LOUISIANA-PACIFIC CORP
Form 10-Q
August 04, 2015

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

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Quarterly Period Ended June 30, 2015
Commission File Number 1-7107

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 142,674,258 shares of Common Stock, $1 par value, outstanding as of August 4, 2015.

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

ABOUT FORWARD-LOOKING STATEMENTS

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

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like "may," "will," "could," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate," "po "continue" or "future" or the negative or other variations thereof and (2) other statements regarding matters that are not historical facts, including without limitation, plans for product development, forecasts of future costs and expenditures, possible outcomes of legal proceedings, capacity expansion and other growth initiatives and the adequacy of reserves for loss contingencies.

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

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

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

ABOUT THIRD-PARTY INFORMATION

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

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Item 1. Financial Statements.
CONSOLIDATED STATEMENTS OF INCOME
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$493.0	$518.5	$964.7	$963.2
Operating costs and expenses:				
Cost of sales	443.4	461.5	871.2	849.9
Depreciation and amortization	25.3	24.9	52.0	50.5
Selling and administrative	37.9	35.9	76.6	76.8
(Gain) loss on sale or impairment of long-lived assets, net	0.5	(0.5)	0.6	(0.5)
Other operating charges and credits, net	—	0.6	11.6	0.6
Total operating costs and expenses	507.1	522.4	1,012.0	977.3
Loss from operations	(14.1)	(3.9)	(47.3)	(14.1)
Non-operating income (expense):				
Interest expense, net of capitalized interest	(7.2)	(7.4)	(14.7)	(15.1)
Interest income	1.0	1.7	2.4	3.5
Other non-operating items	0.4	3.8	(1.8)	(0.5)
Total non-operating income (expense)	(5.8)	(1.9)	(14.1)	(12.1)
Loss from operations before taxes and equity in income of unconsolidated affiliates	(19.9)	(5.8)	(61.4)	(26.2)
Provision (benefit) for income taxes	1.0	(6.7)	(5.3)	(12.3)
Equity in income of unconsolidated affiliates	(1.4)	(1.2)	(2.1)	(1.8)
Net income (loss)	$(19.5)	$2.1	(54.0)	(12.1)
Income (loss) per share of common stock:				
Net income (loss) per share - basic	$(0.14)	$0.01	(0.38)	(0.09)
Net income (loss) per share - diluted	$(0.14)	$0.01	$(0.38)	$(0.09)
Average shares of stock outstanding - basic	142.3	140.8	142.1	140.8
Average shares of stock outstanding - diluted	142.3	144.0	142.1	140.8

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

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$(19.5)	$2.1	(54.0)	$(12.1)
Other comprehensive income (loss)				
Foreign currency translation adjustments	(0.1)	0.7	(7.9)	(1.1)
Unrealized gain on marketable securities	—	0.4	—	0.5
Defined benefit pension plans	1.0	0.5	2.6	1.8
Other	—	—	0.1	—
Other comprehensive income (loss), net of tax	0.9	1.6	(5.2)	1.2
Comprehensive income (loss)	$(18.6)	$3.7	$(59.2)	$(10.9)

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

CONDENSED CONSOLIDATED BALANCE SHEETS
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS) (UNAUDITED)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$481.0	$532.7
Receivables, net of allowance for doubtful accounts of $1.0 million at June 30, 2015 and at December 31, 2014	124.6	108.4
Inventories	224.9	229.8
Prepaid expenses and other current assets	7.0	25.0
Deferred income taxes	24.0	45.1
Assets held for sale	9.3	9.3
Total current assets	870.8	950.3
Timber and timberlands	53.5	67.1
Property, plant and equipment, at cost	2,327.4	2,315.1
Accumulated depreciation	(1,503.3)	(1,464.4)
Net property, plant and equipment	824.1	850.7
Goodwill	9.7	9.7
Notes receivable from asset sales	432.2	432.2
Investments in and advances to affiliates	7.1	5.0
Restricted cash	15.8	10.4
Other assets	22.5	22.8
Long-term deferred tax asset	0.6	0.6
Total assets	$2,236.3	$2,348.8
LIABILITIES AND EQUITY		
Current portion of long-term debt	$2.2	$2.4
Accounts payable and accrued liabilities	149.2	168.3
Current portion of contingency reserves	2.0	2.0
Total current liabilities	153.4	172.7
Long-term debt, excluding current portion	753.6	754.8
Deferred income taxes	117.3	139.5
Contingency reserves, excluding current portion	12.5	12.2
Other long-term liabilities	142.7	153.8
Stockholders’ equity:		
Common stock	152.8	152.8
Additional paid-in capital	495.2	507.0
Retained earnings	758.3	812.3
Treasury stock	(213.0)	(225.0)
Accumulated comprehensive loss	(136.5)	(131.3)
Total stockholders’ equity	1,056.8	1,115.8
Total liabilities and stockholders’ equity	$2,236.3	$2,348.8

