Flaherty & Crumrine PREFERRED SECURITIES INCOME FUND INC
Form N-CSR
January 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-21129

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Address of principal executive offices) (Zip code)

Donald F. Crumrine

Flaherty & Crumrine Incorporated

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Name and address of agent for service)

Registrant s telephone number, including area code: 626-795-7300

Date of fiscal year end: November 30

Date of reporting period: November 30, 2014

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct

comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

FLAHERTY & CRUMRINE PREFERRED SECURITIES INCOME FUND

To the Shareholders of Flaherty & Crumrine Preferred Securities Income Fund (FFC):

Your Fund wrapped up fiscal 2014 in solid fashion, earning 1.9% total return on net asset value (NAV[1]) during the fourth fiscal quarter[2]. For the full fiscal year, total return on NAV was +18.2%. Total returns computed on market price of Fund shares were even better at 9.1% for the fourth fiscal quarter and 27.8% for the fiscal year.

As seen in the following table, Fund returns over various measurement periods have been very good. The table includes performance of two indices, Barclays Capital U.S. Aggregate and S&P 500, as proxies for bond and stock markets, respectively. While neither is a benchmark for Fund performance, they provide context for broad asset categories.

TOTAL RETURN ON NET ASSET VALUE FOR PERIODS ENDED NOVEMBER 30, 2014

(Unaudited)

	Actual Returns			**Average Annualized Returns**			
	Three Months	**Six Months**	**One Year**	**Three Years**	**Five Years**	**Ten Years**	**Life of Fund(1)**
Flaherty & Crumrine Preferred Securities Income Fund	1.9%	5.5%	18.2%	17.9%	18.8%	8.2%	8.6%
Barclays Capital U.S. Aggregate Index(2)	1.0%	1.9%	5.3%	3.0%	4.1%	4.8%	4.7%
S&P 500 Index(3)	3.7%	8.6%	16.8%	20.9%	16.0%	8.1%	9.9%

(1) Since inception on January 29, 2003.
(2) The Barclays Capital U.S. Aggregate Index is an unmanaged index considered representative of the U.S. investment grade, fixed-rate bond market.
(3) The S&P 500 Index is a capitalization-weighted index of 500 common stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. In addition, NAV performance will vary from market price performance, and you may have a taxable gain or loss when you sell your shares.

Preferred securities continue to benefit from gradually improving U.S. economic growth, low inflation and low global interest rates. Inflation-adjusted U.S. gross domestic product (real GDP) expanded by 2.7% over twelve months ending in September 2014, and we anticipate similar growth this year. Employment gains are pushing up personal income, enabling households to reduce debt while still increasing consumption moderately. Corporations are expanding investments while maintaining strong balance sheets. Housing is recovering gradually. As a result, credit performance across most lending categories continues to improve. At the same time, inflation remains low and a recent plunge in oil prices should push inflation even lower over coming months. Low inflation and ongoing labor market slack should keep monetary policy accommodative for some time, although the Federal Reserve is likely to nudge short-term interest rates higher in the second half of 2015.

[1] Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment and includes income and principal change, plus the impact of the Fund s leverage and expenses.
[2] September 1 November 30, 2014

In contrast, economic growth has slowed in Europe, Japan, China and many developing countries, which has pushed down inflation and kept interest rates at extraordinarily low levels globally. U.S. fixed-income investments have benefitted as global investors remain on in fact, have intensified a global hunt for yield. Although we expect U.S. interest rates to rise eventually in response to stronger domestic growth, any rise will be tempered by these global developments. Falling energy prices and continued geopolitical risks only reinforce that view.

Market conditions for preferred securities remain healthy. Low yields on competing securities have attracted more investors to the space, resulting in consistent demand and reasonable levels of liquidity. Supply of new issues from U.S. and foreign companies significantly surpassed 2013 levels. We expect issuance will remain elevated in 2015, as issuers work toward future regulatory benchmarks and take advantage of low interest rates to reduce overall capital expense. We continue to be constructive on the market, as demand shows little sign of abating.

The Fund s monthly dividend rate remains unchanged as we begin a new fiscal year. For some time, conditions have been very favorable for leveraged funds like FFC. Leverage expense is low, while income generated by the preferred portfolio is relatively high. Issuer redemptions of older high-coupon securities have put pressure on income, but thus far proactive portfolio moves have lessened the impact. Our strategy has been effective, but we may reach a point when the dividend rate cannot be maintained prudently, especially after the Federal Reserve raises short-term interest rates.

In our last letter we anticipated further reducing the Fund s allocation to foreign securities. We expect that economic conditions in Europe will remain weak; in addition, new contingent capital securities issued by European banks to replace older capital structures have yet to tempt us. We believe better opportunities exist in domestic markets. From the beginning of fiscal 2014 to its end, foreign exposure dropped from 26.9% of assets to 18.9%.

The other important shift in the portfolio involved reducing exposure to rising interest rates. 57.0% of portfolio assets are fixed-to-floating rate securities with coupons that are *fixed* for an initial period, typically five or ten years, and then *float* with interest rates (typically short-term rates) according to terms set at issuance. This floating rate feature dampens price changes of the securities due to changes in interest rates, as compared to securities with coupons that are fixed-for-life. Yields on these issues tend to be lower than securities with fixed-for-life coupons, but we believe the tradeoff is prudent.

In the discussion topics that follow, we dig deeper into subjects mentioned here as well as others of interest to shareholders. In addition, we encourage you to visit the Fund s website www.preferredincome.com for timely and important information.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team:

R. Eric Chadwick

Donald F. Crumrine

Robert M. Ettinger

Bradford S. Stone

January 9, 2015

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DISCUSSION TOPICS

(Unaudited)

The Fund s Portfolio Results and Components of Total Return on NAV

The table below reflects performance of each element comprising total return for the Fund over both the recent six months and the Fund s fiscal year, including: (a) investing in a portfolio of securities; (b) possibly hedging that portfolio of securities against significant increases in long-term interest rates; and (c) utilizing leverage to enhance returns to shareholders. Finally, we compute the impact of the Fund s operating expenses. All parts are summed to determine total return on NAV.

