STRONGHOLD TECHNOLOGIES INC
Form 8-K
December 21, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities and Exchange Act of 1934

Date of Report (Date of earliest reported): December 15, 2006

DealerAdvance, Inc.
(Exact name of registrant as specified in charter)

Stronghold Technologies, Inc.
(Former name of registrant)

Nevada	333-54822	22-3762832
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(IRS Employer Identification No.)

16801 Addison Road, Suite 310, Addison, Texas 75001
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (214) 866-0606

Copies to:
Gregory Sichenzia, Esq.
Stephen M. Fleming, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, New York 10018
Phone: (212) 930-9700
Fax: (212) 930-9725

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement
Item 2.03 Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant
Item 3.02 Unregistered Sales of Equity Securities

To obtain funding for its ongoing operations, DealerAdvance, Inc. (f/k/a Stronghold Technologies, Inc.) (the "Company") entered into a Securities Purchase Agreement (the "Agreement") with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors") on December 15, 2006 for the sale of (i) $900,000 in callable secured convertible notes (the "Notes") and (ii) stock purchase warrants (the "Warrants") to buy 5,000,000 shares of our common stock.

On December 15, 2006, the Investors purchased $250,000 in Notes and received Warrants to purchase 1,388,500 shares of the Company's common stock. In addition, provided that all of the conditions in the Securities Purchase Agreement are satisfied, on the final business day of each month commencing in January 2007 and ending when the full $900,000 in Notes has been purchased, the Company will issue to the Investors and the Investors will purchase $125,000 in Notes and related Warrants. The Company or a majority in interest of the Investors may terminate the obligation to issue additional Notes and Warrants upon 30 days notice.

The Notes bear interest at 8%, mature two years from the date of issuance, and are convertible into our common stock, at the Investors' option, at a conversion price, equal to the lower of (i) $0.05 or (ii) 25% of the average of the three lowest intraday trading prices for our common stock during the 20 trading days before, but not including, the conversion date. As of December 20, 2006, the average of the three lowest intraday trading prices for our common stock during the preceding 20 trading days as reported on the Over-The-Counter Bulletin Board was $.001 and, therefore, the conversion price for the secured convertible notes was $.0002. Based on this conversion price, the Notes in the amount of $250,000 issued on December 15, 2006 were convertible into 1,250,000,000 shares of our common stock.

We may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the callable secured convertible notes and the market price is at or below $.08 per share. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, we have granted the Investors a security interest in substantially all of our assets and intellectual property as well as registration rights.

The Warrants are exercisable until five years from the date of issuance at a purchase price of $0.05 per share. In addition, the exercise price of the Warrants is adjusted in the event we issue common stock at a price below market.

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of our common stock such that the number of shares of the Company common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

The sale of the Notes in the amount of $250,000 was completed on December 15, 2006. As of the date hereof, the Company is obligated on $250,000 in face amount of Notes issued to the Investors in connection with this financing. The Notes are a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of the Company. In addition, the Company is also obligated on approximately $6,300,000 in face amount of callable secured convertible notes issued to the Investors pursuant to other Securities Purchase Agreements entered with the Investors.

The Notes and Warrants were offered and sold to the Investors in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506

promulgated thereunder.   Each of the Investors is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Description
4.1	Securities Purchase Agreement dated December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC
4.2	Form of Callable Secured Convertible Note
4.3	Form of Stock Purchase Warrant
4.4	Registration Rights Agreement dated December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC
4.5	Security Agreement dated December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC
4.6	Intellectual Property Security Agreement dated December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC

SIGNATURES

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

DEALERADVANCE INC.

Date: December 21, 2006

By: /s/ Steven Humphries

Name: Steven Humphries
Title: CEO

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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

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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.

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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.

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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.

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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.

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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.

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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:

Dollar amounts in millions	December 31, 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:

Dollar amounts in millions	December 31, 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	$22.2
Notes receivable (secured), maturing 2018, interest rate variable		410.0	410.0
Total		432.2	432.2
Current portion		—	—
Long-term portion		$432.2	$432.2

The weighted average interest rate for all notes receivable from asset sales at December 31, 2015 and 2014 was approximately 1.1% and 0.8%. LP estimates that the fair value of these notes at December 31, 2015 and 2014 was approximately $437 million and $438 million.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill and other intangible assets for the year ended December 31, 2015 and 2014 are provided in the following table:

Dollar amounts in millions	2015			2014		
	Timber and timberlands	Goodwill	Total	Timber and timberlands	Goodwill	Total
Beginning balance December 31,	$64.9	$9.7	$74.6	$68.1	$9.7	$77.8
Amortization	(2.9)	—	$(2.9)	(3.2)	—	$(3.2)
Impairments	(11.6)	—	(11.6)	—	—	—
Total goodwill and other intangibles	$50.4	$9.7	$60.1	$64.9	$9.7	$74.6

Included in the balance of timber and timberlands are values allocated to Canadian forest licenses in the purchase price allocations for Forex, Peace Valley OSB and the assets of Evans Forest Products. The initial value of these licenses was $91.3 million and are amortized over the estimated useful life of twenty to twenty-five years. See note 17 for discussion of the write-off of one of the Quebec timber licenses in 2015.