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

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$(19.5)	$2.1	$(54.0)	$(12.1)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	25.3	24.9	52.0	50.5
Income from unconsolidated affiliates	(1.4)	(1.2)	(2.1)	(1.8)
(Gain) loss on sale or impairment of long-lived assets, net	0.5	(0.5)	0.6	(0.5)
Other operating charges and credits, net	—	0.6	11.6	0.6
Stock-based compensation related to stock plans	2.7	2.4	5.1	4.5
Exchange loss on remeasurement	0.7	(3.9)	4.3	1.3
Increase in contingencies, net of cash payments	—	0.5	0.5	—
Cash settlements of warranties, net of accruals	(2.4)	(2.3)	(5.4)	(5.0)
Pension expense, net of contributions	2.4	0.7	4.4	1.3
Non-cash interest expense, net	(0.1)	0.1	(0.1)	0.6
Other adjustments, net	0.6	0.6	0.8	0.4
Changes in assets and liabilities:				
(Increase) decrease in receivables	14.3	(2.8)	(16.6)	(67.2)
(Increase) decrease in inventories	37.3	40.0	3.1	(11.3)
(Increase) decrease in prepaid expenses and other current assets	(1.2)	(1.8)	0.8	0.7
Decrease in accounts payable and accrued liabilities	(21.4)	(38.4)	(4.2)	(6.0)
Increase (decrease) in deferred income taxes	3.7	(5.8)	(3.3)	(13.8)
Net cash provided by (used in) operating activities	41.5	15.2	(2.5)	(57.8)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property, plant and equipment additions	(18.6)	(18.2)	(33.5)	(42.2)
Proceeds from sales of assets	—	0.7	0.4	0.8
(Increase) decrease in restricted cash under letters of credit/credit facility	(5.4)	1.2	(5.4)	1.0
Net cash used in investing activities	(24.0)	(16.3)	(38.5)	(40.4)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of long-term debt	—	—	(1.4)	(1.1)
Sale of common stock under equity plans	0.3	—	0.4	—
Taxes paid related to net share settlement of equity awards	(2.9)	(0.1)	(5.3)	(1.5)
Net cash used in financing activities	(2.6)	(0.1)	(6.3)	(2.6)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(2.2)	4.2	(4.4)	(1.3)
Net increase (decrease) in cash and cash equivalents	12.7	3.0	(51.7)	(102.1)
Cash and cash equivalents at beginning of period	$468.3	551.7	532.7	656.8
Cash and cash equivalents at end of period	$481.0	$554.7	$481.0	$554.7

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS) (UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2014	152.8	$152.8	(10.6)	$(225.0)	$ 507.0	$ 812.3	$ (131.3)	$ 1,115.8
Net loss	—	—	—	—	—	(54.0)	—	(54.0)
Issuance of shares for employee stock plans and stock-based compensation	—	—	0.8	17.3	(16.9)	—	—	0.4
Amortization of restricted stock grants	—	—	—	—	1.0	—	—	1.0
Taxes paid related to net share settlement of equity awards	—	—	(0.3)	(5.3)	—	—	—	(5.3)
Compensation expense associated with stock awards	—	—	—	—	4.1	—	—	4.1
Other comprehensive loss	—	—	—	—	—	—	(5.2)	(5.2)
Balance, June 30, 2015	152.8	$152.8	(10.1)	$(213.0)	$ 495.2	$ 758.3	$ (136.5)	$ 1,056.8

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS FOR PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries for the interim periods presented. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2014.

NOTE 2 – STOCK-BASED COMPENSATION

At June 30, 2015, LP had stock-based employee compensation plans as described below. The total compensation expense related to all of LP's stock-based compensation plans was $2.7 million for the quarter ended June 30, 2015, $2.4 million for the quarter ended June 30, 2014, $5.1 million for the six months ended June 30, 2015 and $4.5 million for the six months ended June 30, 2014.

SSARS and Options

LP grants stock settled stock appreciation rights (SSARs) to key employees and directors. On exercise, LP generally issues shares from treasury to settle these awards. The SSARs are granted at the market price at the date of grant. SSARs become exercisable annually ratably over a three year period and expire ten years after the date of grant. At June 30, 2015, 3.9 million shares were available to grant under the current stock award plans for stock-based awards. 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 in the first six months of the respective years noted.