Components of FFC s Total Return on NAV for Periods Ended November 30, 2014

		Six Months[1]	One Year
Total Return on Unleveraged Securities Portfolio (including principal change and income)		4.1%	12.7%
Return from Interest Rate Hedging Strategy		N/A	N/A
Impact of Leverage (including leverage expense)		1.8%	6.4%
Expenses (excluding leverage expense)		(0.4)%	(0.9)%
[1] Actual, not annualized	*Total Return on NAV*	**5.5%**	**18.2%**

For comparison, the following table displays returns over the same time period on four indices compiled by Bank of America Merrill Lynch, reflecting various segments of the preferred securities market. Because these index returns exclude all expenses and the impact of leverage, they compare most directly to the top line in the Fund s performance table above (Total Return on Unleveraged Securities Portfolio).

Total Returns of Bank of America Merrill Lynch Preferred Securities Indices[2] for Periods Ended November 30, 2014

	Six Months[3]	One Year
BofA Merrill Lynch 8% Constrained DRD Eligible Preferred Securities Index^{SM}	4.3%	14.5%
BofA Merrill Lynch Hybrid Preferred Securities 8% Constrained Index^{SM}	4.7%	14.4%
BofA Merrill Lynch US Capital Securities US Issuers 8% Constrained Index^{SM}	2.8%	11.3%
BofA Merrill Lynch 8% Constrained Core West Preferred & Jr Subordinated Securities Index^{SM}	3.3%	12.6%

[2] The Bank of America Merrill Lynch 8% Constrained DRD Eligible Preferred Securities Index^{SM} (P8D0) includes investment-grade, fixed or fixed-to-floating rate, preferred securities of U.S. issuers that qualify for the corporate dividend received deduction with issuer concentration capped at a maximum of 8%. The Bank of America Merrill Lynch Hybrid Preferred Securities 8% Constrained Index^{SM} (P8HO) includes investment-grade, fixed or fixed-to-floating rate, U.S. dollar-denominated taxable preferred securities of both U.S. and foreign issuers structured for retail investors with issuer concentration capped at 8%. The Bank of America Merrill Lynch US Capital Securities US Issuers 8% Constrained Index^{SM} (C8CT) includes investment-grade, fixed or fixed-to-floating rate, $1,000 par securities of primarily U.S. issuers that receive some degree of equity credit from the rating agencies or their regulators with issuer concentration capped at a maximum of 8%. The Bank of America Merrill Lynch 8% Constrained Core West Preferred & Jr Subordinated Securities Index^{SM} (P8JC) includes U.S. dollar-denominated investment-grade or below investment-grade, fixed rate, floating rate or fixed-to-floating rate, retail or institutionally structured preferred securities of U.S. and foreign issuers with issuer concentration capped at 8%. All index returns include interest and dividend income, and, unlike the Fund s returns, are unmanaged and do not reflect any expenses.

[3] Actual, not annualized

The BofA Merrill Lynch 8% Constrained Core West Preferred & Jr Subordinated Securities Index[SM] is a recently created preferred securities index that most closely matches the Fund s investable universe based on its investment guidelines. It aggregates together most securities found in the other three investment-grade preferred securities indices and also includes (a) a greater percentage of U.S. dollar-denominated securities issued by foreign companies (27% as of November 30, 2014) and (b) below investment-grade preferred securities (35% rated below investment-grade by Moody s, Standard and Poor s and Fitch as of November 30, 2014. The Fund is currently permitted to invest up to 30% of its portfolio in foreign securities and up to 20% of its portfolio in securities rated below investment grade by all three of these rating agencies.

During fiscal 2014, the Fund s total return on NAV significantly exceeded the returns on all the named BofA Merrill Lynch indices because of the Fund s use of leverage. While leverage can reduce returns during periods of adverse market conditions, during the recent fiscal year it enhanced price returns and its low cost increased the Fund s distributable income.

Total Return on Market Price of Fund Shares

While our focus is primarily on managing the Fund s investment portfolio, our shareholders actual return is comprised of the Fund s monthly dividend payments *plus* changes in the *market price* of Fund shares. During the twelve-month period ending November 30, 2014, total return on market price of Fund shares was 27.8%.

Historically, the preferred securities market has experienced price volatility consistent with those of other fixed-income securities. However, from mid-2007 through 2010, preferred-security valuations, including both the Fund s NAV and the market price of its shares, moved dramatically when there was significant volatility throughout financial markets. The chart below contrasts the relative stability of the Fund s earlier and more recent periods with recent volatility in both its NAV and market price. Virtually all fixed-income asset classes experienced increased volatility over this period.

In a more perfect world, the market price of Fund shares and its NAV, as shown in the chart on page 4, would track more closely. If so, any premium or discount, calculated as the difference between these two inputs and expressed as a percentage, would remain relatively close to zero. However, as can be seen in the chart below, this often has not been the case. The Fund began fiscal 2014 with its market price at a discount to NAV, but ended the fiscal year with its market price at a premium to NAV. As a result, the total return earned on market price was greater than the total return on NAV.

Although divergence between NAV and market price of a closed-end fund is generally driven by supply/demand imbalances affecting its market price, we can only speculate about why the relationship between the Fund s market price and NAV has not been closer.

Based on a closing price of $19.05 on December 31st, and assuming its current monthly distribution of $0.136 does not change, the annualized yield on market price of Fund shares was 8.6%. In our opinion, this distribution rate measures up favorably with most comparable fixed-income investment opportunities. Of course, there can be no guarantee that the Fund s dividend will not change based on market conditions.

Economic and Interest Rate Recap and Outlook

2014 was an eventful economic year. An unusually cold and snowy winter got the U.S. economy off to a weak start as real GDP fell by 2.1% in the first quarter. It rebounded strongly thereafter, however, posting average growth of 4.8% over the following two quarters. Job growth accelerated, and unemployment fell. Consumer spending and business investment improved. Government spending swung from a drag on growth to a mild positive. The Federal Reserve ended its securities purchase program and is moving closer to raising short-term interest rates. U.S. economic growth appears finally to have moved to a higher plane. Surprisingly, long-term Treasury bond yields *fell* by more than 100 basis points in 2014.