Amortization of the above intangible assets over the next five years is as follows:

Dollar amounts in millions	
Year ended December 31,	
2016	$3.2
2017	3.2
2018	3.2
2019	3.2
2020	3.2

9. INVESTMENTS IN AND ADVANCES TO AFFILIATES

At December 31, 2015, LP has an investment in a joint venture with Resolute Forest Products to operate jointly owned I-Joist facilities in Quebec (Abitibi-LP). Each partner owns 50% of the venture. In 2013, LP acquired full ownership of the Peace Valley OSB joint venture (formerly referred to as Canfor-LP) in which LP previously maintained a 50% interest (see Note 24 for further information). Additionally, during 2013, LP sold its equity investment in U.S. GreenFiber, which resulted in a gain of $1.2 million.

LP sells products and raw materials and purchases products for resale from Abitibi-LP and previously purchased OSB from Canfor-LP prior to the acquisition on May 31, 2013. LP eliminates profits on these sales and purchases, to the extent the inventory has not been sold through to third parties, on the basis of its 50% interests. For the years ended December 31, 2015, 2014 and 2013, LP sold $9.3 million, $9.8 million and $13.7 million of products to Abitibi-LP and purchased $54.1 million, $55.4 million and $52.0 million of I-joists from Abitibi-LP. LP purchased $98.2 million from Canfor-LP during the year ended December 31, 2013.

Included in LP’s Consolidated Balance Sheets at December 31, 2015 and 2014 are $0.4 million and $0.7 million in accounts receivable and $0.1 million and $0.4 million in accounts payable associated with Abitibi-LP. For the year ended December 31, 2015, LP received $3.0 million in dividends from Abitibi-LP. LP classified the receipt of these cash dividends as cash flows from operations. LP's cumulative equity in earnings from Abitibi-LP exceeds the cumulative distributions received; therefore, the dividends were deemed to be a return on LP's investment and not a return of LP's investment.

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows:

	December 31,	
Dollar amounts in millions	2015	2014
Accounts payable	$73.0	$80.3
Salaries and wages payable	34.3	32.4
Taxes other than income taxes	4.5	3.3
Current portion of warranty reserves	6.0	12.0
Accrued interest	2.5	6.4
Accrued rebates	13.7	15.9
Other accrued liabilities	5.6	18.0
Total Accounts payable and accrued liabilities	$139.6	$168.3

Other accrued liabilities at December 31, 2015 and 2014 primarily consist of uncertain tax positions, accrued rent, current portion of worker compensation liabilities and other items. Additionally, included in accounts payable is $20.0 million and $5.2 million related to capital expenditures that had not yet been paid as of December 31, 2015 and as of December 31, 2014.

11. INCOME TAXES

Income (loss) from continuing operations before income taxes consists of the following:

	Year ended December 31,		
Dollar amounts in millions	2015	2014	2013
Domestic	$(8.7)	$(66.4)	$134.0
Foreign	(80.0)	(34.2)	84.5
Total	$(88.7)	$(100.6)	$218.5

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The following presents the components of LP’s income tax provision (benefit) from continuing operations.

	Year ended December 31,		
Dollar amounts in millions	2015	2014	2013
Current tax provision (benefit):			
U.S. federal	$(2.4)	$(5.0)	$1.3
State and local	(0.5)	0.3	1.2
Foreign	2.6	1.6	3.3
Net current tax provision (benefit)	(0.3)	(3.1)	5.8
Deferred tax provision (benefit):			
U.S. federal	(1.1)	(19.5)	44.6
State and local	(1.8)	(1.2)	2.5
Foreign	(26.6)	(13.3)	13.4
Net valuation allowance increase (decrease)	27.1	9.9	(25.2)
Net deferred tax benefit	(2.4)	(24.1)	35.3
Total income tax provision (benefit)	$(2.7)	$(27.2)	$41.1

LP received income tax refunds during 2015, 2014 and 2013 of $0.1 million, $1.6 million and $0.9 million and paid cash taxes of $16.0 million, $3.7 million and $6.8 million. Included in the Consolidated Balance Sheet at December 31, 2015 and 2014 are income tax receivables of $2.0 million and $1.4 million.

The income tax effects of LP’s share of the income or loss of U.S. GreenFiber and LP OSB Limited Partnership in 2013 is recorded in “Provision (benefit) for income taxes” on the Consolidated Statements of Income, while LP’s share of such pre-tax income is recorded in “Equity in (income) loss of unconsolidated affiliates”.

During 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 LP's Consolidated Balance Sheet as of December 31, 2015. No prior periods were retrospectively adjusted.

The tax effects of significant temporary differences creating deferred tax (assets) and liabilities at December 31 were as follows:

Dollar amounts in millions	December 31, 2015	2014
Property, plant and equipment	$165.2	$172.1
Timber and timberlands	12.0	17.8
Inventories	(7.7)	(8.1)
Accrued liabilities	(79.7)	(84.9)
Benefit of capital loss and NOL carryovers	(137.3)	(134.0)
Benefit of tax credit carryovers	(21.0)	(17.8)
Installment sale gain deferral	128.5	129.2
Market value write down of ARS	(8.8)	(8.9)
Other	(12.6)	(3.9)
Valuation allowance	56.1	32.3
Net deferred tax liabilities	$94.7	$93.8
Balance sheet classification		
Current deferred tax asset	$—	$(45.1)
Long-term deferred tax asset	(4.8)	(0.6)
Long-term deferred tax liability	99.5	139.5
	$94.7	$93.8

