1998 and 2003. The 1997 and 1998 notes receivable provide collateral for LP's limited recourse notes payable and the 2003 notes receivable provide collateral for LP's non-recourse notes payable (see Note 9). LP monitors the collectability of these notes on a regular basis.

Dollar amounts in millions	Interest Rate 2016	September 30, 2016	December 31, 2015
Notes receivable (secured), maturing 2018, interest rates fixed	7.3 %	22.2	22.2
Notes receivable (secured), maturing 2018 (accelerated for collection 2016), interest rates variable		410.0	410.0
Total		432.2	432.2
Current portion		410.0	—
Long-term portion		$ 22.2	$ 432.2

In August 2016, LP entered into agreements with the issuers of the $410.0 million notes receivable maturing in 2018 to provide for the acceleration of the collection of these notes to November 2016. This acceleration will also result in the acceleration of LP's payment of the related notes payable (see Note 9).

NOTE 8 – INCOME TAXES

Accounting standards state that companies account for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carryforwards and other tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amount thereof that is more likely than not to be realized. The likelihood of realizing deferred tax assets is evaluated by, among other things, estimating future taxable income, considering the future reversal of existing deferred tax liabilities to which the deferred tax assets may be applied and assessing the impact of tax planning strategies.

For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate to year-to-date results unless this method does not result in a reliable estimate of year-to-date income tax expense. An exception is provided for situations in which an enterprise anticipates a loss in a separate jurisdiction for which no tax benefit can be recognized. For the nine months ended September 30, 2015, LP's overall estimated annual effective tax rate was computed by excluding anticipated losses in Canada for which no deferred tax asset was expected to be recognizable due to the need for valuation allowances. Tax benefit for the period was then computed using the rate so derived applied to year-to-date pre-tax losses excluding those from Canada, and no additional Canadian tax benefit was added.

Each period the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter. Changes in the profitability estimates in various jurisdictions will impact our quarterly effective income tax rates.

For the first nine months of 2016, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP’s continuing operations relate to foreign tax rates, changes in Canadian and state valuation allowances, excess tax benefits in connection with LP's stock-based compensation plans, recognition of research and development credits from prior years and an increase in the reserve for unrecognized tax benefits associated with LP's South American operations. For the first nine months of 2015, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP’s continuing operations relate to foreign tax rates, Canadian and state valuation allowances and a reduction in the reserve for unrecognized tax benefits.

During September 2016, LP announced the acceleration of the notes receivable from asset sales (see Note 7) to November of 2016 from 2018. The acceleration of these notes will accelerate the taxable income into the fourth quarter 2016. LP estimates taxes due to the acceleration to be $120.8 million. As of December 31, 2015, LP had $73.4 million of available carryover benefit to offset a portion of LP’s 2016 tax liability.

LP periodically reviews the need for valuation allowances against deferred tax assets and recognizes these deferred tax assets to the extent that the realization is more likely than not. As part of our review, we consider all positive and negative evidence, including earnings history, the future reversal of deferred tax liabilities, and the relevant expirations of carry forwards. LP believes that the valuation allowances provided are appropriate. If in future periods our earnings estimates differ from the estimates used to establish these valuation allowances, or other objective positive or negative evidence arises, LP may be required to record an adjustment resulting in an impact on tax expense (benefit) for that period.

NOTE 9 – LONG-TERM DEBT

Dollar amounts in millions		September 30, 2016			December 31, 2015		
	Interest Rate 2016	Principal	Unamortized Debt Costs	Total	Principal	Unamortized Debt Costs	Total
Senior Notes:							
Senior unsecured notes, maturing 2020 (to be redeemed in 2016), interest rates fixed	7.5 %	$87.6	$ (0.7)	$86.9	$350.0	$ (3.7)	$346.3
Senior unsecured notes, maturing 2024, interest rates fixed	4.875 %	350.0	(5.2)	344.8			
Bank credit facilities:							
Chilean term credit facility, maturing 2019, interest rates fixed	UF+3.9%	7.0	(0.3)	6.7	12.8		12.8
Brazilian export financing facility, maturing 2017, interest rates fixed	6.65 %	2.0		2.0	4.0		4.0
Limited recourse notes payable:							
Senior notes, payable 2018, interest rates fixed	7.3 %	22.0		22.0	22.0		22.0
Other financing:							
Non-recourse notes payable 2018 (accelerated for repayment 2016), interest rates variable	0.5 %	368.7	(0.1)	368.6	368.7	(0.2)	368.5
Other		1.4		1.4	0.3		0.3
Total		838.7	(6.3)	832.4	757.8	(3.9)	753.9
Less: current portion of long term debt		(458.9)	0.8	(458.1)	(2.1)		(2.1)
Net long-term portion		$379.8	$ (5.5)	$374.3	$755.7	$ (3.9)	$751.8

LP issued $368.7 million of non-recourse notes in 2003 in a private placement to unrelated third parties. The notes were originally scheduled to mature in 2018. The notes are supported by a bank letter of credit. LP’s reimbursement obligations under the letter of credit are secured by $410.0 million in notes receivable (see note 7). In August 2016, LP gave a binding notice to the note holder that LP will pay the notes ($368.6 million, net of $0.1 million of unamortized debt costs) plus accrued interest upon receipt of the proceeds for the notes receivable in November 2016.

In May 2012, LP issued $350.0 million aggregate principal amount of 7.5% Senior Notes due 2020. In September 2016, LP announced the commencement of a cash tender offer for any and all of its outstanding 7.5% Senior Notes due 2020 for a purchase price of $1,041.75 for each $1,000 principal amount of 2020 Notes. As of September 30, 2016, LP purchased $262.4 million aggregate principal amount (or approximately 75%) of the Notes. The remaining notes ($86.9 million, net of $0.7 million of unamortized debt costs) plus accrued interest were redeemed in October 2016. The cash required to redeem these notes (including any premium and interest) is classified as Restricted cash for bond redemption on LP's Consolidated Balance Sheet as of September 30, 2016. In connection with this repurchase, LP recorded a loss on early debt extinguishment of $13.2 million, which included $2.2 million associated with the unamortized financing costs associated with these notes.

In September 2016, LP issued $350.0 million aggregate principal of 4.875% Senior Notes due 2024. On or after September 15, 2019, LP may, at its option on one or more occasions, redeem all or any portion of these notes at specified redemption rates. Obligations under the indenture governing LP's notes are unsecured and not presently guaranteed by any of LP's subsidiaries. The indenture contains customary covenants applicable to LP and its subsidiaries, other than certain unrestricted subsidiaries, including restrictions on actions and activities that are restricted under the credit facility. The indenture also contains customary events of default, the occurrence of which could result in acceleration of LP's obligations to repay the indebtedness outstanding thereunder.

Additional descriptions of LP's indebtedness are included in the consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2015.

NOTE 10 - OTHER OPERATING CREDITS AND CHARGES

During the second quarter of 2016, LP recorded an expense of $11.4 million related to an increase in product related warranty reserves and a related adjustment to value added taxes associated with CanExel products sold in specific geographic locations and for a specific time period.

During the first quarter of 2015, LP was notified by the Ministry of Forestry in Quebec that LP's forest license associated with an indefinitely curtailed Oriented Stand Board (OSB) mill in Quebec has been terminated. Based upon this notification, LP was required to write off the remaining unamortized value associated with this intangible forest license of $11.6 million.

During the third quarter of 2015, LP recorded a loss of $1.0 million associated with a marketing settlement with a customer.

NOTE 11 – LEGAL AND ENVIRONMENTAL MATTERS

Certain environmental matters and legal proceedings are discussed below.

Environmental Matters

LP maintains a reserve for undiscounted estimated environmental loss contingencies. This reserve is primarily for estimated future costs of remediation of hazardous or toxic substances at numerous sites currently or previously owned by the Company. LP’s estimates of its environmental loss contingencies are based on various assumptions and judgments, the specific nature of which varies in light of the particular facts and circumstances surrounding each environmental loss contingency. These estimates typically reflect assumptions and judgments as to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect assumptions and judgments as to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. Due to the numerous uncertainties and variables associated with these assumptions and judgments, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. LP regularly monitors its estimated exposure to environmental loss contingencies and, as additional information becomes known, may change its estimates significantly. However, no estimate of the range of any such change can be made at this time.

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.

NOTE 12 – SELECTED SEGMENT DATA

LP operates in four segments: North America Oriented Strand Board (OSB), Siding, Engineered Wood Products (EWP) and South America. LP’s business units have been aggregated into these four segments based upon the similarity of economic characteristics, customers and distribution methods. LP’s results of operations are summarized below for each of these segments separately as well as for the “other” category which comprises other products that are not individually significant. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 of the Notes to the financial statements included in LP’s Annual Report on Form 10-K for the year ended December 31, 2015.