After rising sharply in the second half of 2013, we expected long-term rates to come down a bit in 2014, but we were surprised by the magnitude. If one ever needs evidence of global interconnectedness of capital markets, 2014 was a good example. While U.S. economic growth accelerated as the year progressed, it slowed in Europe, Japan, China and a number of developing countries. Monetary policy eased globally and appears poised to become even easier in 2015. Moreover, inflation slowed, and a recent drop in oil prices is likely to pull inflation down even more. Global yields fell to new lows.

Credit conditions in the United States generally improved, and we expect further gains in 2015. Progress in Europe (excluding the United Kingdom) was much slower, however. Although there are credits we like in Europe, we think overall credit conditions in the United States remain more favorable.

At the same time, geopolitical risks proliferated last year. Russia s annexation of Crimea and support for breakaway factions in eastern Ukraine rekindled Cold War fears. Islamic State made extensive and brutal advances in Iraq. With two deadlines already passed, Iran has yet to reach a nuclear agreement with the West. And North Korea is finding new ways to solidify its status as a rogue nation. The United States is a rock of political and economic stability by comparison.

With the U.S. dollar strengthening and yields still relatively high, foreign investors poured money into U.S. fixed income investments and many U.S. investors decided to keep money at home rather than seek alternatives abroad. Lower yields and higher prices were a result and provided a welcome tailwind to the Fund s portfolio of preferred securities.

Looking ahead, we believe sturdier U.S. economic growth in a range of 2.5-3.0% will prompt the Federal Reserve to raise short-term interest rates probably in the second half of 2015. However, sluggish global growth and stubbornly low inflation are likely to keep the Fed circumspect. We expect the Fed to raise the federal funds rate by 25 basis points only once per quarter, or perhaps even less frequently. This is in contrast to prior episodes of monetary tightening, when the Fed typically raised rates twice as fast.

Normally, such a path of tightening would result in gradual increases in long-term yields. However, unless factors that pushed interest rates down in 2014 reverse in 2015, which we do not anticipate, U.S. yields probably will remain lower than what we would normally expect for a given level of economic growth. This suggests that U.S. intermediate- and long-term yields should increase in 2015, but only modestly. With credit conditions in the U.S. still improving, preferred securities with attractive spreads and intermediate duration should fare well, and the Fund s portfolio is positioned accordingly, as we describe in more detail below.

Preferred Market Conditions

As interest rates fell and economic growth improved last year, many investors turned to the preferred market for yield, and prices appreciated significantly. Retail investors, who sold large amounts of preferred securities in the second half of 2013, returned to the market buying newly-issued $25 par preferred securities, as well as preferred-focused closed-end, mutual and exchange-traded funds in 2014. After performing poorly in 2013, retail-oriented $25-par securities were generally among the best-performing preferreds in 2014.

Lower interest rates also attracted corporate bond investors to preferred securities. The broader corporate bond market generally trades at a spread to Treasuries, and falling interest rates usually mean lower corporate bond yields. Those lower yields caused institutional bond investors to take a deeper look at the preferred market, where many investment grade companies issue higher-yielding and more-subordinated securities. As the preferred investor base expanded, prices rose.

Robust demand also spurred new issuance in 2014. Traditional corporate bond investors were attracted to fixed-to-floating rate securities with a short five-year fixed-rate period. U.S. issuers, mostly financial institutions, wasted little time bringing those preferreds to market, with coupons typically around five percent. This class of five-year fixed-to-floating rate preferreds saw enormous growth with close to $10 billion in new issuance versus just over $1 billion in 2013.

The contingent convertible (CoCo) market that we discussed in our last semi-annual report continued to evolve in 2014. European & U.K. banks remain primary issuers, and Asian banks emerged as new adopters. Although rapid, CoCos growth spurt was expected, as financial institutions across the globe rushed to meet higher regulatory capital requirements under Basel III. The surge of new CoCo issuance bolstered our belief that U.S. banks were better capitalized going into 2014 and continue to be more prudent investments. The Fund kept its wait and see approach on the nascent CoCo market.

While preferred prices generally rose in 2014, their ascent was not entirely smooth, and preferreds did follow the broader market for the most part. The aforementioned low-coupon, five-year fixed-to-floating rate securities noticeably underperformed when markets were weak, as corporate, especially high-yield, bond investors sought to reduce risk or meet redemptions during those periods. We tend to be cautious with vogue trends in preferreds, because these fads tend to come and go. Nevertheless, the momentum and tone of preferred securities remained positive moving into 2015.

The Fund s Preferred Portfolio

The Fund s investment portfolio reflects our view of preferred market conditions, the economic outlook here and abroad and, most importantly, fundamental credit quality. As a result, we currently favor U.S. financial companies and structures designed to be less price sensitive to changing interest rates.

Since the financial crisis, credit metrics at financial institutions in the U.S. have improved measurably, due largely to stricter regulation. In general, the sector is significantly better capitalized and financial statements are more transparent than at any time in memory. As preferred investors, we focus on the amount of *common equity* capital supporting bank assets (since common equity is the only capital junior to preferred stock). On average, this measure has more than doubled since late 2008. Foreign financial institutions, facing slower-growing economies (and a regulatory structure only Rube Goldberg could admire), lag their U.S. counterparts in building capital.

Against this backdrop, the Fund reduced exposure to foreign securities, largely European banks, and increased exposure to U.S. banks. Foreign holdings fell to 18.9% as of fiscal 2014 year-end, down from 26.9% in the prior year. Bank exposure increased by 7.9% to 46.5% over the same period. These shifts reflected our evolving views on credit conditions and relative value in the preferred market.

