LOUISIANA-PACIFIC CORP
Form 10-K
February 24, 2016

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

FORM 10-K
Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2015	Commission File Number 1-7107

Louisiana-Pacific Corporation
(Exact name of registrant as specified in its charter)

Delaware	93-0609074
(State of Incorporation)	(I.R.S. Employer Identification No.)
414 Union Street, Suite 2000 Nashville, TN 37219	615-986-5600
(Address of principal executive offices)	Registrant's telephone number (including area code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

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 ý No ¨

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 ý No ¨

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

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

Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No ý
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter: $2,376,233,031
Indicate the number of shares outstanding of each of the registrant’s classes of common stock as of the latest practicable date: 143,169,626 shares of Common Stock, $1 par value, outstanding as of February 24, 2016.
Documents Incorporated by Reference
Definitive Proxy Statement for 2016 Annual Meeting: Part III
Except as otherwise specified and unless the context otherwise requires, references to “LP”, the “Company”, “we”, “us”, and “our” refer to Louisiana-Pacific Corporation and its subsidiaries.

ABOUT FORWARD-LOOKING STATEMENTS

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

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like “may,” “will,” “could,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “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 the 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 Securities and Exchange Commission (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.

PART I

ITEM 1. Business

General

Our company, founded in 1973 and headquartered in Nashville, Tennessee, is a leading manufacturer of building products. As of December 31, 2015, we had approximately 4,800 employees. We currently own 21 modern, strategically located facilities in the U.S. and Canada, two facilities in Chile and one facility in Brazil. We also operate facilities through a joint venture, for which we are the exclusive provider of product distribution for North America. Our focus is on delivering innovative, high-quality commodity and specialty building products to retail, wholesale, home building and industrial customers. We utilize various tools, such as an enterprise resource planning system and Lean Six Sigma, to improve operational efficiency and productivity. Our products are used primarily in new home construction, repair and remodeling and outdoor structures.

Business Segments

We operate in four segments: North America Oriented Strand Board (OSB); Siding; Engineered Wood Products (EWP); and South America. In general, our business results are affected by the level of housing starts; the level of home repairs; changes in industry capacity; changes in the prices we pay for raw materials and energy and changes in foreign exchange rates (primarily the Canadian dollar, Chilean Peso and Brazilian Real).

OSB

Our OSB segment manufactures and distributes OSB structural panel products.

OSB is an innovative, affordable and environmentally friendly product made from wood strands arranged in layers and bonded with resin. OSB serves many of the same uses as plywood, including roof decking, sidewall sheathing and floor underlayment, but can be produced at a significantly lower cost. It is estimated for 2015 that OSB accounted for approximately 64% of the structural panel consumption in North America with plywood accounting for the remainder. We estimate that the overall North American structural panel market (based upon 2015 housing starts) was 31.2 billion square feet with the OSB market comprising an estimated 19.9 billion square feet of this market. Based upon our production in 2015 of 4.2 billion square feet (including OSB produced in our siding segment), we estimate that we account for 21% of the North American OSB market and 13% of the overall North American structural panel market. We believe we are a leading producer of OSB in North America and are positioned to compete in all geographic markets.

Siding

Our siding offerings fall into two categories: SmartSide® siding products and related accessories; and CanExel siding and accessories and other related products. Our SmartSide® products consist of a full line of wood-based sidings, trim, soffit and fascia. These products have quality and performance characteristics similar to solid wood at more attractive prices due to lower raw material and production costs. Our CanExel siding and accessory product offerings include a number of pre-finished lap and trim products in a variety of patterns and textures. These products are used in new construction, repair and remodeling and outdoor structures such as sheds.

Additionally, minor amounts of commodity OSB are produced and sold in this segment.

Engineered Wood Products

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 produced by our joint venture with Resolute Forest Products and LVL sold under a contract manufacturing arrangement. We believe that in North America we are one of the top three producers (including our joint venture production) of I-Joists, LVL and LSL. A plywood mill associated with our LVL operations in British Columbia and minor amounts of commodity OSB are also included in this segment.

We believe that our engineered I-joists, which are used primarily in residential and commercial flooring and roofing systems and other structural applications, are stronger, lighter and straighter than conventional lumber joists.

Our LVL and LSL are high-grade, value-added structural products used in applications where extra strength and quality is required, such as headers and beams.

South America

Our South American segment manufactures and distributes OSB and siding products in South America and certain export markets. This segment also distributes and sells related products to augment the transition to wood frame construction. We believe we are the only producer of OSB in South America.

Other Products

Our other products category includes our remaining timber and timberlands, and other minor products, services and closed operations. Prior to disposition during 2013, this category also included our interest in a joint venture that produced cellulose insulation.

Sales, Marketing and Distribution

Our sales and marketing efforts are primarily focused on traditional two-step distribution, professional building products dealers, home centers, third-party wholesale buying groups and other retailers. The wholesale distribution channel includes a variety of specialized and broad-line wholesale distributors and dealers focused primarily on the supply of products for use by professional builders and contractors. The retail distribution channel includes large retail chains catering to the do-it-yourself (DIY) and repair and remodeling markets as well as smaller independent retailers.

Customers

We seek to maintain a broad customer base and a balanced approach to national distribution through both wholesale and retail channels. In 2015, our top ten customers accounted for approximately 45% of our sales. Because a significant portion of our sales are from OSB, a commodity product sold primarily on the basis of price and availability, we are not dependent on any one customer. Our principal customers include the following:

- Wholesale distribution companies, which supply building materials to retailers on a regional, state or local basis;
- Two-step distributors, who provide building materials to smaller retailers, contractors and others;
- Building materials professional dealers, that specialize in sales to professional builders, remodeling firms and trade contractors that are involved in residential home construction and light commercial building;
- Retail home centers, that provide access to consumer markets with a broad selection of home improvement materials and increasingly serve professional builders, remodelers and trade contractors; and
- Shed producers, who design, construct and distribute prefabricated residential and light commercial structures, including fully manufactured, modular and panelized structures, for consumer and professional markets.

Seasonality

Our business is subject to seasonal variances, with demand for many of our products tending to be greater during the building season, which generally occurs in the second and third quarters in North America and the fourth and first quarters in South America. From time to time, we engage in promotional activities designed to stimulate demand for our products, such as reducing our selling prices and providing extended payment terms, particularly at times when demand is otherwise relatively soft. We do this in an effort to better balance our inventory levels with demand, manage the logistics of our product shipments, allow our production facilities to run efficiently, be competitive, and/or obtain initial orders from customers.

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Competitors / Competition

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

In terms of our commodity OSB, we compete based upon price, quality and availability of products. In terms of our specialty products, including EWP, siding and various value added OSB products, we compete based upon price, quality, and availability of products as well as performance features offered.

Raw Materials

Wood fiber is the primary raw material used in most of our operations, and the primary source of wood fiber is timber. The primary end-markets for timber harvested in the U.S. are manufacturers who supply: (1) the housing market, where it is used in the construction of new housing and the repair and remodeling of existing housing; (2) the pulp and paper market; (3) commercial and industrial markets; (4) export markets; and (5) emerging biomass energy production markets. The supply of timber is limited by the availability of timberlands and access to the fiber. The availability of timberlands, in turn, is limited by several factors, including forest management policies, alternate uses of land, and loss to urban or suburban real estate development.

In Canada, we harvest enough timber annually under long-term harvest rights with various Canadian governments and other third parties to support our Canadian production facilities.

We purchase approximately 81% of our wood fiber requirements on the open market, through either private cutting contracts or purchased wood arrangements. Our remaining wood fiber requirements (19%) are fulfilled through government contracts, principally in Canada. Because wood fiber is subject to commodity pricing, the cost of various types of timber that we purchase in the market has at times fluctuated greatly due to weather, governmental, economic or other industry conditions. However, our mills are generally in close proximity to large and diverse supplies of timber and have the ability to procure wood fiber at competitive prices.

In addition to wood fiber, we use significant quantities of various resins in our manufacturing processes. Resin product costs are influenced by changes in the prices of raw materials used to produce resin, primarily petroleum products and energy, as well as competing demand for resin products. Currently, we purchase the majority of our resin from three major suppliers and believe our relationships with those suppliers are good. However, there can be no assurance that pricing or availability of resins will not be impacted based upon competing demand.

While a large portion of our energy requirements are met at our plants through the energy produced from the conversion of wood waste, we also purchase substantial amounts of energy in our operations, primarily electricity and natural gas. Energy prices have experienced significant volatility in recent years, particularly in deregulated markets. We attempt to mitigate our exposure to energy price changes through the selective use of long-term supply agreements.

Environmental Compliance

Our operations are subject to many environmental laws and regulations governing, among other things, the discharge of pollutants and other emissions on or into land, water and air, the disposal of hazardous substances or other contaminants, the remediation of contamination and the restoration and reforestation of timberlands. In addition, certain environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. Compliance with environmental laws and regulations can significantly increase the costs of our operations. In some cases, plant closures can result in more onerous compliance requirements becoming applicable to a facility or a site. Violations of environmental laws and regulations can

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subject us to additional costs and expenses, including defense costs and expenses and civil and criminal penalties. We cannot assure you that the environmental laws and regulations to which we are subject will not become more stringent, or be more stringently implemented or enforced, in the future.

Our policy is to comply fully with all applicable environmental laws and regulations. We devote significant management attention to achieving full compliance. In addition, from time to time, we undertake construction projects for environmental control equipment or incur other environmental costs that extend an asset's useful life, improve its efficiency or improve the marketability of certain properties.

Additional information concerning environmental matters is set forth under item 3, Legal Proceedings, and in Note 19 of the Notes to the consolidated financial statements included in item 8 of this report.

Employees

We employ approximately 4,800 people, about 900 of whom are members of unions, primarily in Canada, Chile and Brazil. We consider our relationship with our employees generally to be good. During 2015, union contracts related to two manufacturing facilities in Canada expired. Subsequent to December 31, 2015, these contracts were renewed. While we do not currently anticipate any work stoppage, there can be no assurance that work stoppages will not occur.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. Our SEC filings are available to the public over the internet at the SEC's website at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference room at 100 F Street, NE., Washington, D.C. 20549. You may obtain information on the operation of the SEC's public reference room in Washington, D.C. by calling the SEC at 1-800-SEC-0330.

In addition, we will make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act through our internet website at http://www.lpcorp.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Segment and Price Trend Data

The following table sets forth, for each of the last three years: (1) our production volumes; (2) the estimated average wholesale price of OSB sold in the United States; and (3) our logs procured by source. In addition, information concerning our: (1) consolidated net sales by business segment; (2) consolidated profit (loss) by business segment; (3) identifiable assets by segment; (4) depreciation, amortization and cost of timber harvested; (5) capital expenditures; and (6) geographic segment information is included at Note 25 of the Notes to the consolidated financial statements included in item 8 of this report and information concerning our sales by product line is included in item 7 of this report.

Product Information Summary
For Years Ended December 31
(Dollar amounts in millions, except per unit)

	2015	2014	2013
PRODUCTION VOLUMES[1]			
OSB, 3/8” basis, million square feet[2]	4,170	4,294	4,096
South America OSB, thousand cubic meters	458	485	458
Wood-based siding, 3/8” basis, million square feet	1,111	1,103	1,011
Engineered I-joists, million lineal feet	77	76	74
Laminated veneer lumber and laminated strand lumber, thousand cubic feet	9,502	9,015	7,783
COMMODITY PRODUCT PRICE TRENDS[3]			
OSB, MSF, 7/16” span rating (North Central price)	$208	$218	$315
OSB, MSF, 7/16” span rating (Western Canada price)	$168	$197	$300
OSB, MSF, 7/16” span rating (Southwest price)	$199	$208	$293
% LOGS BY SOURCES[4]			
Private cutting contracts	4 %	4 %	6 %
Government contracts	19 %	20 %	29 %
Purchased logs	77 %	76 %	65 %

(1) Includes purchases of products from joint ventures or purchased under contract manufacturing arrangements.
(2) Includes production at both our commodity and specialty mills in North America.
(3) Prices represent yearly averages stated in dollars per thousand square feet (MSF). Source: Random Lengths.
(4) Stated as a percentage of total log volume.