	Quarter Ended September 30,		Nine Months Ended September 30,	
Dollar amounts in millions	2016	2015	2016	2015
Net Sales				
OSB	$282.1	$200.0	$751.9	$601.2
Siding	194.8	157.8	583.3	495.2
EWP	80.7	74.4	230.5	211.2
South America	31.7	26.8	103.2	101.4
Other	7.6	6.8	20.3	21.5
Intersegment Sales	(0.5)	(0.9)	(5.8)	(0.9)
	$596.4	$464.9	$1,683.4	$1,429.6
Operating profit (loss):				
OSB	$67.4	$(11.1)	$126.7	$(57.6)
Siding	35.2	17.2	103.9	79.3
EWP	—	(0.9)	(2.0)	(7.3)
South America	3.3	2.4	15.3	6.8
Other	(0.4)	(0.6)	(1.0)	(2.5)
Other operating credits and charges, net	—	(1.0)	(11.4)	(12.6)
Loss on sale or impairment of long-lived assets, net	(0.3)	(0.9)	(1.0)	(1.5)
General corporate and other expenses, net	(26.9)	(20.5)	(78.1)	(65.2)
Interest expense, net of capitalized interest	(9.0)	(8.4)	(26.3)	(23.1)
Investment income	2.5	0.5	6.4	2.9
Loss on early debt extinguishment	(13.2)	—	(13.2)	—
Other non-operating items	(0.5)	(3.7)	1.4	(5.5)
Income (loss) from continuing operations before taxes	58.1	(27.0)	120.7	(86.3)
Provision (benefit) for income taxes	(7.5)	(2.4)	13.1	(7.7)
Income (loss) from continuing operations	$65.6	$(24.6)	$107.6	$(78.6)

NOTE 13 – POTENTIAL IMPAIRMENTS

LP continues to review certain operations and investments for potential impairments. LP’s management currently believes it has adequate support for the carrying value of each of these operations and investments based upon the anticipated cash flows that result from estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures.

LP also reviews from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, its strategic plan and other relevant circumstances. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, LP may be required to record impairment charges in connection with decisions to dispose of assets.

NOTE 14 – DEFINED BENEFIT PENSION PLANS

The following table sets forth the net periodic pension cost for LP’s defined benefit pension plans during the quarter and nine months ended September 30, 2016 and 2015. The net periodic pension cost included the following components:

	Quarter Ended September 30,		Nine Months Ended September 30,	
Dollar amounts in millions	2016	2015	2016	2015
Service cost	$1.2	$1.0	$3.6	$3.1
Interest cost	3.3	3.4	10.1	10.2
Expected return on plan assets	(3.3)	(3.8)	(10.0)	(11.4)
Amortization of prior service cost [1]	0.1	0.1	0.3	0.3
Amortization of net loss [1]	1.4	1.7	4.1	5.2
Net periodic pension cost	$2.7	$2.4	$8.1	$7.4
Loss due to settlement	$—	$0.4	$—	$0.4

[1]The amortization of prior service costs and net loss are included in the amounts reclassified from accumulated other comprehensive income (loss); see Note 16 for additional details. The net periodic pension cost is included in Cost of sales and Selling and administrative expense in the Consolidated Statements of Income.

During the nine months ended September 30, 2016 and 2015, LP recognized $8.1 million and $7.8 million (inclusive of a $0.4 million settlement loss associated with the retirement of one of LP's executives) of pension expense for all of LP's defined benefit pension plans.

During the nine months ended September 30, 2016, LP made $6.7 million in pension contributions to its defined benefit pension plans. LP expects to contribute between $1.0 million and $3.0 million to its defined benefit pension plans in the remaining months of 2016.

NOTE 15 – PRODUCT WARRANTY

LP provides warranties on the sale of most of its products and records an accrual for estimated future claims. Such accruals are based upon historical experience and management’s estimate of the level of future claims. The activity in warranty reserves for the quarter and nine months ended September 30, 2016 and 2015 are summarized in the following table:

	Quarter Ended September 30,		Nine Months Ended September 30,	
Dollar amounts in millions	2016	2015	2016	2015
Beginning balance	$25.6	$25.0	$21.0	$31.4
Accrued to expense	0.2	2.6	0.6	2.9
Accrued to other operating credits and charges	—	—	10.9	—
Foreign currency translation	0.1	0.8	0.6	(0.2)
Payments made	(4.8)	(2.9)	(12.0)	(8.6)
Total warranty reserves	21.1	25.5	21.1	25.5
Current portion of warranty reserves	(9.0)	(10.0)	(9.0)	(10.0)
Long-term portion of warranty reserves	$12.1	$15.5	$12.1	$15.5

LP continues to monitor warranty and other claims associated with these products and believes as of September 30, 2016 that the reserves associated with these matters are adequate. However, it is possible that additional charges may be required in the future.

The current portion of the warranty reserve is included in the caption “Accounts payable and accrued liabilities” and the long-term portion is included in the caption “Other long-term liabilities” on LP’s Consolidated Balance Sheets.

NOTE 16 - OTHER COMPREHENSIVE INCOME

Other comprehensive income activity, net of tax, is provided in the following table for the quarter and nine months ended September 30, 2016:

Dollar amounts in millions	Foreign currency translation adjustments	Pension Adjustments Actuarial losses	Pension Adjustments Prior service costs	Unrealized gain (loss) on investments	Other	Total
Balance at June 30, 2016	$ (44.9)	$(86.9)	$(5.4)	$ 3.1	$(1.0)	$(135.1)
Other comprehensive income (loss) before reclassifications	0.1	0.1	—	(0.8)	—	(0.6)
Income taxes	—	—	—	0.3	—	0.3
Net other comprehensive income (loss) before reclassifications	0.1	0.1	—	(0.5)	—	(0.3)
Amounts reclassified from accumulated comprehensive income (loss)	—	1.4	0.1	—	—	1.5
Income taxes	—	(0.5)	(0.1)	—	—	(0.6)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	0.9	—	—	—	0.9
Total other comprehensive income (loss)	0.1	1.0	—	(0.5)	—	0.6
Balance at September 30, 2016	$ (44.8)	$(85.9)	$(5.4)	$ 2.6	$(1.0)	$(134.5)

Dollar amounts in millions	Foreign currency translation adjustments	Pension Adjustments Actuarial losses	Pension Adjustments Prior service costs	Unrealized gain (loss) on investments	Other	Total
Balance at December 31, 2015	$ (55.1)	$(87.8)	$(5.5)	$ 3.3	$(1.0)	$(146.1)
Other comprehensive income (loss) before reclassifications	10.3	(0.6)	—	(1.1)	—	8.6
Income taxes	—	—	—	0.4	—	0.4
Net other comprehensive income (loss) before reclassifications	10.3	(0.6)	—	(0.7)	—	9.0
Amounts reclassified from accumulated other comprehensive income (loss)	—	4.1	0.3	—	—	4.4
Income taxes	—	(1.6)	(0.2)	—	—	(1.8)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	2.5	0.1	—	—	2.6
Total other comprehensive income (loss)	10.3	1.9	0.1	(0.7)	—	11.6
Balance at September 30, 2016	$ (44.8)	$(85.9)	$(5.4)	$ 2.6	$(1.0)	$(134.5)

Other comprehensive income activity, net of tax, is provided in the following table for the quarter and nine months ended September 30, 2015:

Dollar amounts in millions	Foreign currency translation adjustments	Pension Adjustments: Actuarial losses	Pension Adjustments: Prior service costs	Unrealized gain (loss) on investments	Other	Total
Balance at June 30, 2015	$ (41.6)	$(90.6)	$(5.8)	$ 2.6	$(1.1)	$(136.5)
Other comprehensive income (loss) before reclassifications	(12.0)	1.2	—	(0.2)	(0.1)	(11.1)
Income taxes	—	—	—	0.1	—	0.1
Net other comprehensive income (loss) before reclassifications	(12.0)	1.2	—	(0.1)	(0.1)	(11.0)
Amounts reclassified from accumulated other comprehensive income (loss)	—	1.8	0.1	—	—	1.9
Income taxes	—	(0.7)	—	—	—	(0.7)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	1.1	0.1	—	—	1.2
Total other comprehensive income (loss)	(12.0)	2.3	0.1	(0.1)	(0.1)	(9.8)
Balance at September 30, 2015	$ (53.6)	$(88.3)	$(5.7)	$ 2.5	$(1.2)	$(146.3)

Dollar amounts in millions	Foreign currency translation adjustments	Pension Adjustments: Actuarial losses	Pension Adjustments: Prior service costs	Unrealized gain (loss) on investments	Other	Total
Balance at December 31, 2014	$ (33.7)	$(93.1)	$(5.9)	$ 2.6	$(1.2)	$(131.3)
Other comprehensive income (loss) before reclassifications	(19.9)	1.7	—	(0.2)	—	(18.4)
Income taxes	—	—	—	0.1	—	0.1
Net other comprehensive income (loss) before reclassifications	(19.9)	1.7	—	(0.1)	—	(18.3)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5.2	0.3	—	—	5.5
Income taxes	—	(2.1)	(0.1)	—	—	(2.2)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	3.1	0.2	—	—	3.3
Total other comprehensive income (loss)	(19.9)	4.8	0.2	(0.1)	—	(15.0)
Balance at September 30, 2015	$ (53.6)	$(88.3)	$(5.7)	$ 2.5	$(1.2)	$(146.3)

The amounts reclassified from accumulated other comprehensive income (loss) are included in the computation of net periodic pension cost; see Note 14 for additional details. The net periodic pension cost is included in Cost of sales and Selling and administrative expense in the Consolidated Statements of Income.