By fiscal year end, the Fund had increased exposure to fixed-to-floating rate preferred securities to 57.0% from 47.3% at last year end. This strategy resulted in better performance compared to benchmark preferred indices when interest rates rose in 2013, but resulted in underperformance in 2014, as rates fell. If we had known long-term interest rates would fall as much as they did during 2014, we would have held onto some of those long-duration fixed-for-life preferreds longer than we did. Nonetheless, we think fixed-to-floating rate preferreds offer more attractive risk-adjusted returns than most fixed-for-life issues, especially for a leveraged fund. As shown above, total return on Fund s net asset value for fiscal 2014 was very good.

Of course, there were numerous other, smaller changes in the portfolio. We anticipate more going forward, as we adapt to an ever-changing investment environment and an increasingly globalized one.

Finally, Fund leverage is a factor in portfolio construction. Because leverage magnifies portfolio risk, we may choose to invest in securities with lower yields, but superior risk characteristics. Use of leverage permits greater latitude to make decisions based on a security s risk/reward profile while generating income available for distribution to shareholders. This is not always the case, but when we can meet the Fund s income objective with less portfolio risk, we try to take advantage of it.

Monthly Distributions to Fund Shareholders

Regular readers may find the following quite familiar, as we wrote about it at this time last year. However, it is still relevant and bears repeating. When it comes to projecting income available to shareholders in future years, the elephant in the room is the expected cost of leverage. Use of leverage is an important part of the Fund s strategy for producing high current income, and we could not produce the Fund s current level of income without it. Leverage costs, which for the Fund are currently 3-month LIBOR + 0.75%, reset quarterly, remained low throughout 2014 much as we expected. We are, however, another year into economic recovery in the United States and, therefore, closer to an eventual rise in short-term rates. Although we still expect any rise to be gradual, higher cost of leverage would have a negative impact on distributable income.

Looking into 2015 and beyond, with potentially higher leverage costs, there are two questions that shareholders might ask.

If you expect the cost of leverage to increase, why not remove leverage from the Fund?

The answer is twofold. First, so long as the cost of leverage is below income earned on the portfolio which in the case of the Fund, has almost always been the case income available to shareholders will be higher with leverage than it would be without leverage. Second, following the same logic, removing leverage today would result in a material reduction in the current dividend rate given current wide spreads between yields on preferred securities and cost of leverage. So even if leverage costs increase, benefits to distributable income over time can still be substantial as long as leverage costs do not exceed portfolio yield.

If you think short-term rates are going to increase, why don t you hedge the cost of leverage?

In general, hedging is done for two reasons: first, to reduce absolute exposure to a particular risk; and second, to reduce volatility associated with a particular risk. When considering a hedge against a rise in short-term rates, one has to weigh cost versus benefit. If we knew exactly when rates would rise and by how much, then we could evaluate the explicit costs and determine if it would be a winning trade.

Since we don t know the exact timing or magnitude of higher short-term interest rates, a hedge is really another investment decision one in which we would be betting that the cost of a hedge now (in the form of higher leverage costs today) will be lower than the actual cost of leverage (unhedged) over the hedge s timeframe. In other words, the Fund s distributable income would be lower today if we were to hedge the cost of leverage very far into the future. This is because today s upward-sloping yield curve means the market already expects rates in the future to be higher, so that expected cost is reflected in hedging cost today.

We acknowledge this is complicated, but to simplify: hedging the cost of leverage today would result in lower income today and may or may not result in improved return (relative to no hedge) in the future. This is because hedging today costs money.

We are not opposed to hedging leverage costs in the right context, but we acknowledge that a hedge is a bet on the timing and magnitude of rate increases relative to the market s pricing of these risks. There are

times when the market s expectations of future rates make this a worthwhile bet, or when risk reduction offered by hedging is particularly valuable, but we don t feel this is true today. Funds that have hedged over the past couple years have missed out on quite a bit of distributable income without yet providing protection since short-term interest rates haven t yet risen.

We would like our shareholders to understand that we are not currently hedging the cost of leverage, and are unlikely to do so unless the market s expectations (and therefore, hedging costs) change. As a result, shareholders are receiving more income today (and have received more over the last several years) in exchange for potentially lower income and returns in the future. Given the current cost of hedging, we have so far decided it is best to take short-term rates as they come.

Federal Tax Advantages of 2014 Calendar Year Distributions

In calendar year 2014, approximately 61.9% of distributions made by the Fund was eligible for treatment as qualified dividend income, or QDI. For taxpayers in the 15% marginal tax bracket, QDI is taxed by the federal government at 0% instead of an individual s ordinary income tax rate; for taxpayers in the 25%-35% marginal tax brackets, QDI is taxed at 15%; and for taxpayers in the 39.6% marginal tax bracket, QDI is taxed at 20%.

For an individual in the 28% marginal tax bracket, this means that the Fund s total distributions will only be taxed at a blended 20% rate versus the 28% rate which would apply to distributions by a fund investing in traditional corporate bonds. This tax advantage means that, all other things being equal, such an individual who held 100 shares of common stock of the Fund for the calendar year would have had to receive approximately $181 in distributions from a fully-taxable bond fund to net the same after-tax amount as the $163.20 in distributions paid by the Fund.

For detailed information about tax treatment of particular distributions received from the Fund, please see the Form 1099 you receive from either the Fund or your broker.

Corporate shareholders also receive a federal tax benefit from the 25.2% distributions that were eligible for the inter-corporate dividends received deduction, or DRD.

It is important to remember that composition of the portfolio and income distributions can change from one year to the next, and that the QDI or DRD portions of 2015 s distributions may not be the same (or even similar) to 2014.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OVERVIEW

November 30, 2014 (Unaudited)

Fund Statistics	
Net Asset Value	$ 19.85
Market Price	$ 20.60
Premium	3.78%
Yield on Market Price	7.92%
Common Stock Shares Outstanding	43,552,224

Moody s Ratings*	**% of Net Assets**
A	1.2%
BBB	59.8%
BB	29.5%
Below BB	2.1%
Not Rated**	5.3%
Below Investment Grade***	23.1%

* Ratings are from Moody s Investors Service, Inc. Not Rated securities are those with no ratings available from Moody s.
** Does not include net other assets and liabilities of 2.1%.
*** Below investment grade by all of Moody s, S&P, and Fitch.