	2015	2014
Expected stock price volatility	54.4%	57.5%
Expected dividend yield	—%	—%
Risk-free interest rate	1.5%	1.5%
Expected life of options (in years)	6 years	5 years
Weighted average fair value of options and SSARs granted	$8.80	$9.03

The following table summarizes stock options and SSARs outstanding as of June 30, 2015, as well as activity during the six month period then ended.

Share amounts in thousands	Options and SSARs	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options and SSARs outstanding at January 1, 2015	7,004	$ 14.19		
Options and SSARs granted	379	17.04		
Options and SSARs exercised	(1,141)	11.45		
Options and SSARs canceled	(281)	26.41		
Options and SSARs outstanding at June 30, 2015	5,961	14.32	4.7	$28.3
Vested and expected to vest at June 30, 2015(1)	5,663	—	—	$26.9
Options and SSARs exercisable at June 30, 2015	5,185	$ 13.78	4.1	$28.3

(1) Options and SSARS expected to vest based upon historical forfeiture rate

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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 the second quarter 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 June 30, 2015. This amount changes based on the market value of LP's stock as reported by the New York Stock Exchange.

As of June 30, 2015, there was $5.7 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 1.8 years. LP recorded compensation expense related to these awards in the first six months of 2015 of $1.9 million.

Incentive Share Awards

LP has granted incentive share stock awards (restricted stock units) to certain key employees and directors. The employee awards vest three years from date of grant and awards to directors vest one year from date of grant. The awards entitle the participant to receive a specified number of shares of LP common stock at no cost to the participant. The market value at the time of grant approximates the fair value. LP recorded compensation expense related to these awards in the first six months of 2015 of $1.7 million. As of June 30, 2015, there was $6.1 million of total unrecognized compensation cost related to unvested incentive share awards. This expense will be recognized over a weighted-average period of 1.7 years.

The following table summarizes incentive share awards outstanding as of June 30, 2015 as well as activity during the six months then ended.

	Shares	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Incentive share awards outstanding at January 1, 2015	593,613		
Incentive share awards granted	250,129		
Incentive share awards vested	(273,995)		
Incentive share awards canceled	(15,083)		
Incentive shares outstanding at June 30, 2015	554,664	1.7	$9.5
Vested and expected to vest at June 30, 2015[1]	526,931	—	$9.0

[1] Incentive shares expected to vest based upon historical forfeiture rate

Restricted Stock

LP grants restricted stock to certain senior key employees. The shares vest three years from the date of grant. During the vesting period, the participants have voting rights and receive dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Additionally, granted but unvested shares are generally forfeited upon termination of employment. The fair value of the restricted shares on the date of the grant is amortized ratably over the vesting period, which is generally three years. As of June 30, 2015, there was $2.7 million of total unrecognized compensation costs related to restricted stock. This expense will be recognized over the next 1.5 years.

The following table summarizes the restricted stock outstanding as of June 30, 2015 as well as activity during the six months then ended.

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock awards outstanding at January 1, 2015	453,146	$ 13.93
Restricted stock awards granted	69,744	17.04
Restrictions lapsing	(225,645)	8.71
Restricted stock canceled	(14,544)	19.29
Restricted stock awards at June 30, 2015	282,701	18.59

Compensation expense related to these awards recognized in the first six months of 2015 was $0.9 million.

Performance share awards

In connection with Mr. Stevens' appointment to Chief Executive Officer on May 4, 2012, he was awarded 300,000 performance shares. LP recorded compensation expense related to these awards of $0.2 million in the first six months of 2015. As of June 30, 2015, there was $0.3 million of total unrecognized compensation costs related to this award. This expense will be recognized over the next year.

In 2015, LP awarded performance shares to certain senior key employees. These performance shares are earned based upon LP attaining specified revenue growth rates associated with its SmartSide products as compared to the prior year and LP's overall revenue growth as compared to a predetermined peer group, in each case for 2015. The performance period is measured over 2015 with a subsequent two year vesting period. LP recorded compensation expense related to these awards of $0.3 million in the first six months of 2015. As of June 30, 2015, there was $1.4 million of total unrecognized compensation costs related to this award. This expense will be recognized over the next 2.5 years.