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 historical periods 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. 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%, 49% and 59% of our North American sales in 2015, 2014 and 2013 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 currently obtain about 81% 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 that 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 change 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 may 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 Accounting Standards Codification (ASC) 715, “Compensation—Retirement Benefits,” at December 31, 2015 was $93.4 million. Although we expect to contribute approximately $6.0 million to $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 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

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

ORIENTED STRAND BOARD

Oriented Strand Board Panel Plants

10 plants—5,365 million square feet annual capacity 3/8” basis

	Square feet in millions
Carthage, TX	500
Chambord, Quebec, Canada[1]	470
Dawson Creek, BC, Canada	380
Ft. St. John, British Columbia, Canada	820
Hanceville, AL	410
Jasper, TX	475
Maniwaki, Quebec, Canada	650
Roxboro, NC	500
Sagola, MI	410
Thomasville, AL	750

SIDING

Siding and Specialty Plants

7 plants—1,795 million square feet annual capacity 3/8” basis

	Square feet in millions
Newberry, MI	150
Hayward, WI[2]	475
Tomahawk, WI	230
Two Harbors, MN	190
Roaring River, NC	300
East River, Nova Scotia, Canada	100
Swan Valley, Manitoba, Canada[3]	350

ENGINEERED WOOD PRODUCTS

I-joist Plants[4]

1 plant—80 million lineal feet annual capacity

	Lineal feet in millions
Red Bluff, CA	80

LVL Plants
2 plants—9,400 thousand cubic feet annual capacity

	Cubic feet in thousands
Golden, BC, Canada	4,800
Wilmington, NC	4,600

LSL Plant
1 plant—7,000 thousand cubic feet annual capacity

	Cubic feet in thousands
Houlton, ME[2]	7,000

SOUTH AMERICAN OPERATIONS
3 plants—680 million square feet annual capacity 3/8” basis

	Square feet in millions
Panguipulli, Chile	130
Lautaro, Chile	160
Ponta Grossa, Brazil	390

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1 Facility indefinitely curtailed as of December 31, 2015.

2 The Hayward, WI siding and Houlton, ME LSL facilities can produce commodity OSB when market conditions warrant.

3 In addition to the plants described, our 50/50 joint venture with Resolute Forest Products owns and operates a plant in St. Prime, Quebec, Canada and a plant in La Rouche, Quebec, Canada. The combined annual production capacity of these facilities is 140 million lineal feet.

CANADIAN TIMBERLAND LICENSE AGREEMENTS

Location	Acres
British Columbia	20,700,000
Manitoba	8,900,000
Nova Scotia	600,000
Quebec	7,500,000
Total timberlands under license agreements in Canada	37,700,000

Our Canadian subsidiaries have arrangements with four Canadian provincial governments which give our subsidiary the right to harvest a volume of wood off public land from defined forest areas under supply and forest management agreements, long-term pulpwood agreements, and various other timber licenses. The acreage noted above is the gross amount of the licenses and is not reflective of the amount of timber acreage that we currently manage. We also obtain wood from private parties in certain cases where the provincial governments require us to obtain logs from private parties prior to harvesting from the licenses to meet our raw materials needs.

ITEM 3. Legal Proceedings

Certain environmental matters and legal proceedings are discussed below.

ENVIRONMENTAL MATTERS

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

HARDBOARD TRIM LITIGATION

We were named in four putative class action lawsuits filed against us in United States District Courts during the first quarter of 2012 related to non-treated hardboard trim product formerly manufactured at our Roaring River, North Carolina hardboard plant: Brown v. Louisiana-Pacific Corporation., Case No. 4:12-CV-00102-RP-TJS (S.D. Iowa) (filed March 8, 2012, as a state-wide putative class); Holbrook v. Louisiana-Pacific Corporation, et al., Case No. 3:12-CV-00484-JGC (N.D. Ohio) (filed February 28, 2012, as a state-wide putative class); Bristol Village Inc. v. Louisiana-Pacific Corporation, et al., Case No. 1:12-CV-00263 (W.D.N.Y.) (filed March 30, 2012, as a state-wide putative class or, alternatively, as a nation-wide putative class) and Prevett v. Louisiana-Pacific, Case No. 6:12-CV-348-ORL-18-KRS (M.D. Fla) (filed March 5, 2012, as a state-wide putative class). A fifth lawsuit, Eugene Lipov v. Louisiana-Pacific, Case 1:12-CV-00439- JTN (W.D. Mich) (filed May 3, 2012) was filed as a statewide putative class action in the second quarter of 2012. These lawsuits follow two state-wide putative class action lawsuits previously filed against LP in United States District Courts: Hart, et al. v. Louisiana-Pacific Corp., Case No. 2:08-CV-00047 (E.D.N.C.). and Ellis, et al. v. Louisiana-Pacific Corp., Case No. 3:11-CV-191 (W.D.N.C.) The Hart case was certified by the District Court as a class action on July 15, 2011.

The Holbrook case was dismissed by the District Court on August 29, 2012 and appealed by the plaintiffs to the United States Court of Appeals for the Sixth Circuit. The Court of Appeals upheld the dismissal on all counts except the express warranty. This case is still proceeding on the express warranty claim. The Ellis case was dismissed in its entirety by the District Court which dismissal was affirmed by the United States Court of Appeals for the Fourth Circuit on November 2, 2012. The Prevett case was voluntarily dismissed by the plaintiffs on May 31, 2012 and replaced by Riley v. Louisiana-Pacific, Case No. 6:12-CV-00837-18 (M.D. Fla) (filed June 4, 2012 as a state-wide putative class). The Riley case was voluntarily dismissed by the plaintiffs on December 17, 2013. The Lipov case was voluntarily dismissed by the plaintiffs on November 27, 2013. On August 30, 2013, the District Court in the Hart case decertified the class and granted summary judgment on the claims brought by the individual plaintiff’s dismissing the entire case. The plaintiffs have appealed the dismissal and decertification to the United States Court of Appeals for the Fourth Circuit. Oral argument was held on September 16, 2015. No decision has been rendered. On March 12, 2015, the Court held oral argument on LP’s pending motion for summary judgment, in the Bristol Village case but it has yet to issue its decision.

On October 4, 2013, another lawsuit, Harbison v. Louisiana-Pacific Corporation, Case No. 2:13-CV-00814 (W.D. Pa.) was filed as a putative class action. On February 17, 2014, the U.S. District Court granted, in part, LP’s motion to dismiss and on March 20, 2014, the court granted summary judgment in favor of LP on the breach of express warranty claim. This matter was appealed by the plaintiffs to the United States Court of Appeals for the Third Circuit. The Appeals court affirmed the trial courts opinion on February 18, 2015,

On September 18, 2014, the district court in Brown v. Louisiana-Pacific Corporation., Case No. 4:12-CV-00102-RP-TJS (S.D. Iowa) (filed March 8, 2012, as a state-wide putative class) granted LP’s motion for summary judgment and denied as moot Plaintiff’s motion for class certification. Plaintiff has moved for reconsideration of the court’s order which was denied. The plaintiffs appealed to the United States Court of Appeals for the Eighth Circuit. Oral arguments were held October 20, 2015. No decision has been rendered.

The plaintiffs in these lawsuits seek to certify classes consisting of all persons that own structures within the respective states in which the lawsuits were filed (or, in some cases, within the United States) on which the hardboard trim in question is installed. The plaintiffs seek unspecified damages and injunctive and other relief under various state law theories, including negligence, violations of consumer protection laws, and breaches of implied and express warranties, fraud, and unjust enrichment. While some individual owners of structures within the putative classes may have valid warranty claims, we believe that the claims asserted on a class basis are without merit and we intend to defend these matters vigorously. We have established warranty reserves for the hardboard trim in question pursuant to our normal business practices, and we do not believe that the resolution of these lawsuits will have a material effect on our financial condition, results of operations, cash flows or liquidity.

OTHER PROCEEDINGS

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

CONTINGENCY RESERVES

We maintain reserves for the estimated cost of the legal and environmental matters referred to above. However, as with any estimate, there is uncertainty of predicting the outcomes of claims and litigation and environmental investigations and remediation efforts that could cause actual costs to vary materially from current estimates. Due to various uncertainties, we cannot predict to what degree actual payments will exceed the recorded liabilities related to these matters. However, it is possible that, in either the near term or the longer term, revised estimates or actual payments will significantly exceed the recorded liabilities.

For information regarding our financial statement reserves for the estimated costs of the environmental and legal matters referred to above, see Note 18 of the Notes to financial statements included in item 8 in this report.

ITEM 4. Mine Safety Disclosures

N/A

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of LP is listed on the New York Stock Exchange with the ticker symbol "LPX." The Dow-Jones newspaper quotations symbol for the common stock is "LaPac." Information regarding the high and low sales prices for the common stock for each quarter of the last two years is as follows:

	1ST QTR	2ND QTR	3RD QTR	4TH QTR
HIGH AND LOW STOCK PRICES				
2015 High	$17.76	$18.64	$17.54	$18.97
Low	$15.22	$14.88	$13.94	$14.04
2014 High	$18.88	$17.55	$15.45	$17.66
Low	$15.85	$13.73	$12.71	$12.46

As of February 24, 2016, there were approximately 6,881 holders of record of our common stock. No dividends were paid in 2015 or 2014. Our ability to pay dividends in the future is subject to limitations set forth in the agreement governing our bank credit facility and the indenture governing our Senior Notes due in 2020.

ISSUER PURCHASES OF EQUITY SECURITIES

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 February 24, 2016, no purchases have occurred under this authorization.

PERFORMANCE GRAPH

The following graph compares the total cumulative return to investors, including dividends paid (assuming reinvestment of dividends) and appreciation or depreciation in stock price, from an investment in LP common stock for the period from December 31, 2010 through December 31, 2015, to the total cumulative return to investors from the Standard & Poor's 500 Stock Index and the Standard & Poor's Paper and Forest Products Index for the same period. Stockholders are cautioned that the graph shows the returns to investors only as of the dates noted and may not be representative of the returns for any other past or future period.

	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
LOUISIANA-PACIFIC CORPORATION	$100	$85	$204	$196	$175	$190
S&P 500 INDEX	$100	$102	$118	$157	$178	$181
PAPER & FOREST PRODUCTS	$100	$100	$100	$100	$100	$100

ITEM 6. Selected Financial Data

Dollar amounts in millions, except per share Year ended December 31	2015 [1]	2014	2013	2012	2011
SUMMARY INCOME STATEMENT DATA					
Net sales	$1,892.5	$1,934.8	$2,085.2	$1,691.2	$1,328.7
Income (loss) from continuing operations	(86.0)	(73.4)	177.4	29.5	(175.5)
Loss from discontinued operations	(2.1)	(2.0)	(0.3)	(0.7)	(5.6)
Net income (loss)	(88.1)	(75.4)	177.1	28.8	(181.1)
Net income (loss) attributed to Louisiana-Pacific Corporation	(88.1)	(75.4)	177.1	28.8	(181.3)
Income (loss) from continuing operations per share—basic	$(0.60)	$(0.52)	$1.27	$0.22	$(1.32)
Net income (loss) per share—basic	$(0.62)	$(0.53)	$1.27	$0.21	$(1.36)
Income (loss) from continuing operations per share—diluted	$(0.60)	$(0.52)	$1.23	$0.20	$(1.32)
Net income (loss) per share—diluted	$(0.62)	$(0.53)	$1.23	$0.20	$(1.36)
Average shares of common stock outstanding (millions)					
Basic	142.4	141.1	139.6	137.1	133.2
Diluted	142.4	141.1	144.3	142.6	133.2
Cash dividends declared per common share	$—	$—	$—	$—	$—
SUMMARY BALANCE SHEET INFORMATION					
Total assets	$2,176.3	$2,348.8	$2,487.6	$2,323.7	$2,133.4
Long-term debt, excluding current portion	$751.8	$754.8	$757.0	$775.4	$709.4
Contingency reserves, excluding current portion	$15.5	$12.2	$13.3	$12.8	$17.2
Stockholders’ equity	$1,017.0	$1,115.8	$1,226.3	$1,033.8	$1,000.9

[1] As of December 31, 2015, LP adopted guidance under ASU No 2015-03, "Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" which reclassified certain deferred debt costs as a direct deduction from the carrying amount of that debt liability. All prior periods were restated to reflect this adoption.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

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. OSB is the most significant segment, accounting for 43% of continuing sales in 2015, 44% in 2014 and 51% in 2013.

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 products will remain at current levels, increase or decrease in the future.

Factors Affecting Our Results

Revenues and Operating Costs.

We derive our revenues from sales of our products. The unit volumes of products sold and the prices at which sales are made determine the amount of our revenues. These volumes and prices are affected by the overall level of demand for, and supply of, products of the type we sell and comparable or substitute products, and by competitive conditions. Our operating results reflect the relationship between the amount of our revenues and our costs of production and other operating costs and expenses. Our costs of production are affected by, among other factors, costs of raw materials (primarily wood fiber and various petroleum-based resins) and energy costs, which in turn are affected by the overall market supply of and demand for these manufacturing inputs.