Industry Categories **% of Net Assets**

Top 10 Holdings by Issuer	**% of Net Assets**
Liberty Mutual Group	5.7%
JPMorgan Chase	4.9%
Wells Fargo & Company	4.4%
MetLife	4.4%
HSBC PLC	4.1%
M&T Bank Corporation	3.7%
Fifth Third Bancorp	3.5%
Citigroup	3.2%
PNC Financial Services Group	3.1%
Axis Capital Holdings Ltd.	2.9%

% of Net Assets****

Holdings Generating Qualified Dividend Income (QDI) for Individuals	57%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	43%

**** This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation. See accompanying notes to financial statements for tax characterization of 2014 distributions.

Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS

November 30, 2014

Shares/$ Par			**Value**
	Preferred Securities 93.2%		
		Banking 44.6%	
	4,500	Astoria Financial Corp., 6.50% Pfd., Series C	$ 114,131*
$	16,310,000	Bank of America Corporation, 8.00%, Series K	17,533,250*
		Barclays Bank PLC:	
	390,600	7.10% Pfd., Series 3	10,061,856**(3)
	23,000	7.75% Pfd., Series 4	594,550**(3)
	522,100	8.125% Pfd., Series 5	13,532,832**(1)(3)
	48,000	BB&T Corporation, 5.625% Pfd., Series E	1,173,720*(1)
		Citigroup, Inc.:	
	981,500	6.875% Pfd., Series K	26,041,649*(1)(2)
	572,357	7.125% Pfd., Series J	15,811,362*(1)(2)
	89,412	City National Corporation, 6.75% Pfd., Series D	2,636,760*
		CoBank ACB:	
	53,520	6.125% Pfd., Series G, 144A****	4,897,080*
	53,000	6.20% Pfd., Series H, 144A****	5,336,438*
	60,000	6.25% Pfd., Series F, 144A****	6,217,500*(1)
$	35,100,000	Colonial BancGroup, 7.114%, 144A****	52,650(4)(5)
	38,100	Cullen/Frost Bankers, Inc., 5.375% Pfd., Series A	926,306*
	1,667,391	Fifth Third Bancorp, 6.625% Pfd., Series I	45,757,378*(1)(2)
		First Horizon:	
	3,730	First Tennessee Bank, Adj. Rate Pfd., 3.75%(6), 144A****	2,661,239*
	8	FT Real Estate Securities Company, 9.50% Pfd., 144A****	10,420,000
	642,800	First Niagara Financial Group, Inc., 8.625% Pfd.	17,524,335*(1)
	99,000	First Republic Bank, 6.70% Pfd., Series A	2,656,418*(1)
		Goldman Sachs Group:	
$	390,000	5.70%, Series L	400,237*
	140,000	6.375% Pfd., Series K	3,603,600*(1)
		HSBC PLC:	
$	4,400,000	HSBC Capital Funding LP, 10.176%, 144A****	6,622,000(1)(2)(3)
	776,000	HSBC Holdings PLC, 8.00% Pfd., Series 2	20,682,340**(1)(3)
$	850,000	HSBC USA Capital Trust I, 7.808% 12/15/26, 144A****	

Income (loss) from continuing operations, net of tax	$ (33.0)	$ 23.5	$ (56.0)	$1.2
Loss from discontinued operations, net of tax	(2.5)	(1.2)	(2.5)	(1.4)
	$ (35.5)	$ 22.3	$ (58.5)	$(0.2)

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

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

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$334.0	$389.3
Receivables, net of allowance for doubtful accounts of $1.4 million at June 30, 2011 and $1.3 million at December 31, 2010	93.0	66.8
Income tax receivable	14.0	18.7
Inventories	173.9	151.9
Prepaid expenses and other current assets	8.6	5.6
Deferred income taxes	16.4	23.4
Assets held for sale	51.5	57.9
Total current assets	691.4	713.6
Timber and timberlands	44.9	46.8
Property, plant and equipment, at cost	2,124.9	2,112.5
Accumulated depreciation	(1,237.9)	(1,195.4)
Net property, plant and equipment	887.0	917.1
Notes receivable from asset sales	533.5	533.5
Long-term investments	19.6	15.4
Restricted cash	14.7	31.1
Investments in and advances to affiliates	103.4	110.0
Intangible assets, net of amortization	1.8	2.2
Deferred debt costs	9.6	10.1
Other assets	25.9	24.9
Long-term deferred tax asset	4.6	5.9
Total assets	$2,336.4	$2,410.6
LIABILITIES AND EQUITY		
Current portion of long-term debt	$2.9	$0.2
Short-term notes payable	4.5	—
Accounts payable and accrued liabilities	127.3	127.8
Current portion of contingency reserves	7.0	7.0
Total current liabilities	141.7	135.0
Long-term debt, excluding current portion	716.8	714.5
Contingency reserves, excluding current portion	25.1	25.9
Other long-term liabilities	130.6	129.8
Deferred income taxes	151.1	164.8
Redeemable non-controlling interest	—	22.8
Stockholders' equity:		
Common stock	145.0	144.8
Additional paid-in capital	557.8	559.4
Retained earnings	804.6	863.1
Treasury stock	(279.8)	(279.9)
Accumulated comprehensive loss	(56.5)	(69.6)
Total stockholders' equity	1,171.1	1,217.8
Total liabilities and stockholders' equity	$2,336.4	$2,410.6