The benefit relating to capital loss, net operating loss (NOL) and credit carryovers included in the above table at December 31, 2015 consists of:

Dollar amounts in millions	Expiration Beginning in	Benefit Amount	Valuation Allowance
Federal NOL carryovers	2031	$32.8	$—
State NOL carryovers	2016	32.2	(13.1)
State capital loss carryover	2016	0.6	(0.6)
Federal credit carryovers	2027	18.1	—
State credit carryovers	2016	0.8	(0.6)
Canadian NOL carryovers	2029	63.8	(24.6)
Canadian capital loss carryovers	Indefinitely	6.9	(6.9)
Canadian credit carryovers	2017	2.1	(2.1)
Brazilian NOL carryovers	Indefinitely	1.0	(0.7)
		$158.3	$(48.6)

LP periodically reviews the need for valuation allowances against deferred tax assets and recognizes these deferred tax assets to the extent that their realization is more likely than not. As part of our review, we consider all positive and negative evidence, including earnings history, the future reversal of deferred tax liabilities, and the relevant expirations of carry forwards. LP believes that the valuation allowances provided are appropriate. If future years' earnings differ from the estimates used to establish these valuation allowances or other objective positive or

negative evidence arises, LP may be required to record an adjustment resulting in an impact on tax expense (benefit) for that period.
As a result of certain realization requirements of ASC 718 Compensation -- Stock Compensation, the table of deferred tax assets and liabilities shown above does not include $16.9 million and $13.9 million of deferred tax assets as of December 31, 2015 and December 31, 2014 that arose directly from tax deductions related to amounts of equity compensation that are greater than the compensation recognized for financial reporting. Equity will be increased if and when such deferred tax assets are ultimately realized. LP uses the "with and without" method for determining when excess tax benefits have been realized.
U.S. taxes have not been provided on approximately $49.3 million of undistributed earnings of LP’s foreign subsidiaries, which under existing law are not subject to U.S. tax until distributed as dividends. These earnings have been, and are intended to be, indefinitely reinvested in LP’s foreign operations. Determination of the amount of any unrecognized income tax liability on this temporary difference is not practical because of the complexities of the hypothetical calculation. Furthermore, any taxes paid to the foreign governments on these earnings may be used, in whole or in part, as credits against the U.S. tax on any dividends distributed from such earnings.

The following table summarizes the differences between the statutory U.S. federal and effective income tax rates on continuing operations:

	Year ended December 31,					
	2015		2014		2013	
U.S. federal tax rate	(35	)%	(35	)%	35	%
State and local income taxes	(2	)	(2	)	2	
Uncertain tax positions	(4	)	1		—	
Effect of foreign tax rates	13		5		(3	)
Effect of foreign exchange on functional currencies	(8	)	(6	)	(3	)
Valuation allowance	31		10		(12	)
Other, net	2		—		—	
Effective tax rate (%)	(3	)%	(27	)%	19	%

LP and its domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. Its foreign subsidiaries are subject to income tax in Canada, Chile, Peru and Brazil. In June 2015, LP finalized its settlement agreement with the U.S. Internal Revenue Service (IRS) regarding its examination of tax years 2007-2009. U.S. tax years are now closed through 2011, and no examinations are currently in progress.
LP remains subject to U.S. federal examinations of tax years 2012 through 2014 as well as state and local tax examination for the tax years 2007-2014. Canadian federal income tax years are closed through 2010 and audits of 2012 and 2013 are currently in progress. Quebec provincial audits have been effectively settled through 2012. Chilean returns for the 2010 - 2012 tax years are under review by the Chilean Tax Office. Brazilian returns for years 2009 - 2014 are subject to audit but no examinations are currently in progress.

In accordance with the accounting for uncertain tax positions, the following is a tabular reconciliation of the total amount of unrecognized tax benefits at the beginning and end of the years presented:

	December 31,		
Dollar amounts in millions	2015	2014	2013
Beginning balance	$42.2	$48.9	$49.9
Increases:			
Tax positions taken in current year	—	0.1	—
Tax positions taken in prior years	0.9	1.3	0.4
Decreases:			
Tax positions taken in current year	—	—	—
Tax positions taken in prior years	(0.5)	(8.1)	—
Settlements during the year	(34.7)	—	—
Lapse of statute in current year	(3.8)	—	(1.4)
Ending balance	$4.1	$42.2	$48.9

Included in the above balances at December 31, 2015 and 2014 is $3.7 million and $14.6 million of tax benefits that, if recognized, would affect LP's effective tax rate. LP accrued interest of $0.2 million and paid interest of $4.8 million during 2015 and accrued interest of $1.0 million during 2014. In total LP has recognized a liability of $0.1 million and $4.7 million for accrued interest related to its uncertain tax positions as of December 31, 2015 and 2014. The $34.7 million settlement amount in the above table is the result of LP's 2015 agreement with the Internal Revenue Service regarding their examination of tax years 2007-2009.

While outcomes and timing cannot be predicted, it is possible that unrecognized tax benefits of up to $1.7 million could change as a result of the lapse of statutes of limitation during the next twelve months.