NOTE 17 - RECENT AND PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

In March 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, "Leases (Topic 842)", which supersedes the lease accounting requirements in Accounting Standards Codification (ASC) Topic 840, Leases. The new standard requires entities to recognize, separately from each other, an asset for its right to use (ROU) the underlying asset equal to the liability for its finance and operating lease obligations. Further, the entity is required to present separately the current and non-current portion of the ROU asset and corresponding lease liability. The new standard is effective on January 1, 2019. LP is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classifications of Certain Cash Receipts and Cash Payments." The standard provided guidance for eight changes with respect to how cash receipts and cash payments are classified in the statement of cash flows, with the objective of reducing diversity in practice. The standard is effective January 1, 2018, with early adoption permitted. LP does not expect the adoption of this new standard to have a material impact on its consolidated results of operations and financial position.

NOTE 18 - SUBSEQUENT EVENTS

On October 14, 2016, LP completed the previously announced redemption of its remaining outstanding 7.500% Senior Notes due 2020 at the redemption price of 103.75% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the redemption date. This resulted in LP releasing $93.4 million currently held as restricted cash for bond redemption. LP will record $4.0 million in loss on early debt extinguishment associated with this redemption, including $0.7 million in deferred debt costs, during the fourth quarter.

On October 28, 2016 LP announced that it has reached an agreement with Norbord Inc. to exchange OSB mills in Quebec, Canada. LP will swap ownership of its Chambord, Quebec, mill for Norbord’s Val-d’Or, Quebec, mill. The asset exchange is expected to be complete in early November 2016.

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

GENERAL

Our products are used primarily in new home construction, repair and remodeling, and outdoor structures. We also market and sell our products in light industrial and commercial construction and we have a modest export business. Our manufacturing facilities are primarily located in the U.S. and Canada, but we also operate two facilities in Chile and one facility in Brazil.

To serve these markets, we operate in four segments: North America Oriented Strand Board (OSB), Siding, Engineered Wood Products (EWP) and South America.

Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. For the third quarter and first nine months of 2016, the U.S. Department of Census reported that U.S. single and multi-family housing starts were 2% lower than for the same quarter of 2015 and 4% higher than the comparable nine month period. OSB is sold as a commodity for which sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of our OSB products will remain at current levels or increase or decrease in the future. OSB prices (NC 7/16"), as reported by Random Lengths, were 50% higher for the third quarter of 2016 and 35% for the first nine months of 2016 compared to the same periods in 2015.

For additional factors affecting our results, refer to the Management Discussion and Analysis of Financial Condition and Results of Operations overview contained in our Annual Report on Form 10-K for the year ended December 31, 2015 and to “About Forward-Looking Statements” and “Risk Factors” in this report.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Presented in Note 1 of the Notes to the financial statements included in LP’s Annual Report on Form 10-K for the year ended December 31, 2015 is a discussion of our significant accounting policies and significant accounting estimates and judgments. Throughout the preparation of the financial statements, we employ significant judgments in the application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For 2016, these significant accounting estimates and judgments include:

Legal Contingencies. Our estimates of loss contingencies for legal proceedings are based on various judgments and assumptions regarding the potential resolution or disposition of the underlying claims and associated costs. In making judgments and assumptions regarding legal contingencies for ongoing class action settlements, we consider, among other things, discernible trends in the rate of claims asserted and related damage estimates and information obtained through consultation with statisticians and economists, including statistical analysis of potential outcomes based on experience to date and the experience of third parties who have been subject to product-related claims judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the related loss contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to these contingencies and, as additional information becomes known, may change our estimates significantly.

Environmental Contingencies. Our estimates of loss contingencies for environmental matters are based on various judgments and assumptions. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities, including third parties who purchased assets from us subject to environmental liabilities. We consider the ability of third parties to pay their apportioned cost when developing our estimates. In making these judgments and assumptions related to the development of our loss contingencies, we consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience at other sites that are judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental

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loss contingencies and, as additional information becomes known, may change our estimates significantly. At September 30, 2016, we excluded from our estimates approximately $2.0 million of potential environmental liabilities that we estimate will be allocated to third parties pursuant to existing and anticipated future cost sharing arrangements.

Impairment of Long-Lived Assets. We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. We consider the necessity of undertaking such a review at least quarterly, and also when certain events or changes in circumstances occur. Events and changes in circumstances that may necessitate such a review include, but are not limited to: a significant decrease in the market price of a long-lived asset or group of long-lived assets; a significant adverse change in the extent or manner in which a long-lived asset or group of long-lived assets is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or group of long-lived assets, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or group of long-lived assets; current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or group of long-lived assets; and current expectation that, more likely than not, a long-lived asset or group of long-lived assets will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under accounting principles generally accepted in the U.S. (GAAP), requires us to make judgments, assumptions and estimates.

In general, for assets held and used in our operations, impairments are recognized when the carrying amount of the long-lived asset or groups of long-lived assets is not recoverable and exceeds the fair value of the asset or group of assets. The carrying amount of a long-lived asset or groups of long-lived assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets or group of assets. The key assumptions in estimating these cash flows relate to future production volumes, pricing of commodity or specialty products and future estimates of expenses to be incurred as reflected in our long-range internal planning models. Our assumptions regarding pricing are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing, and reflect our assessment of information gathered from industry research firms, research reports published by investment analysts and other published forecasts. Our assumptions regarding expenses reflect our expectation that we will continue to reduce production costs to offset inflationary impacts.

When impairment is indicated for assets held and used in our operations, the book values of the affected assets are written down to their estimated fair value, which is generally based upon discounted future cash flows associated with the affected assets. When impairment is indicated for assets to be disposed of, the book values of the affected assets are written down to their estimated fair value, less estimated selling costs. Consequently, a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which may be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, and thus require an impairment charge. In situations where we have experience in selling assets of a similar nature, we may estimate net sales proceeds on the basis of that experience. In other situations, we hire independent appraisers to estimate net sales proceeds.

Due to the numerous variables associated with our judgments and assumptions relating to the valuation of assets in these circumstances, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates of the related impairment charges are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

Income Taxes. The determination of the provision for income taxes, and the resulting current and deferred tax assets and liabilities, involves significant management judgment, and is based upon information and estimates available to management at the time of such determination. The final income tax liability to any taxing jurisdiction with respect to any calendar year will ultimately be determined long after our financial statements have been published for that year. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions; however, actual results may differ materially from our estimates.

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Judgment is also applied in determining whether deferred tax assets will be realized in full or in part. When we consider it to be more likely than not that all or some portion of a deferred tax asset will not be realized, a valuation allowance is established for the amount of the deferred tax asset that is estimated not to be realizable. As of September 30, 2016, we had established valuation allowances against certain deferred tax assets, primarily related to state and foreign carryovers of net operating losses, credits and capital losses. We have not established valuation allowances against other deferred tax assets based upon positive evidence such as recent earnings history, generally improving economic conditions and deferred tax liabilities which we anticipate to reverse within the carry forward period. Accordingly, changes in facts or circumstances affecting the likelihood of realizing a deferred tax asset could result in the need to record additional valuation allowances.

Pension Plans. Most of our U.S. employees and many of our Canadian employees participate in defined benefit pension plans sponsored by LP. We account for the consequences of our sponsorship of these plans in accordance with GAAP which requires us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding long-term rates of return on plan assets, life expectancies, rates of increase in salary levels, rates at which future values should be discounted to determine present values and other matters, the amounts of our pension related assets, liabilities and expenses recorded in our financial statements would differ if we used other assumptions.