Demand for Building Products

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.

Demand for our products correlates to a significant degree to the level of new home construction activity in North America, which historically has been characterized by significant cyclicality. The U.S. Census Bureau reported that actual single and multi-family housing starts in 2015 were about 11% higher than 2014, which were about 9% higher than such housing starts in 2013. We believe that the level of building continues to be impacted by delayed household formations due to the sluggish economy, lack of available labor and a more restrictive mortgage market.

While near-term residential construction is constrained in the U.S., positive long-term fundamentals exist. Increased immigration, the changing age distribution of the population, the high number of adults living with their parents and historically low interest rates are expected to lead to more household formations. The chart below, which is based on data published by U.S. Census Bureau, provides a graphical summary of new housing starts for single and multi-family in the U.S. showing actual and rolling five and ten year averages for housing starts.

According to FEA (Forest Economic Advisors, LLC) for 2015, 58% of the demand for OSB is driven by new home construction, followed by 21% repair and remodeling, 11% industrial and 9% non-residential. Over the next 5 years, FEA projects that home construction will account for 67% of the total demand, followed by 16% repair and remodeling, 9% industrial and 8% non-residential.

Supply of Building Products

OSB is a commodity product, and it is, along with all of our products, subject to competition from manufacturers worldwide. Product supply is influenced primarily by fluctuations in available manufacturing capacity and imports. According to FEA, total North American OSB annual production capacity is projected to increase by approximately 2.0 billion square feet in the period from 2016 to 2020 while plywood production capacity is projected to decrease by 0.2 billion square feet for the same period. According to FEA, OSB accounted for approximately 66% of North American structural panel production capacity in 2015, with plywood accounting for the remainder.

Putting Demand and Supply Together

As noted above, demand for building products is influenced by the general economy, demographics and need for housing. In the case of OSB, generally, lower demand coupled with higher production capacity will result in lower pricing. The chart below, as calculated by FEA (as of December 2015) including indefinitely curtailed mills, shows the demand capacity ratio (demand divided by supply) for OSB from 2011 through 2015 as well as FEA's forecast through 2020 based upon estimated future demand and supply.

Product Pricing

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. The estimated average North Central wholesale price for OSB (per thousand square feet 7/16” basis) from 2008 through 2015, as published by Random Lengths, an industry publication, is presented below. FEA’s forecast (as of December 2015) for average North Central wholesale pricing for OSB (per thousand square feet 7/16” basis) through 2020 is also shown.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

A discussion of our significant accounting policies and significant accounting estimates and judgments is presented in Note 1 of the Notes to the financial statements in item 8 of this report. 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 2015, 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 loss contingencies and, as additional information becomes known, may change our estimates significantly. At December 31, 2015, we excluded from our estimates approximately $2.3 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., 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.

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 December 31, 2015, 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 accounting principles generally accepted in the U.S., which require 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. See further discussion related to pension plans below under the heading “Defined Benefit Pension Plans” and in Note 13 of the Notes to the consolidated financial statements included in item 8 of this report.

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. 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. In this report on Form 10-K, we disclose earnings (loss) from continuing operations 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 from continuing operations to exclude stock based compensation expense, (gain) loss on acquisitions, costs associated with proposed acquisitions, (gain) loss on sales or impairment of joint ventures interest and long lived assets, other operating charges and credits, (gain) loss on early debt extinguishment, acquisition expenses, (gain) loss on litigation settlements, other than temporary asset impairments, investment income and depreciation included in equity in (income) loss of unconsolidated affiliates. Neither EBITDA from continuing operations nor Adjusted EBITDA from continuing operations is a substitute for the GAAP measure 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 in this report on Form 10-K 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, 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 presents significant items by operating segment and reconciles results from continuing operations to EBITDA from continuing operations and Adjusted EBITDA from continuing operations:

Year Ended December 31, 2015 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Sales	$807.5	$636.4	$286.1	$134.9	$29.0	$(1.4)	$1,892.5
Depreciation and amortization	57.0	19.7	12.6	7.9	1.8	2.9	101.9
Cost of sales and selling and administrative	796.8	523.5	286.8	117.2	30.0	81.2	1,835.5
Loss on sales of and impairments of long-lived assets	—	—	—	—	—	2.1	2.1
Other operating credits and charges, net	—	—	—	—	—	16.3	16.3
Total operating costs	853.8	543.2	299.4	125.1	31.8	102.5	1,955.8
Income (loss) from operations	(46.3)	93.2	(13.3)	9.8	(2.8)	(103.9)	(63.3)
Total non-operating expense	—	—	—	—	—	(32.1)	(32.1)
Income (loss) before income taxes and equity in (income) loss of unconsolidated affiliates	(46.3)	93.2	(13.3)	9.8	(2.8)	(136.0)	(95.4)
Benefit for income taxes	—	—	—	—	—	(2.7)	(2.7)
Equity in (income) loss of unconsolidated affiliates	—	—	(6.0)	—	—	(0.7)	(6.7)
Income (loss) from continuing operations	$(46.3)	$93.2	$(7.3)	$9.8	$(2.8)	$(132.6)	$(86.0)
Reconciliation of income (loss) from continuing operations to EBITDA from continuing operations							
Income (loss) from continuing operations	$(46.3)	$93.2	$(7.3)	$9.8	$(2.8)	$(132.6)	$(86.0)
Benefit for income taxes	—	—	—	—	—	(2.7)	$(2.7)
Interest expense, net of capitalized interest	—	—	—	—	—	31.2	$31.2
Depreciation and amortization	57.0	19.7	12.6	7.9	1.8	2.9	$101.9
EBITDA from continuing operations	10.7	112.9	5.3	17.7	(1.0)	(101.2)	44.4
Stock based compensation expense	1.0	0.8	0.5	—	—	7.0	9.3
Loss on sales of and impairments of long-lived assets	—	—	—	—	—	2.1	2.1
Other operating credits and charges, net	—	—	—	—	—	16.3	16.3
Other operating credit and charges, associated with JVs	—	—	—	—	—	(0.7)	(0.7)
Investment income	—	—	—	—	—	(4.4)	(4.4)
	$11.7	$113.7	$5.8	$17.7	$(1.0)	$(80.9)	$67.0

Adjusted EBITDA from continuing operations

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Year Ended December 31, 2014 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Sales	$855.2	$617.3	$281.0	$150.4	$32.8	$(1.9)	$1,934.8
Depreciation and amortization	56.1	17.4	13.7	9.1	1.1	3.3	100.7
Cost of sales and selling and administrative	851.7	520.1	284.7	130.0	35.2	85.6	1,907.3
(Gain) on sales of and impairments of long-lived assets	—	—	—	—	—	(3.1)	(3.1)
Other operating credits and charges, net	—	—	—	—	—	7.5	7.5
Total operating costs	907.8	537.5	298.4	139.1	36.3	93.3	2,012.4
Income (loss) from operations	(52.6)	79.8	(17.4)	11.3	(3.5)	(95.2)	(77.6)
Total non-operating expense	—	—	—	—	—	(27.4)	(27.4)
Income (loss) before income taxes and equity in (income) loss of unconsolidated affiliates	(52.6)	79.8	(17.4)	11.3	(3.5)	(122.6)	(105.0)
Benefit for income taxes	—	—	—	—	—	(27.2)	(27.2)
Equity in (income) loss of unconsolidated affiliates	—	—	(3.4)	—	—	(1.0)	(4.4)
Income (loss) from continuing operations	$(52.6)	$79.8	$(14.0)	$11.3	$(3.5)	$(94.4)	$(73.4)
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	$(52.6)	$79.8	$(14.0)	$11.3	$(3.5)	$(94.4)	$(73.4)
Benefit for income taxes	—	—	—	—	—	(27.2)	(27.2)
Interest expense, net of capitalized interest	—	—	—	—	—	29.8	29.8
Depreciation and amortization	56.1	17.4	13.7	9.1	1.1	3.3	100.7
EBITDA from continuing operations	3.5	97.2	(0.3)	20.4	(2.4)	(88.5)	29.9
Stock based compensation expense	0.9	0.7	0.5	—	—	7.3	9.4
(Gain) on sales of and impairments of long-lived assets	—	—	—	—	—	(3.1)	(3.1)
Other operating credits and charges, net	—	—	—	—	—	7.5	7.5
Other operating credit and charges, associated with JVs	—	—	—	—	—	(1.0)	(1.0)
Expenses associated with proposed acquisition of Ainsworth Lumber Co. Ltd.	—	—	—	—	—	6.8	6.8
Investment income	—	—	—	—	—	(5.5)	(5.5)
Depreciation included in equity in loss of unconsolidated affiliates	—	—	0.1	—	—	—	0.1
Adjusted EBITDA from continuing operations	$4.4	$97.9	$0.3	$20.4	$(2.4)	$(76.5)	$44.1

Year Ended December 31, 2013 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Sales	$1,068.1	$573.8	$250.4	$171.5	$30.6	$(9.2)	$2,085.2
Depreciation and amortization	49.9	16.4	11.4	10.5	1.3	1.8	91.3
Cost of sales and selling and administrative	803.3	471.6	252.6	141.0	32.9	85.7	1,787.1
Loss on sales of and impairments of long-lived assets	—	—	—	—	—	0.2	0.2
Other operating credits and charges, net	—	—	—	—	—	3.8	3.8
Total operating costs	853.2	488.0	264.0	151.5	34.2	91.5	1,882.4
Income (loss) from operations	214.9	85.8	(13.6)	20.0	(3.6)	(100.7)	202.8
Total non-operating expense	—	—	—	—	—	3.8	3.8
Income (loss) before income taxes and equity in loss of unconsolidated affiliates	214.9	85.8	(13.6)	20.0	(3.6)	(96.9)	206.6
Provision for income taxes	—	—	—	—	—	41.1	41.1
Equity in loss of unconsolidated affiliates	(15.4)		1.0		2.5		(11.9)
Income (loss) from continuing operations	$230.3	$85.8	$(14.6)	$20.0	$(6.1)	$(138.0)	$177.4
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	$230.3	$85.8	$(14.6)	$20.0	$(6.1)	$(138.0)	$177.4
Provision for income taxes	—	—	—	—	—	41.1	41.1
Interest expense, net of capitalized interest	—	—	—	—	—	36.0	36.0
Depreciation and amortization	49.9	16.4	11.4	10.5	1.3	1.8	91.3
EBITDA from continuing operations	$280.2	$102.2	$(3.2)	$30.5	$(4.8)	$(59.1)	$345.8
Stock based compensation expense	1.0	0.6	0.6	—	—	6.6	8.8
Loss on sales of and impairments of long-lived assets	—	—	—	—	—	0.2	0.2
Other operating credits and charges, net	—	—	—	—	—	3.8	3.8
Other operating credit and charges, associated with JVs	—	—	—	—	—	2.7	2.7
Gain on acquisition						(35.9)	(35.9)
Gain on sale of JV						(1.2)	(1.2)
Expense associated with proposed acquisition of Ainsworth Lumber Co. Ltd						7.6	7.6
Investment income	—	—	—	—	—	(10.3)	(10.3)
Early debt extinguishment						2.3	2.3
Depreciation included in equity in loss of unconsolidated affiliates	3.4	—	0.2	—	2.8	—	6.4
Adjusted EBITDA from continuing operations	$284.6	$102.8	$(2.4)	$30.5	$(2.0)	$(83.3)	$330.2

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RESULTS OF OPERATIONS

We reported a net loss of $88.1 million ($(0.62) per diluted share) in 2015, which was comprised of a loss from continuing operations of $86.0 million ($(0.60) per diluted share) and a loss from discontinued operations of $2.1 million ($0.02 per diluted share). This compares to a net loss of $75.4 million ($0.53 per diluted share) in 2014, which was comprised of loss from continuing operations of $73.4 million ($0.52 per diluted share) and a loss from discontinued operations of $2.0 million ($0.01 per diluted share). We reported net income of $177.1 million ($1.23 per diluted share) in 2013, which was comprised of income from continuing operations of $177.4 million ($1.23 per diluted share) and a loss from discontinued operations of $0.3 million ($0.00 per diluted share).

Net sales in 2015 were $1.89 billion, a decrease of 2% from 2014 net sales of $1.93 billion. Net sales in 2014 as compared to 2013 were lower by 7%. Sales in 2015 were negatively impacted by decreases in OSB selling prices relative to both 2014 and 2013.