12. NON-OPERATING INCOME (EXPENSE)

Included in LP's Consolidated Statements of Income is non-operating expense of $32.1 million, $27.4 million and income of $3.8 million for the years ended December 31, 2015, 2014 and 2013. This income (expense) is comprised of the following components:

	Year ended December 31,		
Dollar amounts in millions	2015	2014	2013
Interest expense	$(32.0)	$(29.9)	$(36.2)
Amortization of debt charges	(1.1)	(1.2)	(1.4)
Capitalized interest	1.9	1.3	1.6
Interest expense, net of capitalized interest	(31.2)	(29.8)	(36.0)
Investment income	4.9	5.5	9.4
SERP market adjustments	(0.5)	—	0.9
Investment income	4.4	5.5	10.3
Foreign currency losses	(5.3)	(3.1)	(5.3)
Gain on acquisition	—	—	35.9
Gain on the sale of joint venture	—	—	1.2
Early debt extinguishment	—	—	(2.3)
Other non-operating income (expense)	(5.3)	(3.1)	29.5
Total non-operating income (expense)	$(32.1)	$(27.4)	$3.8

For the year ended December 31, 2013, LP recognized a gain of $35.9 million from the acquisition of the remaining 50% ownership of the Peace Valley OSB joint venture and a gain of $1.2 million from the sale of the U.S. GreenFiber joint venture.

13. LONG-TERM DEBT

Dollar amounts in millions	Interest Rate 2015	December 31, 2015			2014		
		Principal	Unamortized Debt Costs	Total	Principal	Unamortized Debt Costs	Total
Debentures:							
Senior unsecured notes, maturing 2020, interest rates fixed	7.5 %	$350.0	$(3.7)	$346.3	$350.0	$(4.4)	$345.6
Bank credit facilities:							
Chilean term credit facility, maturing 2019, interest rates fixed	UF+3.9%	12.8		12.8	14.4		14.4
Brazilian export financing facility, maturing 2017, interest rates fixed	6.65 %	4.0		4.0	6.0		6.0
Limited recourse notes payable:							
Senior notes, payable 2018, interest rates fixed	7.3 %	22.0		22.0	22.0		22.0
Other financing:							
Non-recourse notes payable 2018, interest rates variable	0.2 %	368.7	(0.2)	368.5	368.7	(0.3)	368.4
Other		0.3		0.3	0.8		0.8
Total		757.8	(3.9)	753.9	761.9	(4.7)	757.2
Less: current portion		(2.1)		(2.1)	(2.4)		(2.4)
Net long-term portion		$755.7	$(3.9)	$751.8	$759.5	$(4.7)	$754.8

Deferred debt costs are amortized over the life of the related debt using a straight line basis which approximates the effective interest method. These costs are a direct deduction from the carrying amount related to the debt liability. If the debt is retired early, the related unamortized deferred financing costs are written off in the period the debt is retired to other non-operating income (expense). During 2013, $1.4 million of deferred debt costs were written off in association with the early debt extinguishment. LP amortized deferred debt costs of $1.1 million, $1.2 million and $1.4 million for the years ended December 31, 2015, 2014 and 2013. Included in these amortized amounts are deferred debt costs associated with our current line of credit, which is recorded as an "Other Asset" LP's Consolidated Balance Sheet.

LP believes the carrying amounts of its variable rate long-term debt approximates fair market value. LP estimated the limited recourse notes payable to have a fair value of approximately $23.1 million and $23.2 million at December 31, 2015 and 2014. LP estimated the senior unsecured 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. LP believes the carrying amounts of the Chilean term credit facility as well as the Brazil export facility approximates fair market value based upon current interest rates with similar remaining maturities.

LP issued $348.6 million of senior notes in June 1998 in a private placement to institutional investors. The remaining $22.0 million of notes mature in 2018. The notes are secured by $22.2 million of notes receivable from Green Diamond Resource Company (Green Diamond). Pursuant to the terms of the notes payable, in the event of a default

by Green Diamond, LP would be liable to pay only 10% of the indebtedness represented by the notes payable.

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LP issued $368.7 million of non-recourse notes in 2003 in a private placement to unrelated third parties. The notes mature in 2018. The notes are supported by a bank letter of credit. LP’s reimbursement obligations under the letter of credit are secured by $410.0 million in notes receivable from assets sales. 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 principle amount of the notes receivable.

In December 2013, LP 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 and 2014, no revolving borrowings had been made or were outstanding under the credit facility.

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

Revolving borrowings under the credit agreement accrue interest, at the Company’s option, at either a “base rate” plus a margin of 0.75% to 2.50% or LIBOR plus a margin of 1.75% to 3.50%. The credit agreement also includes an unused commitment fee, due quarterly, ranging from 0.30% to 0.625%. The applicable margins and fees within these ranges are based on the Company’s ratio of consolidated EBITDA to cash interest charges. The “base rate” is the highest of (i) the Federal funds rate plus 0.5%, (b) the U.S. prime rate, and (iii) one month LIBOR plus 1.0%.

The credit agreement contains various restrictive covenants and customary events of default. The credit agreement also contains financial covenants that require the Company and its 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 thereafter, in each case calculated in the manner specified in the credit agreement. As of December 31, 2015, we were in compliance with all financial covenants under the credit agreement.