Warranty Obligations. Customers are provided with a limited warranty against certain defects associated with our products for periods of up to fifty years. We estimate the costs to be incurred under these warranties and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect our warranty liability include the historical and anticipated rates of warranty claims and the cost of resolving such claims. We periodically assess the adequacy of our recorded warranty liability for each product and adjust the amounts as necessary. While we believe we have a reasonable basis for these assumptions, actual warranty costs in the future could differ from our estimates.

NON-GAAP FINANCIAL MEASURES

In evaluating our business, we utilize several non-GAAP financial measures. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included under applicable GAAP guidance. We disclose earnings (loss) before interest expense, taxes, depreciation and amortization ("EBITDA from continuing operations") which is a non-GAAP financial measure. Additionally, we disclose "Adjusted EBITDA from continuing operations" which further adjusts EBITDA to exclude stock-based compensation expense, (gain) loss on sale or impairment of long-lived assets, other operating credits and charges, early debt extinguishment and investment income. Neither EBITDA from continuing operations nor Adjusted EBITDA from continuing operations is a substitute for the GAAP measures of net income or operating cash flows or for any other GAAP measures of operating performance or liquidity.

We have included EBITDA from continuing operations and Adjusted EBITDA from continuing operations because we use them as important supplemental measures of our performance and believe that they are frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We use EBITDA from continuing operations and Adjusted EBITDA from continuing operations to evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates. It should be noted that companies calculate EBITDA and Adjusted EBITDA differently and, therefore, our EBITDA and Adjusted EBITDA measures may not be comparable to EBITDA and Adjusted EBITDA reported by other companies. Our EBITDA and Adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, early debt extinguishment, income tax (benefit) expense, and depreciation and amortization, which are necessary to operate our business or which we otherwise incur or experience in connection with the operation of our business.

The following table represents significant items by operating segment and reconciles income (loss) from continuing operations to EBITDA from continuing operations and Adjusted EBITDA from continuing operations:

Three Months Ended September 30, 2016 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Net Sales	$282.1	$194.8	$80.7	$ 31.7	$7.6	$ (0.5)	$596.4
Depreciation and amortization	15.3	6.3	3.8	2.5	0.9	0.8	29.6
Cost of sales and selling and administrative	199.4	153.3	78.3	25.9	7.1	25.6	489.6
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	0.3	0.3
Total operating costs	214.7	159.6	82.1	28.4	8.0	26.7	519.5
Income (loss) from operations	67.4	35.2	(1.4)	3.3	(0.4)	(27.2)	76.9
Total non-operating expense	—	—	—	—	—	(20.2)	(20.2)
Income (loss) from continuing operations before income taxes and equity in income of unconsolidated affiliates	67.4	35.2	(1.4)	3.3	(0.4)	(47.4)	56.7
Income tax benefit	—	—	—	—	—	(7.5)	(7.5)
Equity in income of unconsolidated affiliates	—	—	(1.4)	—	—	—	(1.4)
Income (loss) from continuing operations	$67.4	$35.2	$—	$ 3.3	$(0.4)	$ (39.9)	$65.6
Reconciliation of income (loss) from continuing operations to Adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	$67.4	$35.2	$—	$ 3.3	$(0.4)	$ (39.9)	$65.6
Income tax benefit	—	—	—	—	—	(7.5)	(7.5)
Interest expense, net of capitalized interest	—	—	—	—	—	9.0	9.0
Depreciation and amortization	15.3	6.3	3.8	2.5	0.9	0.8	29.6
EBITDA from continuing operations	82.7	41.5	3.8	5.8	0.5	(37.6)	96.7
Stock based compensation expense	0.3	0.2	0.2	—	—	2.5	3.2
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	0.3	0.3
Investment income	—	—	—	—	—	(2.5)	(2.5)
Loss on early debt extinguishment	—	—	—	—	—	13.2	13.2
Adjusted EBITDA from continuing operations	$83.0	$41.7	$4.0	$ 5.8	$0.5	$ (24.1)	$110.9

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Three Months Ended September 30, 2015 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Net Sales	$200.0	$157.8	$74.4	$ 26.8	$6.8	$ (0.9)	$464.9
Depreciation and amortization	14.6	5.0	3.3	2.0	0.4	0.6	25.9
Cost of sales and selling and administrative	196.5	135.6	74.0	22.4	7.0	19.0	454.5
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	0.9	0.9
Other operating credits and charges, net	—	—	—	—	—	1.0	1.0
Total operating costs	211.1	140.6	77.3	24.4	7.4	21.5	482.3
Income (loss) from operations	(11.1)	17.2	(2.9)	2.4	(0.6)	(22.4)	(17.4)
Total non-operating expense	—	—	—	—	—	(11.6)	(11.6)
Income (loss) from continuing operations before taxes and equity in income of unconsolidated affiliates	(11.1)	17.2	(2.9)	2.4	(0.6)	(34.0)	(29.0)
Income tax benefit	—	—	—	—	—	(2.4)	(2.4)
Equity in income of unconsolidated affiliates	—	—	(2.0)	—	—	—	(2.0)
Income (loss) from continuing operations	$(11.1)	$17.2	$(0.9)	$ 2.4	$(0.6)	$ (31.6)	$(24.6)
Reconciliation of income (loss) from continuing operations to Adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	$(11.1)	$17.2	$(0.9)	$ 2.4	$(0.6)	$ (31.6)	$(24.6)
Income tax benefit	—	—	—	—	—	(2.4)	(2.4)
Interest expense, net of capitalized interest	—	—	—	—	—	8.4	8.4
Depreciation and amortization	14.6	5.0	3.3	2.0	0.4	0.6	25.9
EBITDA from continuing operations	3.5	22.2	2.4	4.4	(0.2)	(25.0)	7.3
Stock based compensation expense	0.4	0.1	0.1	—	—	1.7	2.3
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	0.9	0.9
Investment income	—	—	—	—	—	(0.5)	(0.5)
Other operating credits and charges, net	—	—	—	—	—	1.0	1.0
Adjusted EBITDA from continuing operations	$3.9	$22.3	$2.5	$ 4.4	$(0.2)	$ (21.9)	$11.0

Nine Months Ended September 30, 2016 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Net Sales	$751.9	$583.3	$230.5	$ 103.2	$20.3	$(5.8)	$1,683.4
Depreciation and amortization	44.6	20.7	10.2	6.6	1.7	2.2	$86.0
Cost of sales and selling and administrative	580.6	458.7	226.7	81.3	19.6	70.1	$1,437.0
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	1.0	$1.0
Other operating credits and charges, net	—	—	—	—	—	11.4	$11.4
Total operating costs	625.2	479.4	236.9	87.9	21.3	84.7	1,535.4
Income (loss) from operations	126.7	103.9	(6.4)	15.3	(1.0)	(90.5)	148.0
Total non-operating expense	—	—	—	—	—	(31.7)	(31.7)
Income (loss) from continuing operations before income taxes and equity in income of unconsolidated affiliates	126.7	103.9	(6.4)	15.3	(1.0)	(122.2)	116.3
Income tax provision	—	—	—	—	—	13.1	13.1
Equity in income of unconsolidated affiliates	—	—	(4.4)	—	—	—	(4.4)
Income (loss) from continuing operations	$126.7	$103.9	$(2.0)	$ 15.3	$(1.0)	$(135.3)	$107.6
Reconciliation of income (loss) from continuing operations to Adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	$126.7	$103.9	$(2.0)	$ 15.3	$(1.0)	$(135.3)	$107.6
Income tax provision	—	—	—	—	—	13.1	13.1
Interest expense, net of capitalized interest	—	—	—	—	—	26.3	26.3
Depreciation and amortization	44.6	20.7	10.2	6.6	1.7	2.2	86.0
EBITDA from continuing operations	171.3	124.6	8.2	21.9	0.7	(93.7)	233.0
Stock based compensation expense	0.7	0.7	0.5	—	—	7.5	9.4
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	1.0	1.0
Investment income	—	—	—	—	—	(6.4)	(6.4)
Other operating credits and charges, net	—	—	—	—	—	11.4	11.4
Loss on early debt extinguishment	—	—	—	—	—	13.2	13.2
Adjusted EBITDA from continuing operations	$172.0	$125.3	$8.7	$ 21.9	$0.7	$(67.0)	$261.6