Our results of operations for each of our segments are discussed below, as are results of operations for the “other” category which comprises other products that are not individually significant. See Note 25 of the Notes to the consolidated financial statements included in item 8 of this report for further information regarding our segments.

OSB

Our OSB segment manufactures and distributes OSB structural panel products in North America and certain export markets. OSB is an innovative, affordable and environmentally smart product made from wood strands arranged in layers and bonded with resin.

According to FEA, it is estimated for 2015 that OSB accounted for approximately 64% of the structural panel consumption in North America with plywood accounting for the remainder. We estimate that the overall North American structural panel market (based upon 2015 housing starts) was 31 billion square feet with the OSB market comprising an estimated 20 billion square feet of this market. Based upon our production in 2015 of 4.2 billion square feet, we estimate that we account for 21% of the North American OSB market and 13% of the overall North American structural panel market.

To enhance our industry leading position in the OSB business, we plan to: (1) leverage our expertise in OSB to capitalize on new opportunities for revenue growth through new product lines; (2) improve net realizations relative to weighted-average OSB regional pricing; (3) reduce costs and improve throughput and recovery by continuing to focus on efficiency, raw materials cost reductions and logistics; and (4) manage our capacity to meet our customers' expected needs for OSB.

OSB is manufactured through the use of wood strands arranged in layers and bonded with resins and wax. Significant cost inputs to produce OSB and approximate breakdown percentages for the year ended December 31, 2015 include wood fiber (32%), resin and wax (20%), labor and burden (16%), utilities (6%) and manufacturing and other (26%).

Segment sales, operating profits (losses) and Adjusted EBITDA from continuing operations for this segment were as follows:

Dollar amounts in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 - 2014	2014 - 2013
Sales	$807.5	$855.2	$1,068.1	(6)%	(20)%
Operating profits (losses)	$(46.3)	$(52.6)	$230.3	(12)%	NM
Adjusted EBITDA from continuing operations	$11.7	$4.4	$284.6	166%	(98)%

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Percent changes in average sales prices and unit shipments for the year ended 2015 compared to 2014 and 2014 compared to 2013 were as follows:

	2015 versus 2014		2014 versus 2013	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB	(7)%	2%	(26)%	7%

2015 compared to 2014

OSB prices decreased compared to 2014. The decline in OSB prices was likely due to lower housing demand than forecasted and continued supply available in the market. The decrease in selling prices unfavorably impacted operating results and Adjusted EBITDA from continuing operations by approximately $61 million for 2015 as compared to 2014. Offsetting the reduction in sales price was a reduction in raw material costs related to petroleum based raw materials as well as the positive impact of the Canadian currency exchange rate on the costs incurred by our Canadian operations as compared to the prior year. This conversion began in the third quarter of 2015. As of December 31, 2015, one of our OSB mills was indefinitely curtailed.

2014 compared to 2013

OSB prices decreased compared to 2013. The decline in OSB prices was likely due to lower housing demand than forecasted and continued increased supply in the market. The decrease in selling prices unfavorably impacted operating results and Adjusted EBITDA from continuing operations by approximately $298 million for 2014 as compared to 2013. Sales volumes increased consistent with the increase in housing starts and repair and remodeling activities. As of December 31, 2014, one of our OSB mills was indefinitely curtailed.

Siding

Our siding segment produces and markets wood-based siding and related accessories and commodity OSB products. We believe that we are a leading wood composite exterior siding producer in North America. We manufacture exterior siding and other cladding products for the residential and commercial building markets, retail and non-residential structures.

Our strategy is to drive product innovation by utilizing our technological expertise in wood and wood composites to better address the needs of our customers. We intend to increase our product offerings and production capacity of higher margin, value-added products through the addition of lower cost plants or the conversion of OSB plants from commodity structural panel production to OSB-based exterior siding products.

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

Dollar amounts in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 - 2014	2014 - 2013
Sales	$636.4	$617.3	$573.8	3%	8%
Operating profits	$93.2	$79.8	$85.8	17%	(7)%
Adjusted EBITDA from continuing operations	$113.7	$97.9	$102.8	16%	(5)%

Sales in this segment by product line were as follows:

Dollar amount in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 - 2014	2014 - 2013
SmartSide® siding	$572.6	$549.0	$460.0	4 %	19 %
Commodity OSB	13.5	10.7	52.8	26 %	(80)%
CanExel siding and other hardboard related products	39.6	48.5	52.8	(18)%	(8)%
Other	10.7	9.1	8.2	18 %	11 %
Total	$636.4	$617.3	$573.8		

Percent changes in average sales prices and unit shipments for the year ended 2015 compared to 2014 and 2014 compared to 2013 are as follows:

	2015 versus 2014		2014 versus 2013	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
SmartSide® siding	5 %	(2)%	4 %	13 %
Commodity OSB	(11)%	72 %	(26)%	(73)%
CanExel siding	(7)%	(13)%	(3)%	4 %

2015 compared to 2014

Sales volumes decreased slightly in our SmartSide siding line due to customers re-balancing their inventories, impacts of weather and labor shortages which slowed housing completions. Sales prices increased in our SmartSide product line due to changes in customers and mix.

Sales volumes for CanExel decreased due to decreased demand in Europe due to the discontinuation of certain pre-finished colored siding products. Sales prices were lower for 2015 compared to 2014 due to the impact of the Canadian dollar weakening as these sales are generally denominated in Canadian dollars. Based upon Canadian dollar selling prices, prices were 13% higher due to a price increase as well as changes in product mix.

During 2015, we completed the conversion of our Swan Valley OSB mill to a Smart Side mill. During the later portion of the year, this mill was not operational. It is estimated that the expenses incurred at the Swan Valley facility during this time related to conversion and market related downtime were approximately $10 million.

Overall, the improvement in our siding segment for 2015 compared to 2014 due to increased sales prices on our SmartSide products and reductions in petroleum-based raw material costs. Offsetting these increases were the expenses associated with the Swan Valley facility conversion and increased sales and marketing costs to support future growth.

2014 compared to 2013

Sales volumes increased in our SmartSide® siding line due to continued penetration in several key focus markets including retail, repair and remodel markets and sheds. Sales prices in our SmartSide® siding product line increased due to unit price increases as well as changes in product mix.

Sales volumes for CanExel increased due to higher demand in Canada and Europe. Sales prices decreased for 2014 as compared to 2013 due to the impact of the Canadian dollar weakening as these sales are generally denominated in Canadian dollars. Based upon Canadian dollar selling prices, prices were 3% higher due to unit price increases as well as changes in product mix.

Sales prices decreased for 2014 as compared to 2013 for our commodity OSB products as discussed in the OSB segment above. Volumes of commodity OSB were lower as compared to 2013 due to increases in siding volume, which reduced the production capacity available for OSB, and log outages.

Overall, the reduction in operating results for our siding segment for 2014 compared to 2013 was due to decreased OSB volume, higher raw material (primarily logs) and transportation costs which were partially offset by higher siding sales.

Engineered Wood Products

Our EWP segment manufactures and distributes LVL/LSL, I-Joists 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 under a sales and marketing arrangement with Murphy Plywood. Included in this segment is a plywood mill, which primarily produces plywood as a by-product from the LVL production process. Also OSB is produced by our LSL facility.

Our strategy is to strengthen our brand name recognition in the EWP market by enhancing our product mix and quality, providing superior technical support to our customers and leveraging our sales and marketing relationships to cross-sell our EWP products. Additionally, we are seeking to drive costs down by rationalizing our production capacity across geographic areas and improving operating efficiencies in our manufacturing facilities.

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

Dollar amount in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015- 2014	2014 - 2013
Sales	$286.1	$281.0	$250.4	2 %	12 %
Operating losses	$(7.3)	$(14.0)	$(14.6)	48 %	4 %
Adjusted EBITDA from continuing operations	$5.8	$0.3	$(2.4)	1,833 %	NM

Sales in this segment by product line were as follows:

Dollar amount in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 - 2014	2014 - 2013
LVL / LSL	$152.8	$139.2	$126.2	10 %	10 %
I-joist	100.8	97.2	89.7	4 %	8 %
OSB	9.7	6.9	1.2	41 %	475 %
Related products	22.8	37.7	33.3	(40)%	13 %
Total	$286.1	$281.0	$250.4		

Percent changes in average sales prices and unit shipments for the year ended 2015 compared to 2014 and 2014 compared to 2013 are as follows:

	2015 versus 2014		2014 versus 2013	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL/LSL	4 %	9 %	2 %	9 %
I-joist	6 %	1 %	4 %	6 %
OSB	55 %	(8)%	(100)%	— %

2015 compared to 2014

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 and a price increase which was implemented in the later portion of 2014. OSB prices increased due to changes in product mix which resulted in a higher sales realizations. The increase in OSB selling prices favorably impacted operating results and Adjusted EBITDA from continuing operations by approximately $3.5 million for 2015 as compared to 2014.

2014 compared to 2013

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 implemented price increases.

South America

Our South America segment manufactures and distributes OSB structural panel and siding products in South America. We operate in two geographic areas of South America, Chile and Brazil.

Dollar amount in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 – 2014	2014 – 2013
Sales	$134.9	$150.4	$171.5	(10)%	(12)%
Operating profits	$9.8	$11.3	$20.0	(13)%	(44)%
Adjusted EBITDA from continuing operations	$17.7	$20.4	$30.5	(13)%	(33)%

Sales in this segment by sales office location were as follows:

Dollar amount in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 – 2014	2014 – 2013
Chile	$91.5	$88.6	$111.9	3 %	(21)%
Brazil	43.4	61.8	59.6	(30)%	4 %
Total	$134.9	$150.4	$171.5		

Percent changes in average sales prices and unit shipments for the year ended 2015 compared to 2014 and 2014 compared to 2013 are as follows:

	2015 versus 2014		2014 versus 2013	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Chile	(11)%	17 %	(15)%	(7)%
Brazil	(22)%	(8)%	1 %	2 %

2015 compared to 2014

For our Chilean operations, sales volumes increased due to higher demand due to improved housing activity. Sales volumes in Brazil decreased due to reduced demand associated with an economic recession slightly offset by higher exports.

Sales prices in Chile declined for 2015 as compared to 2014 due to pricing pressure from increased imports and the impact of the fluctuations in the Chilean Peso relative to the U.S. dollar as a majority of these sales are in local markets. Sales prices in Brazil declined for 2015 as compared to 2014 due to the impact of the fluctuations in the Brazilian Real relative to the U.S. dollar as a majority of these sales are in local markets. Local currency selling prices in Chile were 2% higher in 2015 as compared to 2014 and local currency selling prices in Brazil were about 10% higher in 2015 as compared to 2014.

2014 compared to 2013

For our Chilean operations, sales volumes were lower due to issues related to a political transition in Chile which has slowed housing activity. We also saw increased imports. Sales volumes in Brazil were slightly higher in 2014 compared to 2013 due to increased export sales.

Sales prices in Chile declined for 2014 as compared to 2013 due to pricing pressure from increased imports and the impact of the fluctuations in the Chilean Peso relative to the U.S. dollar as a majority of these sales are in local markets. Sales prices in Brazil increased slightly for 2014 as compared to 2013 due to the impact of the fluctuations in the Brazilian Real relative to the U.S. dollar as a majority of these sales are in local markets. Local currency selling prices in Chile were 2% lower in 2014 as compared to 2013 and local currency selling prices in Brazil were about flat with the prior year.

Other

Our other products category includes our remaining timber and timberlands and other minor products, services and closed operations which are not classified as discontinued operations. Additionally, our other products category included our U.S. Greenfiber joint venture interest and certain costs associated with our moulding operations, both of which were sold during 2013.

Sales, operating losses and Adjusted EBITDA from continuing operations for this category were as follows:

Dollar amount in millions				Increase (decrease)	
Year ended December 31,	2015	2014	2013	2015 – 2014	2014 – 2013
Sales	$29.0	$32.8	$30.6	(12)%	7%
Operating losses	$(2.8)	$(3.5)	$(6.1)	20%	43%
Adjusted EBITDA from continuing operations	$(1.0)	$(2.4)	$(2.0)	58%	(20)%

2015 compared to 2014

Operating results in our other products business improved for the year ended 2015 as compared to 2014 due to lower carrying costs on our closed operations.

2014 compared to 2013

Operating results in our other products businesses were higher due to the elimination of the losses associated with our previous joint venture interest in U.S. Greenfiber.