In December 2009, LP Chile entered into 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 will be repaid in 16 semi-annual principal payments that began in June 2012 and end in December 2019. The loan bears interest at UF plus 3.90% per annum, and is partially 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, it 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 LP’s obligations to repay the indebtedness outstanding. Any increases or decreases in the loan balance shown are related to the change in the underlying foreign currency exchange rates, the UF or principal payments. LP made no principal payments during 2015. The impact of foreign currency exchange rates in 2015 was $2.1 million which was offset by a UF change of $0.5 million.

In August 2011, LP entered into an export financing loan agreement with a Brazilian bank. This loan is to be repaid in 10 equal semi-annual payments that began in January 2013 and end in July 2017. During 2015, LP made principal payments of $2.0 million.

In May 2012, LP issued $350.0 million of 7.5% Senior Notes due 2020. On or after June 1, 2016, LP may, at its option on one or more occasions, redeem all or any portion of the Notes at specified redemption rates. Obligations under the indenture governing LP's Senior Notes due 2020 are unsecured and not presently guaranteed by any of its

subsidiaries. The indenture contains customary covenants applicable to LP and its subsidiaries, other than certain unrestricted subsidiaries, including restrictions on actions and activities that are restricted under the credit facility. The indenture also contains customary events of default, the occurrence of which could result in acceleration of LP's obligations to repay the indebtedness outstanding thereunder.

The weighted average interest rate for all long-term debt at December 31, 2015 and 2014 was approximately 4.0 percent for both periods. Required repayment of principal for long-term debt is as follows:

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Dollar amounts in millions	
Year ended December 31,	
2016	$2.1
2017	6.4
2018	395.0
2019	4.3
2020	350.0
2021 and after	—
Total	$757.8

Cash paid during 2015, 2014 and 2013 for interest (net of capitalized interest) was $36.9 million, $30.8 million and $35.0 million.

14. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

LP sponsors various defined benefit and defined contribution retirement plans that provide retirement benefits to substantially all of its employees. Most regularly scheduled employees are eligible to participate in these plans except those covered by a collective bargaining agreement, unless the collective bargaining agreement specifically allows for participation in LP’s plans. LP contributes to a multiemployer plan for certain employees covered by collective bargaining agreements. LP also provides other post-retirement benefits consisting primarily of healthcare benefits to certain retirees who meet age and service requirements.

Defined Benefit Plans

Pension benefits are earned generally based upon years of service and compensation during active employment. Contributions to the qualified defined benefit pension plans are based on actuarial calculations of amounts to cover current service costs and amortization of prior service costs over periods ranging up to 20 years. LP contributes additional funds as necessary to maintain desired funding levels.

Benefit accruals under our most significant plans, which account for approximately 80% of the assets and 85% of the benefit obligations in the tables below, had been credited at the rate of 4% of eligible compensation with an interest credit based upon the 30-year U.S. Treasury rate. The Company discontinued providing contribution credits effective January 1, 2010 to these plans. The remaining defined benefit pension plans (primarily in Canada) use a variety of benefit formulas.

LP also maintains a Supplemental Executive Retirement Plan (SERP), an unfunded, non-qualified defined benefit plan intended to provide supplemental retirement benefits to key executives. Benefits are generally based on compensation in the years immediately preceding normal retirement. During the year ended December 31, 2015, LP recorded a plan settlement charge of $0.8 million associated with the retirement of two of LP's executives during 2015.

The components of LP's net periodic pension costs and the assumptions related to those costs consisted of the following:

	Year ended December 31,		
Dollar amounts in millions	2015	2014	2013
Service cost	$3.8	$3.5	$3.4
Interest cost	13.1	14.1	12.7
Expected return on plan assets	(15.0)	(16.9)	(16.5)
Amortization of prior service cost and net transition asset	0.5	—	0.3
Amortization of net actuarial loss	6.8	5.5	7.3
Net periodic pension cost	$9.2	$6.2	$7.2
Loss (gain) due to settlement	$0.8	$—	$—
Discount rate	3.8%	4.6%	3.8%
Weighted rate of compensation increase	0.7%	0.8%	0.7%
Weighted expected return on plan assets	6.0%	6.7%	6.6%

Other changes in plan assets and benefit obligations recognized in other comprehensive income (OCI):

	Year ended December 31,		
Dollar amounts in millions	2015	2014	2013
Net actuarial (gain) loss	$0.8	$44.2	$(35.9)
Amortization of net actuarial loss	(7.6)	(5.5)	(7.3)
Amortization of prior service cost	(0.5)	9.4	(0.3)
Foreign exchange rate changes	(0.1)	—	0.2
Total recognized in OCI	$(7.4)	$48.1	$(43.3)

LP calculates the net periodic pension cost for a given fiscal year based upon assumptions developed at the end of the previous fiscal year. As of January 1, 2010, LP froze future contribution credits to its qualified U.S. defined benefit pension plans.

The expected long-term rate of return on plan assets reflects the weighted-average expected long-term rates of return for the broad categories of investments currently held in the plans (adjusted for expected changes), based on historical rates of return for each broad category, as well as factors that may constrain or enhance returns in the broad categories in the future. The expected long-term rate of return on plan assets is adjusted when there are fundamental changes in expected returns in one or more broad asset categories and when the weighted-average mix of assets in the plans changes significantly.