Nine Months Ended September 30, 2015 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Net Sales	$601.2	$495.2	$211.2	$ 101.4	$21.5	$ (0.9)	$1,429.6
Depreciation and amortization	43.6	15.1	9.6	6.2	1.3	2.1	77.9
Cost of sales and selling and administrative	615.2	400.8	213.0	88.4	22.7	62.2	1,402.3
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	1.5	1.5
Other operating credits and charges, net	—	—	—	—	—	12.6	12.6
Total operating costs	658.8	415.9	222.6	94.6	24.0	78.4	1,494.3
Income (loss) from operations	(57.6)	79.3	(11.4)	6.8	(2.5)	(79.3)	(64.7)
Total non-operating expense	—	—	—	—	—	(25.7)	(25.7)
Income (loss) from continuing operations before taxes and equity in income of unconsolidated affiliates	(57.6)	79.3	(11.4)	6.8	(2.5)	(105.0)	(90.4)
Income tax benefit	—	—	—	—	—	(7.7)	(7.7)
Equity in income of unconsolidated affiliates	—	—	(4.1)	—	—	—	(4.1)
Income (loss) from continuing operations	$(57.6)	$79.3	$(7.3)	$ 6.8	$(2.5)	$ (97.3)	$(78.6)
Reconciliation of income (loss) from continuing operations to Adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	$(57.6)	$79.3	$(7.3)	$ 6.8	$(2.5)	$ (97.3)	$(78.6)
Income tax benefit	—	—	—	—	—	(7.7)	(7.7)
Interest expense, net of capitalized interest	—	—	—	—	—	23.1	23.1
Depreciation and amortization	43.6	15.1	9.6	6.2	1.3	2.1	77.9
EBITDA from continuing operations	(14.0)	94.4	2.3	13.0	(1.2)	(79.8)	14.7
Stock based compensation expense	0.8	0.6	0.4	—	—	5.6	7.4
Loss on sale or impairment of long lived assets, net	—	—	—	—	—	1.5	1.5
Investment income	—	—	—	—	—	(2.9)	(2.9)
Other operating credits and charges, net	—	—	—	—	—	12.6	12.6
Adjusted EBITDA from continuing operations	$(13.2)	$95.0	$2.7	$ 13.0	$(1.2)	$ (63.0)	$33.3

RESULTS OF OPERATIONS

(Dollar amounts in millions, except per share amounts)

Our net income for the third quarter of 2016 was $65.6 million, or $0.45 per diluted share, on sales of $596.4 million, compared to net loss for the third quarter of 2015 of $26.5 million, or $0.19 per diluted share, on sales of $464.9 million. Improvements in OSB pricing in all North American operations had a positive impact of $79.4 million for the third quarter on both operating results and Adjusted EBITDA from continuing operations.

Our net income for the first nine months of 2016 was $107.6 million, or $0.74 per diluted share, on sales of $1.7 billion, compared to net loss for the first nine months of 2015 of $80.5 million, or $0.57 per diluted share, on sales of $1.4 billion. Improvements in OSB pricing in all North American operations had a positive impact of $172.1 million for the first nine months of 2016 on both operating results and Adjusted EBITDA from continuing operations.

Our results of operations for each of our segments are discussed below as well as for the “other” category, which comprises products that are not individually significant.

OSB

Our OSB segment manufactures and distributes commodity and value-added OSB structural panels in North America and certain export markets.

Segment sales, operating income and Adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
Net sales	$282.1	$200.0	41 %	$751.9	$601.2	25 %
Operating income (loss)	$67.4	$(11.1)	NM	$126.7	$(57.6)	NM
Adjusted EBITDA	$83.0	$3.9	NM	$172.0	$(13.2)	NM

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2016 compared to the quarter and nine months ended September 30, 2015 are as follows:

	Quarter Ended September 30, 2016 versus 2015		Nine Months Ended September 30, 2016 versus 2015	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB	36 %	5 %	27 %	(1)%

For the quarter and nine months ended September 30, 2016, OSB prices increased compared to the corresponding period in 2015. The increase in OSB prices was likely due to higher demand compared to the supply available in the market and the continued focus on higher value products which resulted in a higher average selling price. The increase in selling price favorably impacted operating results and Adjusted EBITDA from continuing operations by $74.9 million for the quarter and $161.1 million for the nine months ended September 30, 2016 as compared to the same periods in 2015. OSB sales volumes were higher for the third quarter of 2016 as compared to the same period of 2015 due to increased demand. OSB sales volumes were lower for the first nine month period of 2016 compared to the same period in 2015 due to the loss of production capacity as the Swan Valley OSB mill was converted to a siding facility as of the third quarter of 2015.

Overall operating results for OSB for the quarter and the nine month period ended September 30, 2016 as compared to the same periods in 2015 benefited, in addition to the higher sales prices, from lower raw material costs, higher utilization rates and the positive impact of the Canadian currency exchange rate on the costs incurred by our Canadian operations as compared to the same periods in the prior year.

SIDING

Our siding segment produces and markets wood-based siding and related accessories and some amount of OSB. Segment sales, operating income and Adjusted EBITDA for this segment are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
Net sales	$194.8	$157.8	23 %	$583.3	$495.2	18 %
Operating income	$35.2	$17.2	105 %	$103.9	$79.3	31 %
Adjusted EBITDA	$41.7	$22.3	87 %	$125.3	$95.0	32 %

Sales in this segment by product line are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
SmartSide Siding	$170.9	$137.3	24 %	$507.2	$446.8	14 %
CanExel siding	10.8	10.5	3 %	36.1	33.5	8 %
Commodity OSB	11.1	8.3	34 %	32.8	8.3	295 %
Other	2.0	1.7	18 %	7.2	6.6	9 %
Total	$194.8	$157.8	23 %	$583.3	$495.2	18 %

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2016 compared to the quarter and nine months ended September 30, 2015 are as follows:

	Quarter Ended September 30, 2016 versus 2015		Nine Months Ended September 30, 2016 versus 2015	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
SmartSide Siding	1 %	25 %	(1)%	15 %
CanExel siding	(4)%	8 %	(6)%	17 %
OSB	60 %	(15)%	43 %	181 %

For the quarter and nine month period ended September 30, 2016 compared to the corresponding periods in 2015, sales volumes increased in our SmartSide siding line based upon our ability to respond to increased demand in key markets due to the Swan conversion. Sales prices in our SmartSide siding product line for the quarter and nine month period ended September 30, 2016 as compared to the corresponding periods in 2015 were due to changes in product mix.

For CanExel, sales volumes increased in the third quarter and first nine months of 2016 as compared to the corresponding periods in 2015 due to increased demand primarily in Europe. Sales prices were lower for both the third quarter and first nine months of 2016 as compared to the corresponding periods in 2015 due changes in our product mix and a higher portion of sales to Europe.

For our commodity OSB produced in the siding segment for the quarter and nine month period ended September 30, 2016 compared to the corresponding periods in 2015, sales prices increased as compared to the same periods in the prior year, as discussed in the OSB segment above. The increase in selling price favorably impacted operating results and Adjusted EBITDA from continuing operations by approximately $4.3 million for the third quarter of 2016 and $10.3 million for the first nine months as compared to the corresponding periods of 2015. Volumes of commodity OSB were lower for the for the quarter and higher for the nine month period ended September 30, 2016 as compared to the comparable periods in the prior year due to changes in availability of capacity in Siding to produce OSB based upon the conversion of production capacity of our Swan Valley mill to a siding facility during the third quarter of 2015.

Overall, the improvement in the siding segment for the third quarter and the first nine months of 2016 compared to the same periods of 2015 was primarily due to increased sales volumes, higher OSB prices and lower raw material costs.

EWP

Our engineered wood products (EWP) segment manufactures and distributes laminated veneer lumber (LVL), I-Joists, laminated strand lumber (LSL) and other related products. This segment also includes the sale of I-Joist and LVL products produced by our joint venture with Resolute Forest Products and LVL sold under a contract manufacturing arrangement. A plywood mill associated with our LVL operations in British Columbia and minor amounts of commodity OSB are included in this segment.

Segment sales, operating results and Adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
Net sales	$80.7	$74.4	8 %	$230.5	$211.2	9 %
Operating income (loss)	$—	$(0.9)	NM	$(2.0)	$(7.3)	73 %
Adjusted EBITDA	$4.0	$2.5	60 %	$8.7	$2.7	222 %

Sales in this segment by product line are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
LVL/LSL	$41.7	$39.6	5 %	$124.8	$114.1	9 %
I-Joist	27.4	27.9	(2)%	76.9	74.9	3 %
OSB	2.8	2.5	12 %	8.0	7.5	7 %
Related products	8.8	4.4	100 %	20.8	14.7	41 %
Total	$80.7	$74.4	8 %	$230.5	$211.2	9 %

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2016 compared to the quarter and nine months ended September 30, 2015 are as follows:

	Quarter Ended September 30, 2016 versus 2015		Nine Months Ended September 30, 2016 versus 2015	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL/LSL	2 %	9 %	1 %	13 %
I-Joist	2 %	1 %	1 %	6 %
OSB	7 %	12 %	10 %	2 %

For the quarter and nine month periods ended September 30, 2016, compared to the same periods in 2015, sales volumes increased in LVL/LSL and I-joist due to improved market demand due to increased housing starts. Net average selling prices increased due to changes in product mix. OSB prices increased due to changes in market demand as discussed in the OSB segment results.