GENERAL CORPORATE AND OTHER EXPENSE, NET

Net general corporate expense was $84.8 million in 2015 as compared to $89.8 million in 2014 and $96.7 million in 2013. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits for corporate personnel, professional fees, insurance, travel costs, non-product specific marketing and other expenses. The decrease in 2015 as compared to 2014 was primarily due to the elimination of costs associated with the efforts to acquire Ainsworth Lumber Co. Ltd. offset by continued work on corporate initiatives. The decrease in 2014 as compared to 2013 was due to lower management incentive accruals offset by increases in the support and maintenance costs related to our information technology system upgrade, expenses associated with our efforts to acquire Ainsworth Lumber Co. Ltd. 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.

OTHER OPERATING CREDITS AND CHARGES, NET

For a discussion of other operating credits and charges, net, see Notes 1 and 17 of the Notes to the consolidated financial statements included in item 8 of this report.

GAIN (LOSS) ON SALES OF AND IMPAIRMENTS OF LONG-LIVED ASSETS

For a discussion of gain (loss) on sales of and impairments of long-lived assets, see Notes 1 and 18 of the Notes to the consolidated financial statements included in item 8 of this report.

NON-OPERATING INCOME (EXPENSE)

For a discussion of non-operating income (expense), see Note 12 of the Notes to the consolidated financial statements included in item 8 of this report.

EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

We have participated in several joint venture arrangements.

In 2000, we and Casella Waste Management Systems, Inc., each contributed most of the assets of our respective cellulose insulation operations to a joint venture, U.S. GreenFiber, LLC (GreenFiber). Pursuant to the joint venture agreement, each company owned 50% of GreenFiber. GreenFiber elected to be treated as a partnership for income tax purposes and therefore the entity is not taxed directly. The results of this operation are included within Other Products. In December of 2013, we sold our 50% interest in GreenFiber and recognized a gain of $1.2 million.

In 2003, we and Canfor Corporation, entered into a joint venture to construct and operate an 820 million square foot OSB facility in British Columbia, Canada. Pursuant to the joint venture agreement, each company owned 50% of the venture, with LP being responsible for all North American sales from this facility. The results of this operation are included in our OSB segment. In 2013, we acquired the 50% interest owned by Canfor Corporation and recorded a gain of $35.9 million associated with this acquisition.

In 2002, we entered into a joint venture with Resolute Forest Products to construct and operate an I-joist facility in Eastern Canada. Pursuant to the joint venture agreement, each company owns 50% of the venture. Subsequently, the joint venture constructed and commenced operating a second I-joist facility in Eastern Canada. The results of these operations are included in the EWP segment.

DISCONTINUED OPERATIONS

Included in discontinued operations for 2015, 2014 and 2013 are the carrying costs of mills that have been closed and divested and related warranty costs associated with such facilities. These operations include residual losses of mills divested in past years and associated warranty and other liabilities associated with these operations.

2015 compared to 2014

Included in discontinued operations for 2015 is a $2.5 million increase in our warranty reserves associated with discontinued products.

2014 compared to 2013

Included in discontinued operations for 2014 is a $3 million increase in our warranty reserves associated with discontinued products.

INCOME TAXES

We recorded a tax benefit in continuing operations of $2.7 million in 2015 and $27.2 million in 2014 and a tax provision of $41.1 million in 2013. For 2015, the primary difference between the U.S. statutory rate of 35% and the effective rate on our continuing operations relates to the effect of foreign tax rates and exchange rates and increases in valuation allowances on certain deferred tax assets for foreign and state net operating loss carryovers.

For 2014, the primary difference between the U.S. statutory rate of 35% and the effective rate on our continuing operations relates to state income taxes, the effect of foreign tax rates and exchange rates and increases in valuation allowances on certain deferred tax assets for foreign and state net operating loss carryovers.

We paid $16.0 million of cash taxes and received $0.1 million in cash tax refunds in 2015 and expect to receive $2 million in tax refunds from prior years in 2016.

DEFINED BENEFIT PENSION PLANS

We maintain several qualified and non-qualified defined benefit pension plans in the U.S. and Canada that cover a substantial portion of our employees. The measurement of liabilities related to these plans is based on management's interpretation of the applicable plan provisions and assumptions related to future events, including expected return on plan assets and rate of compensation increases. The discount rate reflects the rate at which benefits could be effectively settled on the measurement date. The projected payment for each year is discounted using the rates specified by the yield curve. The sum of these discounted payments is the benefit obligation. The discount rate disclosed is the single rate applied to all projected payments that creates an equivalent obligation. Actual pension plan asset investment performance will either reduce or increase unamortized pension losses at the end of any fiscal year, which ultimately affects future pension costs. See Note 14 of the Notes to the consolidated financial statements included in item 8 of this report for further information on these plans.

The table below quantifies the approximate impact on our plans, as of December 31, 2015, of a one-half percentage point decrease in our assumptions for discount rate and expected return on assets, holding other assumptions constant:

Dollars in millions	
Increase in annual costs for 2016:	
Discount rate	$0.3
Expected long-term rate of return	$1.2
Increase in projected benefit obligation:	
Discount rate	$18.0

For our U.S. plans, we used a long term rate of return assumption of 5.75% for 2015 and 6.50% to calculate the net periodic pension costs. For our Canadian plans, we used a long-term rate of return assumption of 3.25% to 4.50% in 2015 and 3.75% to 5.25% in 2014 to calculate the net periodic pension costs. For 2015, our net periodic pension cost was $9.2 million and we estimate for 2016 our net periodic pension cost will be $5.8 million. This estimate assumes that we will have no curtailment or settlement expenses in 2016. If a settlement or curtailment does occur in 2016, this estimate may change significantly.

LEGAL AND ENVIRONMENTAL MATTERS

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Item 3 in this report as well as Note 19 in the Notes to the consolidated financial statements included in item 8 of this report.

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 or 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.

Operating Activities

During 2015, we generated $29.2 million of cash from operations as compared to a use of $52.9 million of cash from operations in 2014. This change reflects improved results of operations for 2015. Our trade receivables decreased $13.5 million during 2015. Our trade accounts payable decreased by $7.3 million during 2015 primarily due to the increase in our capital expenditure program and our salary and wages payable increase by $1.9 million due to the timing of payroll disbursements as well as higher management accruals. Our other current liability decreased by $12.4 million due to settlement of previously disclosed U.S. I.R.S. audits. During 2015, we made $0.7 million in contingency payments and $11.7 million in warranty payments.

During 2014, we used $52.9 million of cash for operations as compared to generating $242.5 million of cash from operations in 2013. This change reflects decreased results of operations for 2014. Our trade receivables increased $26.9 million during 2014. Our trade accounts payable decreased by $2.8 million during 2014 primarily due to the decreases in raw material inventory and our salary and wages payable decreasing by $10.9 million due to timing of payroll disbursements as well as lower management accruals. Our other current liability increased by $10.3 million due to settlement of previously disclosed U.S. I.R.S audits. During 2014, we made $3.1 million in contingency payments and $11.6 million in warranty payments.

During 2013, we generated $242.5 million of cash from operations as compared to using $111.8 million of cash for operations in 2012. This change reflects improved results of operations for 2013. During 2013, we received tax refunds of $5.9 million (net of payments). Our trade receivables increased about $15 million during 2013. Our trade accounts payable increased by $12.0 million during 2013 primarily due to increases in inventory and our salary and wages payable increasing by $10.4 million due to expected management incentive payouts as well as timing on payroll. During 2013, we made $0.4 million in contingency payments and $12.5 million in warranty payments.

Investing Activities

During 2015, we used $115.9 million in cash from investing activities. Capital expenditures for 2015 were $113.8 million, primarily related to our conversion of our Swan Valley OSB mill to a siding mill, growth and maintenance capital and minor capital related to our announced expansion in South America. We received distributions from our joint ventures of $1.1 million, $0.5 million from the sale of assets and used $3.9 million to collaterize certain long-term obligations. Additionally, included in accounts payable is $20.0 million related to capital expenditures that had not yet been paid as of December 31, 2015.

During 2014, we used $63.5 million in cash from investing activities. Capital expenditures for 2014 were $80.1 million, primarily related to growth and maintenance capital and minor capital related to our announced expansion in South America. We received distributions from our joint ventures of $2.6 million, $13.2 million from the sale of assets and $0.8 million in cash no longer required to collaterize certain long-term obligations. Additionally, included in accounts payable is $5.2 million related to capital expenditures that had not yet been paid as of December 31, 2014.

During 2013, we used $17.4 million in cash from investing activities. Capital expenditures for 2013 were $75.6 million, primarily related to maintenance capital, initial costs associated with our software upgrade and minor capital related to our announced expansion in South America. We received distributions from our joint ventures of $13.9 million, $16.7 million from the sale of assets and $0.7 million in cash no longer required to collaterize certain long-term obligations. We also received $91.4 million of payments on notes receivable from asset sales. Additionally, included in accounts payable is $6.4 million related to capital expenditures that had not yet been paid as of December 31, 2013.

Capital expenditures in 2016 are expected to be approximately $120 million to $135 million related to projects for productivity improvements, maintenance projects and our South America expansion.

Financing Activities

In 2015, net cash used in financing activities was $4.4 million. During 2015, we used $2.3 million to repay outstanding debt and $6.1 million for taxes related to net share settlement of equity awards. Additionally, during

2015, we received a grant from the Investments in Forest Industry Transformation program in Canada for $3.3 million in connection with our conversion of the Swan Valley OSB mill.

In 2014, net cash used in financing activities was $3.9 million. During 2014, we used $2.3 million to repay outstanding debt and $1.5 million for taxes related to net share settlement of equity awards.

In 2013, net cash provided from financing activities was $126.4 million. During 2013, we used $113.2 million to repay outstanding debt, $12.1 million for taxes related to net share settlement of equity awards and $1.2 million for debt issuance fees. We received $0.1 million from the sale of common stock under equity plans.

CREDIT AGREEMENTS

In December 2013, we entered into a credit agreement with various lenders and American AgCredit, PCA, as administrative agent and CoBank, ACB, as letter of credit issuer. The credit agreement provides for a $200 million revolving credit facility, with a $60 million sublimit for letters of credit. The credit facility terminates and all loans made under the credit agreement become due in December 2018. As of December 31, 2015, no revolving borrowings had been made under the credit facility.

Certain of our existing and future wholly owned domestic subsidiaries guaranty our obligations under the credit facility. Subject to certain limited exceptions, obligations under the credit facility are secured by a lien on substantially all of our personal property and the personal property of the our subsidiaries that are guarantors under the credit facility.

The credit agreement contains customary covenants applicable to us and certain of our subsidiaries, including restrictions on, among other things, our ability to: incur debt; incur liens; declare or make distributions to our stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; form or acquire subsidiaries; amend or modify our governing documents; enter into hedging arrangements; engage in other businesses other than our business as currently conducted; and enter into transactions with affiliates. The credit agreement also contains financial covenants that require us and our consolidated subsidiaries to have, as of the end of each quarter, (i) a capitalization ratio (i.e., funded debt to total capitalization) of no more than 40% and (ii) unrestricted cash and cash equivalents of at least $200 million, in each case calculated in the manner specified in the credit agreement. As of December 31, 2015 and 2014, we were in compliance with all financial covenants under the credit agreement. The credit agreement contains customary events of default, the occurrence of which could result in the acceleration of our obligation to repay the indebtedness outstanding thereunder.

Obligations under the indenture governing our Senior Notes due 2020 are unsecured and not presently guaranteed by any of our subsidiaries. The indenture contains customary covenants applicable to us and our 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 our obligations to repay the indebtedness outstanding thereunder.

LP Chile is a party to a term loan agreement with Banco de Credito e Inversiones for UF 943,543.7391 (equivalent to $39 million at the time of inception). The loan agreement has a term of 10 years with semi-annual principal payments beginning in June of 2012. The loan bears interest at UF plus 3.9% per annum, and is secured by a first priority security interest in substantially all of the real property owned by LP Chile. The loan contains various restrictive covenants and requires the maintenance by LP Chile of a debt to equity ratio of less than or equal to 1. If LP Chile is late in making payments, LP Chile will also be required to maintain a ratio of net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) of less than or equal to 2.5 and a ratio of EBITDA to financial costs of at least 3. The loan agreement also contains customary events of default, the occurrence of which could result in acceleration of our obligations to repay the indebtedness outstanding thereunder. Since this loan is denominated in other than U.S. dollars, the balance fluctuates based upon changes in the underlying currency rates. The impact of foreign currency exchange rates in 2015 was $2.1 million which was partially offset by a UF change of $0.5 million. The impact of foreign currency exchange rates in 2014 was $2.1 million which was partially offset by a UF change of $0.8 million.