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,	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$(35.4)	$22.4	$(58.3)	$(0.3)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	20.2	22.4	41.6	42.8
(Gain) loss from unconsolidated affiliates	7.4	(0.9)	10.7	(0.2)
(Gain) loss on sale or impairment of long-lived assets	2.5	(0.1)	8.0	1.2
Other operating credits and charges, net	(1.5)	2.8	(1.5)	2.7
Exchange loss on remeasurement	0.2	(0.3)	2.7	0.2
Cash settlement of contingencies	(0.4)	(1.0)	(0.9)	(3.4)
Pension (payments) expense, net	0.4	1.4	0.4	3.4
Stock-based compensation expense	1.3	2.2	4.8	5.4
Other adjustments, net	7.2	1.6	7.6	3.5
Decrease (increase) in receivables	5.8	(14.3)	(24.7)	(50.7)
Decrease (increase) in income tax receivable	13.4	(9.7)	4.7	37.4
Decrease (increase) in inventories	29.2	19.4	(20.6)	(24.2)
Decrease (increase) in prepaid expenses	(5.3)	(5.8)	(2.9)	(1.6)
Increase (decrease) in accounts payable and accrued liabilities	(4.0)	7.6	(2.3)	8.6
Increase (decrease) in deferred income taxes	(11.6)	20.0	(8.3)	10.8
Net cash provided by (used in) operating activities	29.4	67.7	(39.0)	35.6
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property, plant and equipment additions	(5.6)	(3.5)	(8.0)	(5.4)
Investments and advances to joint ventures	(1.1)	8.2	(3.1)	6.1
Proceeds from sales of assets	0.3	1.2	0.3	1.2
Receipt of proceeds from notes receivable	—	115.1	—	115.1
Decrease in restricted cash under letters of credit/credit facility requirements	8.1	5.3	16.4	5.2
Other investing activities, net	—	(0.4)	—	—
Net cash provided by investing activities	1.7	125.9	5.6	122.2
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of long term debt	(0.1)	(113.8)	(0.1)	(113.8)
Short term borrowings	4.5	—	4.5	—
Redemption of non-controlling interest	(24.0)	—	(24.0)	—
Payment of debt issuance fees	(1.0)	—	(1.0)	—
Net cash used in financing activities	(20.6)	(113.8)	(20.6)	(113.8)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	2.3	(0.1)	(1.3)	(1.0)
Net increase (decrease) in cash and cash equivalents	12.8	79.7	(55.3)	43.0
Cash and cash equivalents at beginning of period	321.2	357.4	389.3	394.1
Cash and cash equivalents at end of period	$334.0	$437.1	$334.0	$437.1

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	Redeemable Non Controlling Interest
	Shares	Amount	Shares	Amount					
Balance, December 31, 2010	144.8	$144.8	12.9	$(279.9)	$559.4	$863.1	$(69.6)	$1,217.8	$22.8
Net income (loss)	—	—	—	—	—	(58.5)	—	(58.5)	0.2
Issuance of shares for employee stock plans and other purposes and other transactions	—	—	(0.2)	0.1	(0.6)	—	—	(0.5)	—
Compensation expense associated with stock awards	—	—	—	—	4.4	—	—	4.4	—
Warrants exercised	0.2	0.2	—	—	(0.2)	—	—	—	—
Redemption of redeemable non-controlling interest	—	—	—	—	(5.2)	—	5.6	0.4	(24.0)
Other comprehensive income	—	—	—	—	—	—	7.5	7.5	1.0
Balance, June 30, 2011	145.0	$145.0	12.7	$(279.8)	$557.8	$804.6	$(56.5)	$1,171.1	$—

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

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income (loss)	$(35.4)	$22.4	$(58.3)	$(0.3)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	4.9	(2.3)	4.3	(4.7)
Unrealized gain (loss) on derivative instruments	0.8	0.2	0.6	0.1
Unrealized gain (loss) on marketable securities	0.4	(1.3)	2.6	4.8
Defined benefit pension plans:				
Amortization of prior service cost	0.7	—	1.0	—
Amortization of net loss	—	0.9	—	1.5
Other comprehensive income (loss), net of tax	6.8	(2.5)	8.5	1.7
Net (income) loss attributable to noncontrolling interest	(0.1)	(0.1)	(0.2)	0.1
Foreign currency translation adjustments attributed to non-controlling interest	(0.6)	—	(1.0)	0.4
Comprehensive income (loss)	$(29.3)	$19.8	$(51.0)	$1.9

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

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NOTES TO UNAUDITED CONDENSED 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, except for other operating credits and charges, net referred to in Note 10) 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. For those consolidated subsidiaries in which LP's ownership interest is less than 100%, the outside shareholders' interests are shown as non-controlling interest. These condensed 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, 2010.

NOTE 2 – STOCK-BASED COMPENSATION

At June 30, 2011, 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 $1.3 million for the quarter ended June 30, 2011 as compared to $2.2 million for the quarter ended June 30, 2010 and $4.8 million for the six months ended June 30, 2011 as compared to $5.4 million for the six months ended June 30, 2010.

Stock Compensation Plans

LP grants options and stock settled stock appreciation rights (SSARs) to key employees and directors to purchase LP common stock. On exercise or issuance, LP generally issues these shares from treasury. The options and SSARs are granted at market price at the date of grant. For employees, SSARs become exercisable ratably over a three year period and expire ten years after the date of grant. For directors, these options become exercisable in 10% increments every three months, starting three months after the date of grant, and expire ten years after the date of grant. At June 30, 2011, 4,715,177 shares were available 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 options and SSARs granted using the Black-Scholes option-pricing model in the first six months of the respective years noted:

	2011		2010	
Expected stock price volatility	63.9	%	59.5	%
Expected dividend yield	—		—	
Risk-free interest rate	2.1	%	2.4	%
Expected life of options	5.16		5.13	
Weighted average fair value of options and SSARs granted	$5.62		$3.73	

The following table summarizes stock options and SSARs outstanding as of June 30, 2011 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 / SSARs outstanding at January 1, 2011	7,580		$ 13.10		
SSARs granted	813		10.12		
Options / SSARs exercised	(18	)	4.93		
Options /SSARs cancelled	(47	)	14.14		
Options / SSARs outstanding at June 30, 2011	8,328		$ 12.82	6.8	$ 12.0
Vested and expected to vest at June 30, 2011	7,912		—	—	$ 11.4
Options / SSARs exercisable at June 30, 2011	6,136		$ 14.96	—	$ 7.5

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 2011 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,

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2011. This amount changes based on the market value of LP's stock as reported by the New York Stock Exchange. As of June 30, 2011, there was $1.5 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 1.7 years. LP recorded compensation expense related to these awards in the first six months of 2011 of $2.7 million.