For the quarter and nine months ended September 30, 2016, compared to the same periods in 2015, results of operations improved due to increased sales and reductions in manufacturing costs.

SOUTH AMERICA

Our South America segment manufactures and distributes OSB panels and siding products in South America and selected export markets. This segment operates in two countries, Chile and Brazil.

Segment sales, operating income and Adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
Net sales	$31.7	$26.8	18 %	$103.2	$101.4	2 %
Operating income	$3.3	$2.4	38 %	$15.3	$6.8	125 %
Adjusted EBITDA	$5.8	$4.4	32 %	$21.9	$13.0	68 %

Sales in this segment by production location were as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
Chile	$21.3	$19.3	10 %	$73.6	$70.0	5 %
Brazil	10.4	7.5	39 %	29.6	31.4	(6)%
Total	$31.7	$26.8	18 %	$103.2	$101.4	2 %

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2016 compared to the quarter and nine months ended September 30, 2015 are as follows:

	Quarter Ended September 30, 2016 versus 2015		Nine Months Ended September 30, 2016 versus 2015	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Chile	13 %	(3.5)%	4 %	— %
Brazil	10 %	(9)%	1 %	(4)%

For the quarter ended September 30, 2016, compared to the same period in 2015, sales volumes in Chile and Brazil decreased due to the continued weak economies, increased imports and the unsettled political environment in Brazil. Sales prices in Chile and Brazil increased for the third quarter and nine months ended September 30, 2016 as compared to the corresponding periods in 2015 due to increases in prices offset by the impact of the fluctuations in the local currencies relative to the U.S. dollar as a majority of these sales are in local markets. Local currency selling prices in Chile were approximately 10% and 11% higher for the quarter and nine months ended September 30, 2016 as compared to the corresponding periods in 2015 and local currency selling prices in Brazil were flat for the third quarter and higher by 13% for the first nine months of 2016 as compared to the corresponding periods in 2015.

For the quarter and nine months ended September 30, 2016, compared to the same periods in 2015, results of operations improved due to increases in local sales prices and reductions in product costs.

OTHER PRODUCTS

Our other products segment includes our remaining timber and timberlands and other minor products, services and closed operations which are not classified as discontinued operations.

Segment sales, operating losses and Adjusted EBITDA from continuing operations for this category are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
Net sales	$7.6	$6.8	12 %	$20.3	$21.5	(6)%
Operating losses	$(0.4)	$(0.6)	33 %	$(1.0)	$(2.5)	60 %
Adjusted EBITDA	$0.5	$(0.2)	NM	$0.7	$(1.2)	NM

GENERAL CORPORATE AND OTHER EXPENSE, NET

For the quarter ended September 30, 2016 compared to the same period in 2015, general corporate expenses increased 31% and for the nine month period ended September 30, 2016 compared to the same periods in 2015 increased 20% primarily due to higher incentive compensation expense due to improved financial performance and increased costs associated with corporate initiatives related to sales and marketing activities. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits, professional fees, insurance and other expenses for corporate functions including certain executive officers, public company costs, information technology, financial services, environmental and safety, legal, supply management, human resources and other corporate functions.

NON-OPERATING INCOME AND EXPENSE

Components of non-operating income and expense are as follows:

	Quarter Ended September 30,		Nine Months Ended September 30,	
Dollar amounts in millions	2016	2015	2016	2015
Investment income	$2.2	$1.1	$6.1	$3.5
SERP market adjustments	0.3	(0.6)	0.3	(0.6)
Investment income	2.5	0.5	6.4	2.9
Interest expense	(9.3)	(9.0)	(27.0)	(23.7)
Amortization of debt charges	(0.3)	(0.3)	(0.8)	(0.9)
Capitalized interest	0.6	0.9	1.5	1.5
Interest expense, net of capitalized interest	(9.0)	(8.4)	(26.3)	(23.1)
Loss on early debt extinguishment	(13.2)	—	(13.2)	—
Foreign currency gain (loss)	(0.5)	(3.7)	1.4	(5.5)
Total non-operating expense	$(20.2)	$(11.6)	$(31.7)	$(25.7)

INCOME TAXES

For the first nine months of 2016, we recorded an income tax expense on continuing operations of 11% as compared to a benefit of 9% in the comparable period of 2015. The primary differences between the U.S. statutory rate of 35% and the effective rate applied to continuing operations for the first nine months of 2016 relate to foreign tax rates, changes in Canadian and state valuation allowances, excess tax benefits in connection with LP's stock-based compensation plans, recognition of research and development tax credits from prior years and an increase in the reserve for unrecognized tax benefits associated with LP's South America operations. For the first nine months of 2015, the primary differences between the U.S. statutory rate of 35% and the effective rate applied to continuing operations relate to foreign tax rates, Canadian and state valuation allowances and a reduction in the reserve for unrecognized tax benefits. For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate to year-to-date results unless this method does not result in a reliable estimate of year-to-date income tax expense. An exception is provided for situations in which an enterprise anticipates a loss in a separate jurisdiction for which no tax benefit can be recognized. For the first nine months of 2015, LP's overall estimated annual effective tax rate was computed by excluding anticipated losses in Canada for which no deferred tax asset was expected to be recognizable due to the need for valuation allowances. The tax benefit for the period was then computed using the rate so derived applied to year-to-date pre-tax losses excluding those from Canada, and no additional Canadian tax benefit was added.

Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is recorded in the current quarter.

OTHER COMPREHENSIVE INCOME (LOSS)

	Quarter Ended September 30,		Nine Months Ended September 30,	
Dollar amounts in millions	2016	2015	2016	2015
Foreign currency translation adjustments	$0.1	$(12.0)	$10.3	$(19.9)
Unrealized gain (loss) on marketable securities	(0.5)	(0.1)	(0.7)	(0.1)
Defined benefit plans	1.0	2.4	2.0	5.0
Other	—	(0.1)	—	—
Comprehensive income (loss)	$0.6	$(9.8)	$11.6	$(15.0)

During the first nine months of 2016, the weakening of the U.S. dollar as compared to the functional currencies of our South American operations resulted in LP recording a gain on foreign currency adjustments in other comprehensive income of $10.3 million as compared to a loss of $19.9 million during the comparable period of 2015. During the first nine months of 2016, the Brazilian real strengthened 18% as compared to the U.S. dollar and the Chilean peso strengthened 7%. During the first nine months of 2015, the Brazilian real weakened 49% as compared to the U.S. dollar and the Chilean peso weakened 15%.

LEGAL AND ENVIRONMENTAL MATTERS

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Items 3, 7 and 8 in our Annual Report on Form 10-K for the year ended December 31, 2015 and Note 11 to the Notes to the financial statements contained herein.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our principal sources of liquidity are existing cash and investment balances, cash generated by our operations and our ability to borrow under such credit facilities as we may have in effect from time to time. We may also from time to time issue and sell equity, debt or hybrid securities or engage in other capital market transactions.

Our principal uses of liquidity are paying the costs and expenses associated with our operations, servicing outstanding indebtedness and making capital expenditures. We may also from time to time prepay or repurchase outstanding indebtedness, refinance, repurchase shares of our common stock and acquire assets or businesses that are complementary to our operations. Any such repurchases may be commenced, suspended, discontinued or resumed, and the method or methods of effecting any such repurchases may be changed, at any time or from time to time without prior notice.

We expect to be able to meet the future cash requirements of our existing businesses through cash expected to be generated from operations, existing cash and investment balances, existing credit facilities and other capital resources. The following discussion provides further details of our liquidity and capital resources.