OTHER LIQUIDITY MATTERS

As of December 31, 2015, we had $5.8 million ($23.4 million, par value) of principal invested in auction rate securities (ARS). The ARS held by us are securities with long-term nominal maturities for which the interest rates were historically reset through a Dutch auction each month.

We review our marketable securities routinely for other-than-temporary impairment. The primary factors LP uses to determine if an impairment charge must be recorded because a decline in value of the security is other-than-temporary include (i) whether the fair value of the investment is significantly below its cost basis, (ii) the financial condition of the issuer of the security (including its credit rating), (iii) the length of time that the cost of the security has exceeded its fair value and (iv) LP’s intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

The estimated market value of our ARS holdings at December 31, 2015 was $5.8 million, which reflects a $17.6 million adjustment to the par value of $23.4 million. We intend to continue to offer our ARS at auction and to consider other options, including alternative buyers and other potential transactions. We do not currently require our ARS to be liquidated in order to fund our day-to-day operations and we are prepared to hold them until maturity, if necessary.

If uncertainties in the credit and capital markets continue, these markets deteriorate further or we experience any ratings downgrades on any investments in our portfolio (including on ARS), we may incur additional impairments to our investment portfolio, which could negatively affect our financial condition, results of operations and cash flow.

Contingency Reserves

Contingency reserves, which represent an estimate of future cash needs for various contingencies (principally, payments for environmental reserves), totaled $16.8 million at December 31, 2015, of which $1.3 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of such estimates. As described above and in Note 19 of the Notes to the consolidated financial statements included in item 8 of this report, the amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount.

Contractual Obligations

The table below summarizes our contractual obligations as of December 31, 2015 over the next several years. See discussion above concerning provisions that could accelerate the due dates on our long-term debt.

Dollars amounts in millions	Payments due by period				
Contractual obligations	2016	2017	2018	2019	2020
Long-term debt	$2.1	$6.4	$395.0	$4.3	$350.0
Interest payments on long-term debt[1]	30.1	30	27.5	26.4	13.6
Operating leases	5.0	4.6	3.2	2.1	1.9
Other long-term obligations [2]	4.6	3.7	2.5	1.3	1.3
Total contractual cash obligations [3,4]	$41.8	$44.7	$428.2	$34.1	$366.8

1 The estimate of interest payments assumes interest is paid through the date of maturity or expiration of the related debt based upon stated rates in the respective debt instruments.

2 Other long term obligations primarily consist of obligations related to information technology infrastructure.

3 Uncertain tax positions have been excluded from the above table as it is not reasonably possible to estimate when these may need to be paid. As of December 31, 2015, the amount of uncertain tax positions excluded from the above table is $4.1 million.

4 As of December 31, 2015, LP had warranty reserves of $21.0 million. These have been excluded from the above table as it is not reasonably possible to determine when these may need to be paid.

Other Financing Arrangements

In connection with the sale of southern timber and timberlands in 2003, we received $26 million in cash and $410 million in notes receivable from the purchasers of such timber and timberlands. In order to borrow funds in a cost-effective manner, LP issued $368.7 million of senior debt in 2003 in a private placement to unrelated third parties. Both the notes receivable and notes payable mature in 2018. The notes payable are supported by a bank letter of credit. LP's reimbursement obligations under the letter of credit are secured by the notes receivable. In general, the creditors under this arrangement have no recourse to LP's assets, other than the notes receivable. However, under certain circumstances, LP may be liable for certain liabilities (including liabilities associated with the marketing or remarketing of the notes payable and reimbursement obligations, which are fully cash collateralized under the letter of credit supporting the notes payable) in an amount not to exceed 10% of the aggregate principal amount of the notes receivable. LP's maximum exposure in this regard was approximately $41 million as of December 31, 2015 and December 31, 2014. The notes receivable are classified as long-term "Notes receivable from asset sales" and the notes payable are classified as long-term debt on the financial statements included in item 8 of this report.

In connection with the sales of timberlands in California in 1997 and 1998, we received notes from the purchasers totaling $403.8 million. The notes receivable were monetized through the issuance of notes payable in a private placement secured by the notes. Proceeds from the notes receivable from the purchasers are used to fund payments required for the notes payable. To date, all installments under these notes have been received when due and the corresponding installments under the notes payable have been paid when due. The next installment is due in 2018. The notes receivable are classified as "Current portion of Notes receivable from asset sales" and "Long-term notes receivable from asset sales" and the notes payable are classified as the "Current portion of limited recourse notes payable" and long-term debt on the financial statements included in item 8 of this report.

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 December 31, 2015, there were no indications of impairment for the asset grouping that included the company's indefinitely curtailed facilities. As of December 31, 2015, the fair values of LP's facilities that have not been indefinitely curtailed were substantially in excess of their carrying value, which supported the conclusion that no impairment is necessary for those facilities. However, if demand and pricing for the relevant products continues at levels significantly below cycle average demand and pricing, or should LP decide to invest capital in alternative projects, or should changes occur related to LP's wood supply for these locations, it is possible that impairment charges will be required. See Note 3 of the Notes to the financial statements included in item 8 of this report for impairment charges recorded in the periods presented.

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.

PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

See Note 1 for discussion of prospective accounting pronouncements in the Notes to the consolidated financial statements included in item 8 of this report.

ITEM 7A. 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 December 31, 2015, a 100 basis point interest 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 North America annual production capacity in the OSB segment of 5.4 billion square feet (3/8” basis) or 4.2 billion square feet (7/16” basis), a $1 change in the annual average price per thousand square feet on 7/16” basis would change annual pre-tax profits by approximately $4.2 million.

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

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Louisiana-Pacific Corporation

We have audited the accompanying consolidated balance sheets of Louisiana-Pacific Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Louisiana Pacific Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, as of December 31, 2015, the Company adopted Accounting Standards Update 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes which resulted in a change in the presentation of deferred income taxes.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Nashville, Tennessee
February 24, 2016

Consolidated Balance Sheets
Dollar amounts in millions

	December 31, 2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$434.7	$532.7
Receivables, net of allowance for doubtful accounts of $1.1 million at December 31, 2015 and 2014	96.4	108.4
Inventories	222.0	229.8
Prepaid expenses and other current assets	7.0	25.0
Deferred income taxes	—	45.1
Assets held for sale	9.0	9.3
Total current assets	769.1	950.3
Timber and timberlands	53.1	67.1
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	137.0	136.1
Buildings	324.6	321.6
Machinery and equipment	1,897.4	1,838.8
Construction in progress	33.5	18.6
	2,392.5	2,315.1
Accumulated depreciation	(1,530.1)	(1,464.4)
Net property, plant and equipment	862.4	850.7
Goodwill	9.7	9.7
Notes receivable from asset sales	432.2	432.2
Investments in and advances to affiliates	7.7	5.0
Restricted cash	14.3	10.4
Other assets	23.0	22.8
Long-term deferred tax asset	4.8	0.6
Total assets	$2,176.3	$2,348.8

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets (Continued)
Dollar amounts in millions, except per share

	December 31, 2015	2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$2.1	$2.4
Accounts payable and accrued liabilities	139.6	168.3
Current portion of contingency reserves	1.3	2.0
Total current liabilities	143.0	172.7
Long-term debt, excluding current portion	751.8	754.8
Deferred income taxes	99.5	139.5
Contingency reserves, excluding current portion	15.5	12.2
Other long-term liabilities	149.5	153.8
Stockholders' equity:		
Preferred stock, $1 par value, 15,000,000 shares authorized, no shares issued	—	—
Common stock, $1 par value, 200,000,000 shares authorized, 152,979,708 and 152,844,802 shares issued	153.0	152.8
Additional paid-in capital	496.5	507.0
Retained earnings	724.2	812.3
Treasury stock, 9,995,456 shares and 10,618,647 shares, at cost	(210.6)	(225.0)
Accumulated comprehensive loss	(146.1)	(131.3)
Total stockholders' equity	1,017.0	1,115.8
Total liabilities and stockholders' equity	$2,176.3	$2,348.8

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Income
Dollar amounts in millions, except per share

	Year ended December 31,		
	2015	2014	2013
Net sales	$1,892.5	$1,934.8	$2,085.2
Operating costs and expenses:			
Cost of sales	1,682.7	1,757.8	1,636.9
Depreciation and amortization	101.9	100.7	91.3
Selling and administrative	152.8	149.5	150.2
Loss on sale or impairment of long lived assets	2.1	(3.1)	0.2
Other operating credits and charges, net	16.3	7.5	3.8
Total operating costs and expenses	1,955.8	2,012.4	1,882.4
Income (loss) from operations	(63.3)	(77.6)	202.8
Non-operating income (expense):			
Interest expense, net of capitalized interest	(31.2)	(29.8)	(36.0)
Investment income	4.4	5.5	10.3
Other non-operating income (expense)	(5.3)	(3.1)	29.5
Total non-operating income (expense)	(32.1)	(27.4)	3.8
Income (loss) before income taxes and equity in (income) loss of unconsolidated affiliates	(95.4)	(105.0)	206.6
Provision (benefit) for income taxes	(2.7)	(27.2)	41.1
Equity in (income) loss of unconsolidated affiliates	(6.7)	(4.4)	(11.9)
Income (loss) from continuing operations	(86.0)	(73.4)	177.4
Loss from discontinued operations before tax	(3.2)	(3.0)	(0.4)
Benefit for income taxes	(1.1)	(1.0)	(0.1)
Loss from discontinued operations	(2.1)	(2.0)	(0.3)
Net income (loss)	(88.1)	(75.4)	177.1
Basic net income (loss) per share:			
Income (loss) per share from continuing operations	$(0.60)	$(0.52)	$1.27
Loss per share from discontinued operations	(0.02)	(0.01)	—
Net income (loss) per share	$(0.62)	$(0.53)	$1.27
Diluted net earnings (loss) per share:			
Income (loss) per share from continuing operations	$(0.60)	$(0.52)	$1.23
Loss per share from discontinued operations	(0.02)	(0.01)	—
Net income (loss) per share	$(0.62)	$(0.53)	$1.23
Average shares of common stock used to compute net income (loss) per share:			
Basic	142.4	141.1	139.6
Diluted	142.4	141.1	144.3

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
Dollar amounts in millions

	Year ended December 31,		
	2015	2014	2013
Net income (loss)	$(88.1)	$(75.4)	$177.1
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(21.4)	(14.5)	(11.6)
Unrealized gains (losses) on derivative financial instruments	—	—	0.3
Unrealized gains (losses) on securities, net of reversals	0.7	0.6	1.0
Defined benefit pension and post retirement plans:			
Amortization of prior service cost	0.3	—	0.2
Prior service cost	—	(6.1)	—
Net gain (loss)	(0.4)	(26.7)	23.0
Amortization of net loss	4.8	3.9	4.7
Exchange gain (loss) on remeasurement	1.2	0.7	1.1
Other comprehensive income (loss), net of tax	(14.8)	(42.1)	18.7
Comprehensive income (loss)	$(102.9)	$(117.5)	$195.8

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Dollar amounts in millions

	Year ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$(88.1)	$(75.4)	$177.1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	101.9	100.7	91.3
(Income) loss from unconsolidated affiliates, including dividends	(3.7)	(4.4)	(11.9)
Other operating credits and charges, net	16.3	9.0	3.8
Loss on sale or impairment of long-lived assets	2.1	(3.1)	0.2
Gain from acquisition	—	—	(35.9)
Gain on sale of discontinued operations	—	—	(1.7)
Gain on sale of joint venture	—	—	(1.2)
Loss on early debt extinguishment	—	—	2.3
Payment of long-term deposit	—	—	(17.1)
Stock-based compensation related to stock plans	9.3	9.4	8.8
Exchange loss on remeasurement	2.8	(2.5)	(2.9)
Cash settlements of contingencies	(0.5)	(1.6)	(0.4)
Cash settlements of warranties, net of accruals	(8.5)	(7.9)	(9.6)
Pension (payments) expense, net	6.0	(3.2)	6.3
Non-cash interest expense, net	0.8	1.7	0.8
Other adjustments, net	1.7	0.4	(0.4)
Changes in assets and liabilities, net of acquisition:			
(Increase) decrease in receivables	10.6	(34.1)	4.5
(Increase) decrease in inventories	3.5	(9.2)	(17.7)
(Increase) decrease in prepaid expenses	2.2	(0.4)	(1.9)
Increase (decrease) in accounts payable and accrued liabilities	(20.3)	(7.8)	12.4
Increase (decrease) in deferred income taxes	(6.9)	(24.5)	35.7
Net cash provided by (used in) operating activities	29.2	(52.9)	242.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant, and equipment additions	(113.8)	(80.1)	(75.6)
Proceeds from asset sales	0.5	13.2	16.7
Acquisitions, net of cash	—	—	(67.4)
Investment in and advances to joint ventures	1.1	2.6	13.9
Proceeds from sale of joint venture	—	—	2.9
Receipt of proceeds from notes receivable	—	—	91.4
Decrease in restricted cash under letters of credit/credit facility	(3.9)	0.8	0.7
Other investing activities, net	0.2	—	—
Net cash provided by (used in) investing activities	(115.9)	(63.5)	(17.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	(2.3)	(2.3)	(113.2)
Payment of debt issuance fees	—	—	(1.2)
Taxes paid related to net share settlement of equity awards	(6.1)	(1.5)	(12.1)
Sales of common stock under equity plans	0.7	—	0.1
Other financing activities, net	3.3	(0.1)	—
Net cash provided by (used in) financing activities	(4.4)	(3.9)	(126.4)
Effect of exchange rate on cash and cash equivalents	(6.9)	(3.8)	(2.8)