Incentive Share Awards

LP has granted incentive share stock awards (restricted stock units) to certain key employees as allowed under the current stock award plans. 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 of these grants approximates the fair value. LP recorded compensation expense related to these awards in the first six months of 2011 of $1.4 million. As of June 30, 2011, there was $3.4 million of total unrecognized compensation cost related to unvested incentive share awards. This expense will be recognized over a weighted-average period of 1.5 years.

The following table summarizes incentive share awards outstanding as of June 30, 2011 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, 2011	955,936		
Incentive share awards granted	300,816		
Incentive share awards vested	(121,500)		
Incentive share awards cancelled	(32,117)		
Incentive share awards outstanding at June 30, 2011	1,103,135	1.50	$9.0
Vested and expected to vest at June 30, 2011	1,047,978	1.50	$8.6
Incentive share awards exercisable at June 30, 2011	—	—	—

Restricted Stock

LP grants restricted stock to certain senior 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, 2011, there was $2.6 million of total unrecognized compensation costs related to restricted stock. This expense will be recognized over the next 1.3 years.

The following table summarizes the restricted stock outstanding as of June 30, 2011 as well as activity during the six months then ended.

	Six Months Ended June 30, 2011	
	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock awards outstanding at January 1, 2011	783,289	$ 6.31
Restricted stock awards granted	139,239	10.30
Restrictions lapsing	(171,800)	15.27
Restricted stock awards at June 30, 2011	750,728	$ 5.00

LP recorded compensation expense related to these awards in the first six months of 2011 of $0.7 million.

Through 2010, LP annually granted to each director restricted stock or restricted stock units. As of June 30, 2011, LP had 750,728 shares (or restricted stock units) outstanding under this program.

Phantom stock

Beginning in 2011, LP annually grants phantom stock units to its directors. The director does not receive rights of a

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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 cost of the grants is recognized over the vesting period and is included in stock-based compensation expense. As of June 30, 2011, LP had 39,944 shares outstanding under this program.

NOTE 3 – FAIR VALUE MEASUREMENTS

LP's investments that are measured at fair value on a recurring basis and are categorized 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.

Dollar amounts in millions	June 30, 2011	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	$19.6	$—	$4.4	$15.2
Trading securities	2.8	2.8	—	—
Total	$22.4	$2.8	$4.4	$15.2
Dollar amounts in millions	December 31, 2010	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	$15.4	$—	$3.8	$11.6
Trading securities	2.6	2.6	—	—
Total	$18.0	$2.6	$3.8	$11.6

Available for sale securities measured at fair value as of June 30, 2011 and December 31, 2010 are recorded in cash and cash equivalents, long-term investments and restricted cash on LP's consolidated balance sheets. Included in available for sale securities are auction rate securities (ARS).

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. Subsequent to June 30, 2011, LP generated $18.7 million in cash plus accrued interest associated with the sale of these securities with a fair market value as of June 30, 2011 of $18.5 million ($35.9 million, par value). This sale will result in a gain of $14.4 million which LP will recorded in the third quarter of 2011.

Trading securities consist of rabbi trust financial assets which are recorded in other assets in LP's consolidated balance sheets. The rabbi trust holds the assets of the Louisiana-Pacific Corporation 2004 Executive Deferred Compensation Plan (EDC), a non-qualified deferred compensation plan which allows certain management employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds. 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 assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ended June 30, 2010 and June 30, 2011.

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Dollar amounts in millions	Available for sale securities
Balance at December 31, 2009	$26.3
Total realized/unrealized gains (losses) included in other comprehensive income	7.8
Balance at June 30, 2010	$34.1
The amount of total losses for the period included in net loss attributable to the fair value of changes in assets still held at June 30, 2010	$—
Balance at December 31, 2010	$11.6
Total realized/unrealized gains (losses) included in other comprehensive income	3.6
Balance at June 30, 2011	$15.2
The amount of total losses for the period included in net loss attributable to the fair value of changes in assets still held at June 30, 2011	$—

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 investments.

During the quarter ended March 31, 2010, LP recorded an impairment charge of $1.1 million to reduce the carrying value of the assets held for sale to the estimated selling price less selling cost. The valuation of these assets was determined using level one inputs under the market approach.

During the quarter ended March 31, 2011, LP recorded an impairment charge of $3.6 million to reduce the carrying value of the assets held for sale to the estimated selling price less selling cost. The valuation of these assets was determined using level one inputs under the market approach. Additionally, LP recorded an impairment charge of $1.9 million on assets no longer used.

During the quarter ended June 30, 2011, LP recorded an impairment charge of $2.5 million on assets no longer used.

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 (employee stock options, stock settled stock appreciation rights, incentive 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:

Dollar and share amounts in millions, except per share amounts	Quarter Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
Numerator:				
Loss attributed to LP common shares:				
Income (loss) from continuing operations	$(33.0)	$23.5	$(56.0)	$1.2
Loss from discontinued operations	(2.5)	(1.2)	(2.5)	(1.4)
Net income (loss)	$(35.5)	$22.3	$(58.5)	$(0.2)
Denominator:				
Basic - weighted average common shares outstanding	131.4	128.5	131.3	127.2
Dilutive effect of stock warrants	—	9.5	—	9.3
Dilutive effect of stock plans	—	1.8	—	1.7
Diluted shares outstanding	131.4	139.8	131.3	138.2
Basic earnings per share:				
Income (loss) from continuing operations	$(0.25)	$0.18	$(0.43)	$0.01
Loss from discontinued operations	(0.02)	(0.01)	(0.02)	(0.01)
Net income (loss) per share	$(0.27)	$0.17	$(0.45)	$—
Diluted earnings per share:				
Income (loss) from continuing operations	$(0.25)	$0.17	$(0.43)	$0.01
Loss from discontinued operations	(0.02)	(0.01)	(0.02)	(0.01)
Net income (loss) per share	$(0.27)	$0.16	$(0.45)	$—