Phantom stock

During 2011 and 2012, LP made annual grants of phantom stock units to its directors. Subsequent to the approval of the 2013 Omnibus Plan, phantom stock units are no longer granted to directors. Holders of phantom stock units do not receive rights of a shareholder, nor is any stock transfered. The units will be paid out in cash at the end of the five year vesting period. The value of one unit is based on the market value of one share of common stock on the vesting date. The expense associated with these grants is recognized over the vesting period and is included in stock-based compensation expense. Since these awards are settled in cash, such awards are required to be remeasured based upon the changes in LP's stock price. As of June 30, 2015, LP had 66,339 shares outstanding under this program.

NOTE 3 – FAIR VALUE MEASUREMENTS

LP’s investments that are measured at fair value on a recurring basis are categorized below using the fair value hierarchy. LP also measures the contingent consideration associated with the business combination using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant non-observable inputs.

The following table summarizes assets and liabilities measured on a recurring basis for each of the three hierarchy levels presented below.

Dollar amounts in millions	June 30, 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	$4.6	$—	$—	$4.6
Trading securities	2.4	2.4	—	—
Contingent consideration	0.2	—	—	0.2

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 auction rate securities (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.

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 six months ended June 30, 2014. During the six months ended June 30, 2015, no adjustment was recognized associated with the fair value of these assets and liabilities.

Dollar amounts in millions	Available for sale securities	Contingent consideration
Balance at December 31, 2013	3.7	3.8
Adjustment to contingent consideration fair value		0.1
Total unrealized gains included in other comprehensive income	0.8	—
Foreign currency gain	—	(0.1)
Balance at June 30, 2014	$4.5	$3.8

LP estimated the Senior Notes maturing in 2020 to have a fair value of $374.5 million at June 30, 2015 and $371.0 million at December 31, 2014 based upon market quotations.

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

NOTE 4 – EARNINGS PER SHARE

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

Dollar and share amounts in millions, except per share amounts	Quarter Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Numerator:				
Income (loss) common shares:				
Net income (loss)	$(19.5)	$2.1	$(54.0)	$(12.1)
Denominator:				
Basic - weighted average common shares outstanding	142.3	140.8	142.1	140.8
Dilutive effect of stock warrants	—	1.3	—	—
Dilutive effect of stock plans	—	1.9	—	—
Diluted shares outstanding	142.3	144.0	142.1	140.8
Basic and diluted earnings per share:	$(0.14)	$0.01	$(0.38)	$(0.09)

For the quarter ended ended June 30, 2015, stock options, warrants and SSARs relating to approximately 5.1 million shares of LP common stock were considered anti-dilutive for purposes of LP's earnings per share calculation due to LP's loss position from continuing operations. For the quarter ended June 30, 2014, stock options, warrants and SSARs relating to approximately 4.1 million shares of LP common stock were considered not in-the-money for purposes of LP's earnings per share calculation. For the six months ended June 30, 2015 and June 30, 2014, stock options, warrants and SSARs relating to approximately 5.1 million and 3.5 million shares of LP common stock were considered anti-dilutive for purposes of LP's earnings per share calculation due to LP's loss position from continuing operations.

At June 30, 2015, outstanding warrants were exercisable to purchase approximately 573,521 shares.

NOTE 5 – RECEIVABLES

Receivables consist of the following:

Dollar amounts in millions	June 30, 2015	December 31, 2014
Trade receivables	$113.1	$96.1
Interest receivables	0.2	0.2
Income tax receivable	3.4	1.4
Other receivables	8.9	11.7
Allowance for doubtful accounts	(1.0)	(1.0)
Total	$124.6	$108.4

Other receivables at June 30, 2015 and December 31, 2014 primarily consist of sales and other value-added tax receivables, a receivable from a former partner, receivables associated with LP's sales arrangements with contract manufacturers and other miscellaneous receivables.

NOTE 6 – INVENTORIES

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

Dollar amounts in millions	June 30, 2015	December 31, 2014
Logs	$45.8	$39.6
Other raw materials	19.6	21.3
Semi-finished inventory	19.1	19.3
Finished products	140.4	149.6
Total	$224.9	$229.8

Included in finished products inventory as of June 30, 2015 and December 31, 2014 is $8.5 million and $18.1 million related to the lower of cost or market inventory valuation reserves.

NOTE 7 – INCOME TAXES

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

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

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

For the first six months of 2015, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relates to foreign tax rates, Canadian and state valuation allowances and a reduction in the reserve for unrecognized tax benefits. For the first six months of 2014, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to state income taxes, the effect of foreign tax rates and the effects of foreign exchange on functional currencies.

LP periodically reviews the need for valuation allowances against deferred tax assets and recognizes these deferred tax assets to the extent t