The projected benefit obligation is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated salary increases. The benefit plan obligation, funded status and the assumptions related to the obligations as of the measurement date for each year presented as of December 31 follow:

	December 31,	
Dollar amounts in millions	2015	2014
Change in benefit obligation:		
Beginning of year balance	$364.1	$322.1
Service cost	3.8	3.5
Interest cost	13.1	14.1
Actuarial (gain)/loss	(19.4)	37.4
Plan amendments	—	9.4
Foreign exchange rate changes	(9.7)	(5.3)
Benefits paid	(21.1)	(17.1)
End of year balance	$330.8	$364.1
Change in assets (fair value):		
Beginning of year balance	$268.0	$270.3
Actual return on plan assets	(5.2)	10.2
Employer contribution	4.9	9.6
Foreign exchange rate changes	(9.2)	(5.0)
Benefits paid	(21.1)	(17.1)
End of year balance	$237.4	$268.0
Funded status	$(93.4)	$(96.1)
Weighted average assumptions for obligations as of measurement date		
Discount rate for obligations	3.8%	3.8%
Rate of compensation increase	0.6%	0.6%

The amounts recognized in LP's Consolidated Balance Sheets as of December 31 consist of the following:

Dollar amounts in millions	2015	2014
Noncurrent pension assets, included in "Other assets"	$0.5	$0.6
Current pension liabilities, included in "Accounts payable and accrued liabilities"	(3.7)	(2.7)
Noncurrent pension liabilities, included in "Other long-term liabilities"	(90.2)	(93.8)
Total	$(93.4)	$(95.9)
Amounts recognized in other comprehensive income—pre-tax		
Net actuarial loss	$140.8	$149.6
Prior service cost	9.0	9.5
Total	$149.8	$159.1

The total accumulated benefit obligation for all pension plans as of December 31, 2015 and 2014 was $328.2 million and $361.5 million.

The accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $316.6 million and $194.6 million at December 31, 2015 and $348.0 million and $217.9 million at December 31, 2014. The projected benefit obligations and fair value of plan assets of

plans with projected benefit obligations in excess of plan assets were $319.6 million and $194.6 million at December 31, 2015 and $350.7 million and $217.9 million at December 31, 2014.

The amounts of accumulated other comprehensive income that is expected to be amortized as expense during 2016 is:

Dollar amounts in millions	
Net actuarial loss	$5.3
Prior service cost	0.5
Total	$5.8

The benefits expected to be paid from the benefit plans, which reflect expected future service, are as follows:

Dollar amounts in millions	
Year	
2016	22.6
2017	27.6
2018	19.1
2019	19.6
2020	20.3
2021– 2025	105.4

These estimated benefit payments are based upon assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Asset allocation targets are established based upon the long-term returns and volatility characteristics of the investment classes and recognize the benefits of diversification and the profits of the plans' liabilities. The actual and target allocations at the measurement dates are as follows:

	Target Allocation 2015		Actual Allocation 2015		2014	
Asset category						
US Plans						
Equity securities	38.0	%	37.7	%	50.4	%
Debt securities	17.0	%	17.0	%	36.3	%
Multi-Strategy Funds	45.0	%	44.6	%	12.4	%
Other, including cash and cash equivalents	—	%	0.7	%	0.9	%
Total Allocation for US Plans	100.0	%	100.0	%	100.0	%
Non-US Plans						
Equity securities	27.0	%	27.9	%	28.0	%
Debt securities	71.0	%	71.2	%	71.7	%
Other, including cash and cash equivalents	2.0	%	0.9	%	0.3	%
Total Allocation for Non-US Plans	100.0	%	100.0	%	100.0	%

LP's investment policies for the defined benefit pension plans provide target asset allocations by broad categories of investment and ranges of acceptable allocations. These policies are set by an administrative committee

with the goal of maximizing long-term investment returns within acceptable levels of volatility and risk. LP's U.S. plans include real estate, hedge funds and real return investment strategies to increase returns and reduce volatility. LP's plans do not currently invest directly in derivative securities, although such investments may be considered in the future to increase returns and/or reduce volatility. To the extent the expected return on plan assets varies from the actual return, an actuarial gain or loss results.

The fair value of LP's pension plan assets at December 31, 2015 and December 31, 2014, fair value asset categories and the level of inputs as defined in Note 3 are as follows:

Dollar amounts in millions Asset Category	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity investment funds:[a]				
Domestic stock funds	$50.7	$39.0	$11.7	$—
International stock funds	34.0	11.7	22.3	—
Fixed income investment funds:[b]				
Domestic bond funds	32.1	32.1	—	—
International bond funds	34.5	—	34.5	—
Multi-strategy funds[c]	84.2	70.9	—	13.3
Cash & cash equivalents	1.9	—	1.9	—
Total	$237.4	$153.7	$70.4	$13.3

(a) Equity investments include investments in funds that are primarily invested in large capitalization U.S. and international equity securities and a mutual fund.

(b) Fixed income investments include investments in funds that are primarily invested in a diversified portfolio of investment grade U.S. and international debt securities.

(c) The multi-strategy funds invest in various hedge funds that employ a fund of funds strategy.