OPERATING ACTIVITIES
During the first nine months of 2016, operating activities provided $240.3 million of cash compared to $1.3 million of cash used during the first nine months of 2015. This change was primarily related to improvements in operating results (higher OSB pricing and increases siding sales) and increases in accounts payable and accrued liabilities offset by increases in receivables.
INVESTING ACTIVITIES
During the first nine months of 2016, cash used in investing activities was approximately $172.4 million. Capital expenditures in the first nine months of 2016 were $78.7 million. We increased our restricted cash for redemption of long-term debt by $93.4 million. This restricted cash will be used to redeem our remaining Senior Notes originally due in 2020 in October 2016 and accrued interest.
Included in “Accounts payable” is $11.5 million related to capital expenditures that had not yet been paid as of September 30, 2016.
During the first nine months of 2015, cash used in investing activities was approximately $70.8 million. Capital expenditures in the first nine months of 2015 were $67.1 million. We received $0.4 million proceeds from the sale of assets. We increased our restricted cash by $5.9 million due to a requirement to collateralize certain long-term obligations. Included in “Accounts payable” was $3.5 million related to capital expenditures that had not yet been paid as of September 30, 2015.
Capital expenditures in 2016 are expected to be approximately $115 million to $125 million related to productivity improvements, growth and maintenance projects and our South American expansion.
FINANCING ACTIVITIES
During the first nine months of 2016, cash provided by financing activities was $53.3 million. In the third quarter of 2016, we issued $350.0 million aggregate principle amount of 4.875% Senior Notes due 2024, and used approximately $262.4 million of the proceeds of this issuance to repurchase a portion of our Senior Notes due 2020. Additionally, we used $20.3 million to repay other outstanding debt in the first nine months of 2016 and $8.9 million to repurchase stock from employees in connection with income tax withholding requirements associated with our employee equity plans.
During the first nine months of 2015, cash used by financing activities was $7.2 million. We used $2.2 million to repay outstanding debt in the first nine months of 2015 and $5.4 million to repurchase stock in connection with income tax withholding requirements associated with our employee equity plans.
POTENTIAL IMPAIRMENTS
We continue to review several mills and investments for potential impairments. Management currently believes we have adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of September 30, 2016, the fair value of facilities that have not been indefinitely curtailed was in excess of their carrying value and supports the conclusion that no impairment is necessary for those facilities.
We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant factors. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, we may be required to record impairment charges in connection with decisions to dispose of assets.
Item 3. Quantitative and Qualitative Disclosures about Market Risk
A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Offsetting the variable rate debt are variable rate notes receivable from asset sales. Based upon the balances of the variable rate notes receivable from asset sales and the variable rate debt at September 30, 2016, a 100 basis point interest rate change would impact pre-tax net income and cash flows by $0.4 million annually.
Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar, Brazilian real and the Chilean peso. Although we have in the past entered into foreign exchange contracts

associated with certain of our indebtedness and may continue to enter into foreign exchange contracts associated with major equipment purchases to manage a portion of the foreign currency rate risk, we historically have not entered into material currency rate hedges with respect to our exposure from operations, although we may do so in the future.
Some of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. The most significant commodity product we sell is OSB. Based upon an assumed annual production capacity of 5.9 billion square feet (3/8" basis) or 5.1 billion square feet (7/16" basis), a $1 change in the annual average price per square foot on 7/16" basis would change annual pre-tax profits by approximately $5.1 million.
We historically have not entered into material commodity futures and swaps, although we may do so in the future.

Item 4.Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2016, our Chief Executive Officer and Chief Financial Officer have carried out, with the participation of the Company's Disclosure Practices Committee and the Company's management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that LP’s disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

We had no changes in our internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
SUMMARY OF PRODUCTION VOLUMES [(1)]
The following table sets forth production volumes for the quarter and nine months ended September 30, 2016 and 2015.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Oriented strand board, million square feet 3/8" basis	1,116	1,050	3,262	3,143
Oriented strand board, million square feet 3/8" basis (produced by North America non-OSB segment mills)	63	64	189	80
Wood-based siding, million square feet 3/8" basis	316	258	1,001	888
Engineered I-Joist, million lineal feet	21	21	61	57
Laminated veneer lumber (LVL), thousand cubic feet and laminated strand lumber (LSL), thousand cubic feet	2,393	2,343	7,499	6,828

INDUSTRY PRODUCT TRENDS
The following table sets forth the average wholesale price of OSB in the United States for the periods specified in dollars per 1,000 square feet.

	OSB Western Canada 7/16" Basis	OSB Southwest 7/16" Basis	OSB N. Central 7/16" Basis
Average			
2012	$ 269	$ 260	$ 271
2013	$ 300	$ 293	$ 315
2014	$ 197	$ 208	$ 218
2015 1st Qtr. Avg.	$ 159	$ 195	$ 193
2015 2nd Qtr. Avg.	$ 152	$ 183	$ 193
2015 3rd Qtr. Avg.	$ 157	$ 181	$ 203
2016 1st Qtr. Avg.	$ 191	$ 230	$ 226
2016 2nd Qtr. Avg.	$ 242	$ 256	$ 264
2016 3rd Qtr. Avg.	$ 265	$ 269	$ 301

Source: Random Lengths

PART II -OTHER INFORMATION
Item 1. Legal Proceedings.
The description of certain legal and environmental matters involving LP set forth in Part I of this report under “Note 11 – Legal and Environmental Matters” is incorporated herein by reference.
Item 1A. Risk Factors.
You should be aware that the occurrence of any of the events described in this Risk Factors section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below and the matters described in “About Forward-Looking Statements.”
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. Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. This cyclicality is influenced by a number of factors, including the supply of new and existing homes on the market, the level of unemployment, longer-term interest rates, and mortgage foreclosure rates. The cyclicality is also influenced by the availability of mortgage financing, which is currently more restrictive than normal and which could be adversely affected by the implementation of one or more proposals to eliminate or reduce the mortgage market roles of or levels of support for government-sponsored enterprises such as Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. A significant increase in longer-term interest rates, a prolonged decline in the availability of mortgage financing, or the occurrence of other events that reduce levels of residential construction activity could have a material adverse effect on our financial condition, results of operations and cash flows. Our primary product, OSB, and a significant portion of our raw materials 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, including the level of new residential construction activity and home repair and remodeling activity, changes in the availability and cost of mortgage financing and weather conditions. We are not able to predict with certainty market conditions and selling prices for our products. In this competitive environment with so many variables which we do not control, 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, particularly OSB, 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 about 47% of our North American sales in 2015 compared to 49% in 2014 and we expect OSB sales to continue to account for a substantial portion of our revenues and profits in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. In this competitive environment with so many variables for which we do not control, we cannot assure you that pricing for OSB or our other products will not decline from current levels.

Intense competition in the building products industry could prevent us from increasing or sustaining our net sales and 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 potential shortages of raw materials and increases in raw material costs. The most significant raw material used in our operations is wood fiber. We obtain about 81% (as of December

31, 2015) 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 governmental, economic or industry conditions, and may be affected by increased demand resulting from initiatives to increase the use of biomass materials in the production of heat, power, biobased products and biofuels. In addition to wood fiber, we also use a significant quantity of various resins in our manufacturing processes. Resin product costs are influenced by changes in the prices or availability of raw materials used to produce resins, primarily petroleum products, as well as demand for and availability of 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 flows.

Many of the Canadian forestlands from which we obtain wood fiber also are subject to the constitutionally protected treaty or common-law rights of the aboriginal peoples of Canada. Most of British Columbia is not covered by treaties and, as a result, the claims of British Columbia’s aboriginal peoples relating to forest resources are largely unresolved, although many aboriginal groups are actively engaged in treaty discussions with the governments of British Columbia and Canada. Final or interim resolution of claims brought by aboriginal groups are expected to result in additional restrictions on the sale or harvest of timber and may increase operating costs and affect timber supply and prices in Canada.

We depend on our senior management team and other key employees, and significant attrition within our management team could adversely affect our business. Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors’ hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations.

Our operations require substantial capital. Capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may be substantial. 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. If for any reason we are unable 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 flows.

Adverse weather conditions can have a significant impact on our operating results. Our business is sensitive to national and regional weather conditions and natural disasters. Inclement weather affects both our ability to produce and distribute our products. In past years, extreme weather conditions, including snow and ice storms, flood and wind damage, hurricanes, tornadoes, extreme rain and droughts, have caused delays and closures of varying lengths at our manufacturing plants located across the country. In addition, severe weather conditions can cause disruptions in deliveries of raw materials from our suppliers. Our customers sell our products in the repair and remodeling and new home construction markets. Construction activity, which drives demand for our products, decreases substantially during periods of cold weather, when it snows or when heavy or sustained rains fall. Such weather conditions can materially and adversely affect our operating results if they occur with unusual intensity, during abnormal periods, or last longer than usual, especially during peak construction periods.

Our pension and health care costs are subject to numerous factors which could cause these costs to change. We have defined benefit pension plans covering substantially all U.S. and Canadian employees. We provide retiree health care benefits to certain of our U.S. salaried and certain hourly employees. Our pension costs are dependent upon numerous pension plan provisions that are subject to interpretations and factors resulting from actual plan experience and assumptions of future experience. Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns; changes in general interest rates and changes in the number of retirees may result in increased pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could also increase pension and health care costs. We are subject to market risk on pension plan assets as well as discount rates on long-term obligations. Significant adverse changes in the factors affecting our pension and health care costs could adversely affect our cash flows, financial condition and results of operations.