Net increase (decrease) in cash and cash equivalents	(98.0)	(124.1)	95.9
Cash and cash equivalents at beginning of year	532.7	656.8	560.9
Cash and cash equivalents at end of year	$434.7	$532.7	$656.8

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity
Dollar and share amounts in millions, except per share amounts

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2012	150.4	$150.4	11.9	$(252.9)	$ 533.6	$710.6	$ (107.9)	$ 1,033.8
Net income (loss)						177.1		177.1
Issuance of shares for employee stock plans and stock-based compensation			(1.0)	20.7	(32.7)			(12.0)
Amortization of restricted stock grants					8.4			8.4
Exercise of stock warrants	1.6	1.6			(1.6)			—
Tax benefit of employee stock plan transactions					0.3			0.3
Other comprehensive gain							18.7	18.7
Balance as of December 31, 2013	152.0	152.0	10.9	(232.2)	508.0	887.7	(89.2)	1,226.3
Net income (loss)						(75.4)		(75.4)
Issuance of shares for employee stock plans and stock-based compensation			(0.4)	8.8	(9.5)			(0.7)
Amortization of restricted stock grants					2.1			2.1
Exercise of stock warrants	0.8	0.8			(0.8)			—
Compensation expense associated with stock awards					7.2			7.2
Taxes paid related to net settlements			0.1	(1.6)				(1.6)
Other comprehensive loss							(42.1)	(42.1)
Balance as of December 31, 2014	152.8	152.8	10.6	(225.0)	507.0	812.3	(131.3)	1,115.8
Net income (loss)						(88.1)		(88.1)
Issuance of shares for employee stock plans and stock-based compensation			(1.0)	20.5	(19.6)			0.9
Amortization of restricted stock grants					1.8			1.8
Exercise of stock warrants	0.2	0.2			(0.2)			—
Compensation expense associated with stock awards					7.5			7.5
Taxes paid related to net share settlement of equity awards			0.4	(6.1)	—			(6.1)
Other comprehensive loss							(14.8)	(14.8)
Balance as of December 31, 2015	153.0	$153.0	10.0	$(210.6)	$ 496.5	$724.2	$ (146.1)	$ 1,017.0

See Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Louisiana-Pacific Corporation and its subsidiaries (collectively LP or the Company) are principally engaged in the manufacture of building products. In addition to its U.S. operations, the Company also maintains manufacturing facilities in Canada, Chile and Brazil through foreign subsidiaries and a joint venture. The principal customers for the Company's building products are retail home centers, manufactured housing producers, distributors and wholesalers in North America and South America, with limited sales to Asia, Australia and Europe.

See Note 25 below for further information regarding LP's products and segments.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation

The consolidated financial statements include the accounts of LP and its majority-owned subsidiaries after elimination of intercompany transactions. The equity method of accounting is used for joint ventures and investments in associated companies over which LP has significant influence but does not have control. Significant influence is deemed to exist generally when the Company has an ownership interest in the voting stock of an investee of between 20 percent and 50 percent. LP's equity in the income and losses of these investments is recorded in "Equity in loss of unconsolidated affiliates" on the Consolidated Statements of Income. See Note 9 for further discussion of these investments and advances.

LP consolidates a variable interest entity (VIE) when it has a controlling financial interest in the VIE and is thus determined to be the VIE's primary beneficiary. LP currently consolidates its interest in LP Pinewood which was established in 2003 in connection with the sale of LP's southern timberlands. LP has notes receivable of $410.0 million (see Note 7) and notes payable of $368.7 million (see Note 13) recorded in the balance sheet related to LP's interest in the VIE. For further information regarding the details of the relationship of the assets and liabilities and the recourse provisions of the consolidated VIE see Note 13.

LP also has a variable interest in its Abitibi-LP equity method investee but is not considered to be the primary beneficiary. See Note 9 for further information on this investment.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and short term investments of 3 months or less when purchased. These investments are stated at cost, which approximates market value.

Investments

LP's long-term investments are classified as available-for-sale and are reported at estimated fair value. LP may invest in securities including U.S. treasury notes, bank obligations, corporate obligations, auction rate securities and commercial paper. Under LP's investment criteria at purchase, bank and corporate obligations carry a rating of at least A-1 and commercial paper must have the highest rating obtainable from one or more rating agencies. Unrealized gains and losses, net of tax, on these investments are reported as a separate component of "Accumulated comprehensive loss" in Stockholders' Equity until realized. Impairment losses are charged to income for other-than-temporary declines in fair value. Realized gains and losses (including impairments) are recorded in "Investment income" in the Consolidated Statements of Income. For purposes of computing realized gains and losses, cost is identified on a specific identification basis. See Note 2 for further discussion.

Fair Value of Financial Instruments

LP has, where appropriate, estimated the fair value of financial instruments. These fair value amounts may be significantly affected by the assumptions used, including the discount rate and estimates of cash flows. Accordingly,

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the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

Inventory

Inventories are valued at the lower of cost or market. Inventory costs include materials, labor and operating overhead. The LIFO (last-in, first-out) method is used for a minor portion of the Company's log inventories with the remaining inventories valued at FIFO (first-in, first-out) or average cost. See Note 6 for further discussion.

Assets Held for Sale

Over the last several years, LP has adopted and implemented plans to sell selected assets in order to improve its operating results. LP is required to classify assets held for sale which are not part of a discontinued business separately on the face of the financial statements outside of "Property, plant and equipment". During 2014, LP sold the assets of one of its non-operating locations for $11.9 million. As of December 31, 2015 and 2014, LP included two OSB mills and various non-operating sites in its held for sale category. See Note 3 for discussion of impairments recorded on these assets to reduce carrying value to estimated sales prices less estimated selling costs. The current book values of assets held for sale by category is as follows:

Dollar amounts in millions	December 31, 2015	2014
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	$1.8	$1.3
Buildings	0.5	0.3
Machinery and equipment	6.7	7.7
Net property, plant and equipment	$9.0	$9.3

LP believes that the net realizable sales value of the aforementioned assets exceeds their carrying values.

Timber and Timberlands

Timber and timberlands is comprised of timber deeds and allocations of purchase price to Canadian timber harvesting licenses. Timber deeds are transactions in which LP purchases timber, but not the underlying land. The cost of timber deeds are capitalized in timber and timberlands and charged to cost of timber harvested as the volume is removed. Timber that has been severed but has not yet been delivered to a facility is included in timber and timberlands. The values associated with timber licenses were allocated in the purchase price allocations for Le Groupe Forex (Forex), Peace Valley OSB and the assets of Evans Forest Products. These licenses have a life of twenty to twenty-five years. These licenses are amortized on a straight-line basis over the life of the facilities. Cost of timber harvested also includes the amortization of the timber licenses. See Note 8 for further discussion.

Property, Plant and Equipment

Property, plant and equipment, including capitalized interest, are recorded at cost. Depreciation for financial statement purposes is provided principally using the units of production method for machinery and equipment which amortizes the cost of equipment over the estimated units that will be produced during its useful life. Provisions for depreciation of buildings, land improvements and the remaining machinery and equipment have been computed using straight-line rates based on the estimated service lives. The effective straight-line lives for the principal classes of property range from three to twenty years.

Logging road construction costs are capitalized and included in land and land improvements. These costs are amortized as the timber volume adjacent to the road system is harvested.

LP capitalizes interest on borrowed funds during construction periods. Capitalized interest is charged to machinery and equipment accounts and amortized over the lives of the related assets. Capitalized interest totaled $1.9 million in 2015 and $1.3 million in 2014.

Potential Impairments

Long-lived assets to be held and used by LP (primarily property, plant and equipment and timber and timberlands) are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When impairment is indicated, the book values of the assets are written down to their estimated fair value as calculated by the expected discounted cash flow or estimated net sales price. See Note 3 for impairment charges recorded in the periods presented. See Note 18 for a discussion of charges in 2015, 2014 and 2013 related to impairments of property, plant and equipment. Long-lived assets that are held for sale are written down to the estimated sales proceeds less cost to sell unless the estimated net proceeds exceed the carrying value.

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. As of December 31, 2015, the fair values of LP's facilities were substantially in excess of their carrying value, which supported the conclusion that no impairment is necessary for those facilities. However, if demand and pricing for the relevant products continues at levels significantly below cycle average demand and pricing, or should LP decide to invest capital in alternative projects, or should changes occur related to LP's wood supply for these locations, it is possible that impairment charges will be required.

Income Taxes

LP accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in LP’s financial statements or tax returns. In estimating future tax consequences, LP generally considers all expected future events other than the enactment of changes in tax laws or rates and future income. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date. Additionally, deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized.

LP recognizes liabilities for uncertain tax positions through a two step process. The first step is to the evaluate the tax position for recognition by determining if the weight of the available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation process, if any. The second step requires LP to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as LP must determine the probability for various outcomes. LP evaluates these uncertain tax provisions when new information becomes available. These revaluations are based upon factors including, but not limited to, changes in circumstances, changes in tax law, successful settlement of issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the related provision.

LP classifies interest related to income taxes liabilities or uncertain tax positions as interest expense or interest income and, if applicable, penalties are recognized as a component of income tax expense.

See Note 11 for further discussion of deferred income taxes.

Stock-Based Compensation
LP recognizes the cost of employee services received in exchange for awards of equity instruments, such as stock options, performance shares, restricted stock or restricted stock units and stock settled stock appreciation rights (SSAR), based upon the fair value of those awards at the date of grant over the requisite service period. LP generally uses the Black-Scholes-Merton (Black-Scholes) option pricing model to determine the fair value of the SSAR awards. Stock-based compensation plans, related expenses and assumptions used in the Black-Scholes option pricing model are more fully described in Note 15. The fair market value of performance share awards are determined based on the fair value as of the date of grant times the number of shares adjusted for the weighted probability of the attainment of the relevant performance goals.
Foreign Currency Translation
The functional currency for the Company’s Canadian subsidiaries is the U.S. dollar; however the books and records for these subsidiaries are maintained in the Canadian dollar. The financial statements of these foreign subsidiaries are remeasured into U.S. dollars using the historical exchange rate for property, plant and equipment, timber and timberlands, goodwill, and certain other non-monetary assets and related depreciation and amortization on these assets and liabilities. LP uses the exchange rate at the balance sheet date for the remaining assets and liabilities, including deferred taxes. A weighted-average exchange rate is used for each period for revenues and expenses. These transaction gains or losses are recorded in “Other non-operating income (expense)” on the Consolidated Statements of Income.
The functional currencies of LP’s Chilean and Brazilian subsidiaries are the Chilean peso and Brazilian real and their books and records are maintained in the local currency. 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 “Accumulated comprehensive loss” in Stockholders’ equity.
Goodwill and Intangible assets
Goodwill is tested for impairment on an annual basis, and when indicators of impairment are determined to exist. Impairment is evaluated by applying a fair value based test. Impairment losses would be recognized whenever the implied fair value of goodwill is less than its carrying value. Intangible assets with finite useful lives are amortized generally on a straight-line basis over the periods benefited. Impairment of the intangible asset is evaluated when factors indicate impairment may exist.
Restricted Cash
LP's restricted cash accounts generally secure outstanding letters of credit.
Revenue Recognition
Revenue is recognized when title has passed. The following criteria are used to determine that title has passed: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the price to the buyer is fixed or determinable; and (4) the collection is reasonably assured.