Dollar amounts in millions Asset Category	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity investment funds:[a]				
Domestic stock funds	$84.5	$71.4	$13.1	$—
International stock funds	37.9	12.8	25.1	—
Fixed income investment funds:[b]				
Domestic bond funds	62.5	62.5	—	—
International bond funds	40.9	—	40.9	—
Diversified real asset funds	13.9	13.9	—	—
Multi-strategy funds[c]	26.1	—	—	26.1
Cash & cash equivalents	2.2	—	2.2	—
Total	$268.0	$160.6	$81.3	$26.1

(a) Equity investments include investments in funds that are primarily invested in large capitalization U.S. and international equity securities and a mutual fund.

(b) Fixed income investments include investments in funds that are primarily invested in a diversified portfolio of investment grade U.S. and international debt securities.

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(c) The multi-strategy funds invest in various hedge funds that employ a fund of funds strategy.
Level 1 investments are valued based on active market quotations.
Level 2 investments are valued based on the unit prices quoted by the funds, representing the fair value of underlying investments.
Due to the lack of observable market quotations on real estate and multi-strategy funds, LP evaluates their structure and current market estimates of fair value, including fair value estimates from the funds that rely exclusively on Level 3 inputs. These inputs include those that are based on expected cash flow streams and property values, including assessments of overall market liquidity. The valuations are subject to uncertainties that are difficult to predict.

The following table summarizes assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period.

Dollar amounts in millions	Multi-Strategy Funds	Real Estate	Total
Balance at January 1, 2014	$25.2	$16.5	$41.7
Total unrealized gains (losses)	0.8	—	0.8
Net income	—	—	—
Contribution (redemption)	—	(16.5)	(16.5)
Management fees	0.1	—	0.1
Balance at December 31, 2014	$26.1	$—	$26.1
Contribution (redemption)	$(13.0)	$—	$(13.0)
Management fees	0.2	—	0.2
Balance at December 31, 2015	$13.3	$—	$13.3

Defined Contribution Plans
LP also sponsors defined contribution plans in the U.S. and Canada. In the U.S., these plans are primarily 401(k) plans for hourly and salaried employees that allow for pre-tax employee deferrals and a company match of up to 5.0% of an employee’s eligible wages (subject to certain limits). Under the profit sharing feature of these plans, LP may elect to contribute a discretionary amount as a percentage of eligible wages. Included in the assets of the 401(k) and profit sharing plans are 2.2 million shares of LP common stock that represented approximately 11.7% of the total market value of plan assets at December 31, 2015.
In Canada, LP sponsors both defined contribution plans and Registered Retirement Savings Plans for hourly and salaried employees that allow for pre-tax employee deferrals. LP provides a base contribution of 2.5% of eligible earnings and matches 50% of an employee’s deferrals up to a maximum of 3% of each employee’s eligible earnings (subject to certain limits).
Expenses related to defined contribution plans and the multiemployer plan in 2015, 2014 and 2013 were $8.0 million, $5.6 million and $8.3 million.
Other Benefit Plans
LP has several plans that provide postretirement benefits other than pensions, primarily for salaried employees in the U.S. and certain groups of Canadian employees. The funded status at December 31, 2015 and 2014 was $7.5 million and $8.0 million. Net expense related to these plans was not significant in 2015 or 2014.
Effective August 16, 2004, LP adopted the Louisiana-Pacific Corporation 2004 Executive Deferred Compensation Plan (the Plan). Pursuant to the Plan, certain management employees are eligible to defer up to 90%

of their regular salary and annual cash incentives that exceed the limitation as set forth by the I.R.S. Each plan participant is fully vested in all employee deferred compensation and earnings credited associated with employee contributions. Employer contributions and associated earnings vest over periods not exceeding five years. The liability under this plan amounted to $2.0 million and $2.1 million at December 31, 2015 and December 31, 2014 and is included in "Other long-term liabilities" on LP's Consolidated Balance Sheets.

15. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue up to 15,000,000 shares of preferred stock at $1.00 par value. At December 31, 2015, no shares of preferred stock have been issued; however, 2,000,000 shares of Series A Junior Participating Preferred Stock have been reserved for issuance in connection with the Company's Shareholder Rights Plan. Additional series of preferred stock may be designated and the related rights and preferences fixed by action of the Board of Directors.

Shareholder Rights Plan

In May 2008, the Board of Directors approved a shareholder rights plan and declared a dividend of one preferred share purchase right for each outstanding share of common stock. Each right represents the right to purchase one-hundredth of a share of Preferred Stock, at an exercise price of $100, subject to adjustment. The rights are only exercisable ten days after a person or group acquires, or commences a tender or exchange offer to acquire, beneficial ownership of 15% or more of the Company's outstanding common stock.

Subject to the terms of the shareholder rights plan and the discretion of the Board of Directors, each right would entitle the holder to purchase a number of additional shares of common stock of LP having a total market value of twice the exercise price of each right. The rights expire in June 2018, but can be redeemed by action of the Board of Directors prior to that time at $0.01 per right.

Warrants

During 2009, LP issued warrants to purchase 18,395,963 shares of LP common stock at an exercise price of $1.39 per share subject to mandatory cashless exercise provisions. During the years ended December 31, 2015 and December 31, 2014, warrant exercises resulted in the issuances of 134,906 and 799,488 shares. At December 31, 2015, the remaining outstanding warrants were exercisable to purchase approximately 411,579 shares. The warrants (at date of grant) were valued based upon Black-Scholes option pricing model using expected stock price volatility of 53%; no expected dividends; risk-free interest rate of 2.6%; and an expected life of 8 years, which resulted in a fair value per share of $0.72.