Our pension plans are currently underfunded, and over time we will be required to make cash payments to the plans, reducing the cash available for our business. We record a liability associated with our pension plans equal to the excess of the benefit obligation over the fair value of plan assets. The benefit liability recorded under the provisions of ASC 715, “Compensation—Retirement Benefits,” at December 31, 2015 was $93.4 million. Although we expect to contribute between $6.0 million and $8.0 million to our plans in 2016, we continually reassess the amount and timing of any discretionary contributions. Over the next several years we may make significant contributions to the plans. The amount of such contributions will depend upon a number of factors, principally the actual earnings and changes in values of plan assets and changes in interest rates.

We mostly depend on third parties for transportation services and increases in costs and the availability of transportation could materially and adversely affect our business and operations. Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties for transportation of the products we manufacture and/or distribute as well as for delivery of our raw materials. In particular, a significant portion of the goods we manufacture and raw materials we use are transported by railroad or trucks, which are highly regulated. If any of our third-party transportation providers were to fail to deliver the goods we manufacture or distribute in a timely manner, we may be unable to sell those products at full value or at all. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at reasonable cost. Any failure of a third-party transportation provider to deliver raw materials or finished products in a timely manner could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial condition and results of operations. In addition, an increase in transportation rates or fuel surcharges could materially and adversely affect our sales and profitability.

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 discharges of pollutants and other emissions on or into land, water and air, and the disposal and remediation of hazardous substances or other contaminants and the restoration and reforestation of timberlands. 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 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, product liability and other legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties. The conduct of our business involves the use of hazardous substances and the generation of contaminants and pollutants.

In addition, the end-users of many of our products are members of the general public. We currently are or from time to time in the future may be involved in a number of environmental matters and legal proceedings, including legal proceedings involving anti-trust, warranty or non-warranty product liability claims, negligence and other claims, including claims for wrongful death, personal injury and property damage alleged to have arisen out of the use by others of our or our predecessors' products or the release by us or our predecessors of hazardous substances. Environmental matters and legal 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. 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.

Settlements of tax exposures may exceed the amounts we have established for known estimated tax exposures. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions and uncertain tax positions. Significant income tax exposures may include potential challenges to intercompany pricing and loans, the treatment of financing, acquisition and disposition transactions, the use of hybrid entities and other matters. These exposures are settled primarily through the closure of audits with the taxing jurisdictions and, on occasion, through the judicial process, either of which may produce a result inconsistent with past estimates. We believe that we have established appropriate reserves for estimated exposures; however, if actual results differ materially from our estimates we could experience a material adverse effect on our financial condition, results of operations and cash flows. In addition, our deferred tax liabilities include substantial amounts related to installment sales of timber lands in 1998 and 2003 for which we have previously monetized most of the installment receivable. As a result of these monetizations, we will be required to fund these liabilities from sources other than such installments, potentially including such tax loss and credit carryovers as may then be available.

Fluctuations in foreign currency exchange rates could result in currency exchange losses and reductions in stockholders' equity. A significant portion of our operations are conducted through foreign subsidiaries. The functional currency for our Canadian subsidiary is the U.S. dollar. The financial statements of this foreign subsidiary are remeasured into U.S. dollars using the historical exchange rate for property, plant and equipment, timber and timberlands, equity and certain other non-monetary assets and liabilities and related depreciation and amortization on these assets and liabilities. These transaction and translation gains or losses are recorded in foreign exchange gains (losses) in the income statement. The functional currency of our Chilean subsidiary is the Chilean peso and the functional currency of our Brazilian subsidiary is the Brazilian real. Translation adjustments, which are based upon the exchange rate at the balance sheet date for assets and liabilities and the weighted average rate for the income statement, are recorded in the Accumulated Comprehensive Income (Loss) section of Stockholders' Equity. Therefore, changes in the Canadian dollar, the Chilean peso or the Brazilian real relative to the U.S. dollar may have a material adverse effect on our financial condition and results of operations.

Our ability to service our indebtedness, to refinance our indebtedness or to fund our other liquidity needs is subject to various risks. Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors, including the availability of financing in the banking and capital markets as well as the other risks described herein. In particular, demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. Over the last several years, housing starts remained below “normal” levels. There can be no assurance as to when, or if the housing market, will rebound to “normal levels”. Accordingly, we cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs. If we are unable to service our debt obligations or to fund our other liquidity needs, we could be forced to curtail our operations, reorganize our capital structure or liquidate some or all of our assets in a manner that could cause the holders of our securities to experience a partial or total loss of their investment in us.

We have not independently verified the results of third-party research or confirmed assumptions or judgments upon which it may be based, and the forecasted and other forward-looking information contained therein is subject to inherent uncertainties. We refer in this report and other documents that we file with the SEC to historical, forecasted and other forward-looking information published by sources such as RISI (Resource Information Systems, Inc.), FEA (Forest Economic Advisors, LLC), Random Lengths and the U.S. Census Bureau that we believe to be reliable. However, we have not independently verified this information and, with respect to the forecasted and forward-looking information, have not independently confirmed the assumptions and judgments upon which it is based. Forecasted and other forward-looking information is necessarily based on assumptions regarding future occurrences, events, conditions and circumstances and subjective judgments relating to various matters, and is subject to inherent uncertainties. Actual results may differ materially from the results expressed or implied by, or based upon, such forecasted and forward-looking information.

Initiatives to upgrade our information technology infrastructure involve many risks. We regularly implement business process improvement initiatives to optimize our performance. Our current initiatives include plans to further standardize the business processes and technology that support our strategies through implementation of further upgrades to our software solution over the next few years. We may experience difficulties as we transition to these new or upgraded systems and processes, including loss of data and decreases in productivity as our personnel become familiar with new systems. In addition, transitioning to these new or upgraded systems requires significant capital investments and personnel resources. Difficulties in implementing new or upgraded information systems or significant system failures could disrupt our operations and have a material adverse effect on our business, financial condition, results of operations or cash flows. If we are unable to manage these changes successfully, our ability to timely and accurately process transactions and report our results of operations could be adversely affected.

Cyber security risks related to the technology that manages our operations and other business processes, as well as security breaches of company, customer, employee, and vendor information, could adversely affect our business. We rely on various information technology systems to capture, process, store, and report data and interact with customers, vendors, and employees. Despite careful security and controls design, implementation, updating, and internal and independent third-party assessments, our information technology systems, and those of our third party providers, could become subject to cyber attacks. Network, system, and data breaches could result in misappropriation of sensitive data or operational disruptions, including interruption to systems availability and denial of access to and misuse of applications required by our customers to conduct business with us. In addition, hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the systems. Misuse of internal applications; theft of intellectual property, trade secrets, or other corporate assets; and inappropriate disclosure of confidential information could stem from such incidents. A security failure of that technology could impact our ability to operate our businesses effectively, adversely affect our reported financial results, impact our reputation and expose us to potential liability or litigation.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On October 31, 2014, LP’s Board of Directors authorized LP to repurchase up to $100 million of LP’s common stock. LP may initiate, discontinue or resume purchases of its common stock under this authorization in the open market, in privately negotiated transactions or otherwise at any time or from time to time without prior notice. As of October 31, 2016, no purchases have occurred under this authorization.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.
N/A
Item 5. Other Information.

None.

Item 6. Exhibits.

4.1	Indenture, dated as of September 14, 2016, between Louisiana-Pacific Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee incorporated herein by reference to exhibit 4.1 to L-P's Current Report on Form 8-K dated September 14, 2016.
10.1	Form of Note Prepayment Agreement incorporated herein by reference to exhibit 10.1 to L-P's Current Report on Form 8-K dated August 26, 2016.
10.2	Registration Rights Agreement, dated as of September 14, 2016, between Louisiana-Pacific Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative incorporated herein by reference to exhibit 10.1 to L-P's Current Report on Form 8-K dated September 14, 2016
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32.1	Certifications pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
100.INS	XBRL Instance Document
100.SCH	XBRL Taxonomy Extension Schema Document
100.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
100.DEF	XBRL Taxonomy Extension Definition Linkbase Document
100.LAB	XBRL Taxonomy Extension Label Linkbase Document
100.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

LOUISIANA-PACIFIC CORPORATION

Date: October 31, 2016 BY: /S/ CURTIS M. STEVENS
Curtis M. Stevens
Chief Executive Officer

Date: October 31, 2016 BY: /S/ SALLIE B. BAILEY
Sallie B. Bailey
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)