During 2015, 2014 and 2013, LP's top ten customers accounted for approximately 45%, 41% and 44% of its sales. No customers exceeded 10% of LP's sales in 2015, 2014, or 2013.
LP records estimated reductions to revenue for customer programs and incentive offerings, including pricing arrangements, promotions and other volume-based incentives, at the date revenue is recognized. Some of these incentives are negotiated up front with the customer and are redeemable only if the customer achieves a specified cumulative level of sales (measured in dollars or units) or sales increase. Under these incentive programs, at the time of sale, LP estimates the anticipated rebate to be paid based upon forecasted sales levels. These forecasts are updated on a regular basis. If the forecasted sales for a customer change significantly, the accrual for rebates is adjusted to reflect the revised estimate.
Asset Retirement Obligations

LP records the fair value of the legal obligations and the conditional obligations to retire and remove long-lived assets in the period which the obligation is incurred. These obligations primarily consist of monitoring costs on closed landfills, timber reforestation obligations associated with LP's timber licenses in Canada and site restoration costs. When the related liability is initially recorded, LP capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its settlement value and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, LP recognizes a gain or loss for any difference between the settlement amount and the liability recorded. See Note 16 for further discussion.

Other Operating Credits and Charges, Net

LP classifies significant amounts that management considers unrelated to ongoing core operating activities as "Other operating credits and charges, net" in the Consolidated Statements of Income. Such items include, but are not limited to, amounts related to restructuring charges (including severance charges), charges to establish and maintain litigation or environmental reserves, product reserves, prior year inventory profit adjustments, retirement charges and gains or losses from settlements with governmental or other organizations. Due to the nature of these items, amounts in the income statement can fluctuate from year to year. The determination of which items are considered significant and unrelated to core operations is based upon management's judgment. See Note 17 for a discussion of specific amounts in 2015, 2014 and 2013.

Retirement Benefits

LP is required to use actuarial methods and assumptions in the valuation of defined benefit obligations and the determination of expense. Difference between actual and expected results or changes in the values of the obligations and plan assets are not recognized in earnings as they occur but, rather, systematically and gradually over subsequent periods. See Note 14 for further information.

Comprehensive Income

Comprehensive income consists of net income (loss) and other gains and losses affecting shareholders' equity that are excluded from net income (loss), including foreign currency translation adjustments, prior service costs and credits, transition assets or obligations associated with pension or other post retirement benefits that have not been recognized as components of net periodic benefit costs, net unrealized gains or losses on securities, and unrealized gains and losses on financial instruments qualifying for cash flow hedge accounting, and is presented in the accompanying Consolidated Statements of Comprehensive Income. See Note 23 for further discussion.

Present and Prospective Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition. The new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective on January 1, 2018. LP is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within the reporting periods and it applied retrospectively. Early adoption is permitted for financial statements that have not been previously issued. LP early adopted this standard as of June 30, 2015. Prior to ASU 2015-03, deferred debt costs were reported on the balance sheet as assets and amortized as interest expense. The Consolidated Balance Sheet as of December 31, 2014 has been adjusted to apply the change in accounting principle retrospectively. There is no effect on the income statement as a result of the change in accounting principle. Debt issuance costs of $4.7 million previously reported as assets on the Consolidated Balance Sheet as of December 31, 2014 have been reclassified as a direct deduction from the carrying amount of the related debt liability. Debt issuance costs associated with current line of credit remain an asset.

In July 2015, the FASB issued ASU 2015-11, which requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost of market. LP currently values all inventory at the lower of cost of market. The ASU will not apply to inventories that are measured by using the last -in, first out (LIFO), which is the method that LP currently uses for a minor portion of its log inventories. The remaining inventories are valued using first-in, first out or average cost. This ASU is effective prospectively for annual periods beginning after December 15, 2016 and interim periods therein. LP is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, as part of its simplification initiative. The new standard requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires the acquirer to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This ASU is effective prospectively for annual periods beginning after December 15, 2015 and interim periods therein.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”, which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. LP early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this ASU resulted in a reclassification of LP's net current deferred tax asset to the net non-current deferred tax asset in our Consolidated Balance Sheet as of December 31, 2015. No prior periods were retrospectively adjusted. The adoption of this guidance had no impact on LP's consolidated results of operations.

2. INVESTMENTS

Long-term investments held by LP are debt securities designated as available for sale and are reported at fair market value using the specific identification method. The following table summarizes unrealized gains and losses related to these investments as of December 31, 2015 and December 31, 2014:

Dollar amounts in millions	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Auction rate securities	$0.4	$5.4	$—	$5.8
Total marketable securities	$0.4	$5.4	$—	$5.8
December 31, 2014				
Auction rate securities	$0.3	$4.3	$—	$4.6
Total marketable securities	$0.3	$4.3	$—	$4.6

As of December 31, 2015, LP had $5.8 million ($23.4 million, par value) invested in auction rate securities (ARS). The ARS held by LP are securities with long-term nominal maturities for which the interest rates may be reset through a Dutch auction each month. LP's investments in ARS represent interests in collateralized debt obligations supported by pools of residential and commercial mortgages and other securities.

LP reviews its marketable securities routinely for other-than-temporary impairment. The primary factors LP used to determine if an impairment charge must be recorded, because a decline in value of the security is other than temporary, include (i) whether the fair value of the investment is significantly below its cost basis, (ii) the financial condition of the issuer of the security (including its credit rating) and the underlying collateral, (iii) the length of time that the cost of the security has exceeded its fair value and (iv) LP's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

The contractual maturities of debt securities classified as available for sale at December 31, 2015 were as follows:

Dollar amounts in millions	2015 Amortized Cost	Fair Value
Due in one year or less	$—	$—
Due in more than one year	0.4	5.8
Total marketable securities	$0.4	$5.8

There were no purchases of short-term and long-term investments for the years ended December 31, 2015 and 2014. During 2015 and 2014, LP did not own any short-term investments.

3. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. LP is required to classify these financial assets and liabilities into two groups: recurring—measured on a periodic basis and non-recurring—measured on an as needed basis.

There are three levels of inputs that may be used to measure fair value:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2	Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data.
Level 3	Valuations based on models where significant inputs are not observable. Unobservable inputs are used when little or no market data is available and reflect the Company's own assumptions about the assumptions market participants would use.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014 is summarized in the following tables.

Dollar amounts in millions	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	$5.8	$—	$—	$5.8
Trading securities	2.3	2.3	—	—

Dollar amounts in millions	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	$4.6	$—	$—	$4.6
Trading securities	2.3	2.3	—	—
Contingent consideration	0.2	—	—	0.2

Due to the lack of observable market quotations on a portion of LP's ARS portfolio, LP evaluates the structure of its ARS holdings and current market estimates of fair value, including fair value estimates from issuing banks that rely exclusively on Level 3 inputs. These inputs include those that are based on expected cash flow streams and collateral values, including assessments of counterparty credit quality, default risk underlying the security, discount rates and overall capital market liquidity. The valuation of LP's ARS investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact LP's valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

Trading securities consist of rabbi trust financial assets which are recorded in other assets in LP's consolidated balance sheets. The rabbi trust holds assets attributable to the elections of certain management employees to defer the receipt of a portion of their compensation. The assets of the rabbi trust are invested in mutual funds and are reported at fair value based on active market quotations, which represent Level 1 inputs.

The following table summarizes changes in assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the twelve months ended December 31, 2015 and 2014.

Dollar amounts in millions	Available for sale securities	Contingent consideration
Balance at December 31, 2013	$3.7	$3.8
Sale of ARS	—	—
Adjustment to contingent consideration fair value	—	(3.2)
Foreign exchange rate changes		(0.4)
Total realized/unrealized gains (losses)		
Included in other comprehensive income	0.9	—
Balance at December 31, 2014	$4.6	$0.2
Sale of ARS	—	—
Contingent consideration pursuant to business combination	$—	$—
Adjustment to contingent consideration fair value	—	(0.2)
Total realized/unrealized gains (losses)		
Included in other comprehensive income	1.2	—
Balance at December 31, 2015	$5.8	$—

LP estimated the Senior Notes maturing in 2020 to have a fair value of $366.2 million at December 31, 2015 and $371.0 million at December 31, 2014 based upon market quotations.

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

LP reviews the carrying values of long-lived assets to be held and used for impairment wherever events or changes in circumstances indicate possible impairment. An impairment loss is recognized when a long-lived asset's carrying value is not recoverable (given assumptions on housing starts and growth rates) and exceeds estimated fair value.

During 2015, LP recognized a gain of $0.2 million as a fair value adjustment to the contingent consideration payable in connection with a business combination (see Note 24 for further discussion). The fair value of the contingent consideration was reduced during the year due to the decline in projected OSB prices as compared to the initial fair value which was established at the date of the acquisition. This reduction resulted in lowering the estimated payment obligation. The fair value adjustment is recorded in Other Operating Credits and Charges, Net (see Note 17 for further discussion). This fair value was determined based upon the income approach using significant non-observable inputs such as projected OSB pricing taking into consideration volatility of such projections.

During 2014, LP recognized a gain of $3.2 million as a fair value adjustment to the contingent consideration payable in connection with a business combination (see Note 24 for further discussion). The fair value of the contingent consideration was reduced during the year due to the decline in projected OSB prices as compared to the initial fair value which was established at the date of the acquisition. This reduction resulted in lowering the estimated payment obligation. The fair value adjustment is recorded in Other Operating Credits and Charges, Net (see Note 17 for further discussion). This fair value was determined based upon the income approach using significant non-observable inputs such as projected OSB pricing taking into consideration volatility of such projections.

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 (employee stock options, stock settled stock appreciation rights, incentive shares, performance shares and warrants) be excluded from the calculation of diluted earnings per share for the periods in which losses from continuing operations are reported because the effect is anti-dilutive. The following table sets forth the computation of basic and diluted earnings per share:

	Year ended December 31,		
Dollar and share amounts in millions, except per share amounts	2015	2014	2013
Numerator:			
Net income (loss):			
Income (loss) from continuing operations	$(86.0)	$(73.4)	$177.4
Loss from discontinued operations	(2.1)	(2.0)	(0.3)
Net income (loss)	$(88.1)	$(75.4)	$177.1
Denominator:			
Denominator for basic earnings per share:			
Weighted average common shares outstanding	142.4	141.1	139.6
Effect of dilutive securities:			
Dilutive effect of employee stock plans	—	—	2.5
Dilutive effect of stock warrants	—	—	2.2
Dilutive potential common shares	—	—	4.7
Denominator for diluted earnings per share:			
Adjusted weighted average shares	142.4	141.1	144.3
Basic earnings per share:			
Income (loss) from continuing operations	$(0.60)	$(0.52)	$1.27
Loss from discontinued operations	(0.02)	(0.01)	—
Net income (loss) per share	$(0.62)	$(0.53)	$1.27
Diluted earnings per share:			
Income (loss) from continuing operations	$(0.60)	$(0.52)	$1.23
Loss from discontinued operations	(0.02)	(0.01)	—
Net income (loss) per share	$(0.62)	$(0.53)	$1.23

Stock options, warrants, SSARs and performance shares related to approximately 4.9 million and 5.8 million common shares for the years ended December 31, 2015 and December 31, 2014 were considered anti-dilutive for purposes of LP’s earnings per share calculation due to LP’s loss position from continuing operations. Stock options, warrants and SSARs related to approximately 2.5 million common shares were considered not in-the-money for purposes of LP's earnings per share calculation for the year ended December 31, 2013.

At December 31, 2015, outstanding warrants were exercisable to purchase approximately 411,579 shares.

5. RECEIVABLES

Receivables consist of the following:

	December 31,	
Dollar amounts in millions	2015	2014
Trade receivables	$82.6	$96.1
Interest receivables	0.2	0.2
Income tax receivable	2.0	1.4
Other receivables	12.6	11.7
Allowance for doubtful accounts	(1.0)	(1.0)
	$96.4	$108.4

Other receivables at December 31, 2015 and 2014 primarily consist of non-income tax receivables, vendor rebates and other miscellaneous receivables.

6. INVENTORIES

Inventories consist of the following:

	December 31,	
Dollar amounts in millions	2015	2014
Logs	$58.6	$39.6
Other raw materials	21.6	21.3
Semi finished inventory	18.5	19.3
Finished products	123.3	149.6
Total	$222.0	$229.8

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 13). LP monitors the collectability of these notes on a regular basis.

Dollar amounts in millions	Interest Rate 2015	December 31, 2015	2014
Notes receivable (secured), maturing 2018, interest rates fixed	7.3%	$22.2	$