Common Stock Plan

LP has a stock-based compensation plan under which stock option, SSARs, incentive shares, restricted stock and performance shares awards are granted. At December 31, 2015, 4.2 million shares were available under the current plan for these awards. In 2015, 2014 and 2013, LP recognized compensation expense related to these awards of $9.3 million, $9.4 million and $8.8 million. LP received cash from stock option exercises of $0.7 million for the year ended December 31, 2015. LP paid $6.1 million, $1.5 million and $12.1 million associated with taxes related to the net share settlement of equity awards for the years ended December 31, 2015, 2014 and 2013.

LP recognizes these compensation costs, net of an estimated forfeiture rate and recognizes the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three years. LP estimated the forfeiture rate for 2015, 2014 and 2013 based on its historical experience during the preceding three years.

Stock Settled Stock Appreciation Rights

LP grants SSARs to key employees. On exercise, LP generally issues these shares from treasury. The SSARs are granted at market price at the date of grant. SSARs become exercisable over three years and expire ten years

after the date of grant. Prior to 2013, LP granted stock options to its Board of Directors. These options vested over a three year period. As of December 31, 2015, there were 0.2 million options outstanding. The following table sets out the weighted average assumptions used to estimate the fair value of the SSARs granted using the Black-Scholes option-pricing model:

	2015		2014		2013	
Expected stock price volatility	54	%	57	%	69	%
Expected dividend yield	—	%	—	%	—	%
Risk-free interest rate	1.5	%	1.5	%	0.9	%
Expected life of options (in years)	6.0 years		5.0 years		5.0 years	
Weighted average fair value of options and SSARs granted	$8.80		$9.03		$11.68	

Expected Stock Price Volatility: The fair values of stock-based payments were valued using the Black-Scholes valuation method with a volatility factor based on LP's historical stock prices.
Expected Dividend Yield: The Black-Scholes valuation model calls for a single expected dividend yield as an input. This is determined based upon current annual dividend as of the date of grant compared to the grant price.
Risk-Free Interest Rate: LP bases the risk-free interest rate used in the Black-Scholes valuation method on U.S. Treasury issues with an equivalent term. Where the expected term of LP's stock-based awards do not correspond with the terms for which interest rates are quoted, LP performed a straight-line interpolation to determine the rate from the available maturities.
Expected Life of SSARS: Expected life represents the period that LP's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.
Estimated Pre-vesting Forfeitures: When estimating forfeitures, LP considers voluntary termination behavior as well as workforce reduction programs.

The following table summarizes stock options and SSARs outstanding as of December 31, 2015 as well as activity during the three year period then ended.

Share amounts in thousands	Options/ SSARs		Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options / SSARS outstanding at January 1, 2013	8,475		$12.88		
Options granted	343		$20.49		
Options / SSARS exercised	(1,861	)	$9.06		
Options / SSARS canceled	(20	)	$22.23		
Options / SSARS outstanding at December 31, 2013	6,937		$14.26		
Options granted	494		$18.09		
Options / SSARS exercised	(43	)	$9.92		
Options / SSARS canceled	(384	)	$21.14		
Options / SSARS outstanding at December 31, 2014	7,004		$14.19		
Options granted	378		$17.04		
Options / SSARS exercised	(1,334	)	$10.76		
Options / SSARS canceled	(309	)	$25.83		
Options / SSARS outstanding at December 31, 2015	5,739		$14.54	4.2	$29.8
Vested and expected to vest at December 31, 2015[1]	5,714		$14.54	4.2	$29.8
Options / SSARS exercisable at December 31, 2015	4,987		$14.04	3.6	$29.5

[1] Options or SSARS expected to vest based upon historical forfeiture rate

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between LP's closing stock price on the last trading day of 2015 and the exercise price, multiplied by the number of in-the-money options and SSARs) that would have been received by the holders had all holders exercised their awards on December 31, 2015. This amount changes based on the market value of LP's stock as reported by the New York Stock Exchange.

As of December 31, 2015, there was $3.7 million of total unrecognized compensation costs related to stock options and SSARs. These costs are expected to be recognized over a weighted-average period of 1.27 years. LP recognized $3.6 million, $3.8 million and 3.4 million in compensation expense associated with these awards for the years ended December 31, 2015, 2014 and 2013.

Incentive Share Awards

LP has granted incentive share stock awards (restricted stock units) to certain key employees and directors. The awards entitle the participant to receive a specified number of shares of LP common stock at no cost to the participant. Awards granted under this plan vest three years from the date of grant. The market value of these grants approximates the fair value. LP recorded compensation expense related to these awards in 2015, 2014 and 2013 of $3.5 million, $3.0 million and $2.7 million. As of December 31, 2015, there was $4.2 million of total unrecognized compensation cost related to unvested incentive share awards. This expense will be recognized over a weighted-average period of 1.2 years.

The following table summarizes incentive share awards outstanding as of December 31, 2015 as well as activity during the three-year period then ended.

	Shares	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Incentive share awards outstanding at January 1, 2013	960,388		
Incentive shares awards granted	166,474		
Incentive share awards vested	(350,107)		
Incentive share awards canceled	(24,160)		
Incentive share awards outstanding at December 31, 2013	752,595		
Incentive shares awards granted	123,982		
Incentive share awards vested	(253,834)		