For the quarter and six month period ended June 30, 2011, stock options, stock warrants and SSARs relating to approximately 9.0 million and 9.2 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 and six month period ended June 30, 2010, stock options, stock warrants and SSARs relating to approximately 5.6 million and 5.4 million shares of LP common stock were considered anti-dilutive or not in-the-money for purpose of LP's earnings per share calculation

NOTE 5 – RECEIVABLES

Receivables consist of the following:

Dollar amounts in millions	June 30, 2011	December 31, 2010
Trade receivables	$83.5	$56.2
Interest receivables	1.1	1.1
Other receivables	9.8	10.8
Allowance of doubtful accounts	(1.4)	(1.3)
Total	$93.0	$66.8

Other receivables at June 30, 2011 and December 31, 2010 primarily consist of short-term notes receivable, settlements, Canadian sales tax receivables and other items.

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, 2011	December 31, 2010
Logs	$26.7	$22.4
Other raw materials	20.2	21.4
Finished products	118.3	100.3
Supplies	9.4	8.5
LIFO reserve	(0.7)	(0.7)
Total	$173.9	$151.9

NOTE 7 – 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”. As of June 30, 2011 and December 31, 2010, LP included three OSB mills and various non-operating sites in its held for sale category. See Note 3 for discussion of impairments recorded on these assets. The current book values of assets held for sale by category is as follows:

Dollars in millions	June 30, 2011	December 31, 2010
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	$13.3	$13.4
Buildings	22.2	24.5
Machinery and equipment	187.9	197.7
	223.4	235.6
Accumulated depreciation	(171.9)	(177.7)
Net property, plant and equipment	$51.5	$57.9

NOTE 8 – INCOME TAXES

Accounting standards require that LP 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 bases of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carry forwards 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 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. Each quarter 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.

For the first six months of 2011, 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 increases in valuation allowances attributed to net operating loss carry forwards in various jurisdictions. For the first six months of 2010, 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 a discrete adjustment for state income taxes.

The income tax components and associated effective income tax rates for the quarter and six months periods ended June 30, 2011 and 2010 are as follows:

	Quarter Ended June 30, 2011		2010	
Dollars in millions	Tax Benefit	Tax Rate	Tax Provision (Benefit)	Tax Rate
Continuing operations	$(8.4)	20%	$12.7	35%
Discontinued operations	(1.6)	39%	(0.8)	39%
	$(10.0)	22%	$11.9	35%

	Six Months Ended June 30, 2011		2010	
	Tax Benefit	Tax Rate	Tax Provision (Benefit)	Tax Rate
Continuing operations	$(15.2)	21%	$2.4	69%
Discontinued operations	(1.6)	39%	(0.9)	39%
	$(16.8)	22%	$1.5	115%

LP and its domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. LP's foreign subsidiaries are subject to income tax in Canada, Chile and Brazil. During 2011, the U.S. Internal Revenue Service initiated an audit of tax years 2007 through 2009. All U.S. federal audits of prior years have been completed. LP remains subject to state and local tax examinations for the tax years 2005 through 2010. LP's Canadian income tax returns have been audited and effectively settled through 2004. Quebec provincial audits have been effectively settled through 2007. No Canadian federal or provincial audits are currently in progress.

If LP were to determine that it would not be able to realize a portion of an existing net deferred tax asset for which there is currently no valuation allowance, an adjustment to the net deferred tax asset would be charged to earnings in the period in which such determination was made. Conversely, if it were to make a determination that it is more likely than not that an existing deferred tax asset for which there is currently a valuation allowance would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded in the period in which such determination was made.

NOTE 9 – LONG-TERM DEBT

LP's long-term debt consists of the following:

Dollars in millions	June 30, 2011	December 31, 2010
Debentures:		
Senior secured notes, maturing 2017	$186.4	$183.5
Bank credit facilities:		
Chilean term credit facility, maturing 2019, denominated in UF	44.2	42.3
Limited recourse notes payable:		
Senior notes, payable 2012	7.9	7.9
Senior notes, payable 2013 - 2018	112.0	112.0
Other financing		
Non-recourse notes, payable 2018	368.7	368.7
Other	0.5	0.3
Total	719.7	714.7
Less: current portion	(2.9)	(0.2)
Net long-term portion	$716.8	$714.5

LP issued $47.9 million of senior notes in 1997 in a private placement to institutional investors. The $7.9 million remaining notes are secured by $9.9 million in notes receivable from Sierra Pacific Industries and mature in 2012. In

the event of a default by Sierra Pacific Industries, LP is fully liable for the notes payable with the underlying timberlands as security for the notes receivable.

LP issued $348.6 million of senior debt in 1998 in a private placement to institutional investors. The remaining $112.0 million

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of these notes mature in principal amounts of $90.0 million in 2013 and $22.0 million in 2018. The remaining notes are secured by $113.7 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 with the underlying timberlands as security for the notes receivable.

LP issued $368.7 million of senior debt 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 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 principal amount of the notes receivable. LP's maximum exposure in this regard was approximately $41 million as of June 30, 2011 and December 31, 2010.

In December 2009, LP entered into a term loan agreement with a Chilean bank. This loan is denominated in UF (inflation adjusted Chilean pesos) and is partially secured by property, plant and equipment in Chile. The loan will be repaid in 16 equal semi-annual payments beginning in June 2012 and ending December 2019. As of June 30, 2011, no principal payments have been made on this loan. Any increases or decreases in the loan balance shown are related to the change in the underlying foreign currency exchange rates or required inflation adjustments.

LP estimates the senior secured notes maturing in 2017 to have a fair value of $255.9 million as of June 30, 2011 and $263 million at December 31, 2010 based upon market quotations.

Additional descriptions of LP's indebtedness are included in consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2010.

NOTE 10 – OTHER OPERATING CREDITS AND CHARGES, NET

The major components of "Other operating credits and charges, net" in the Consolidated Statements of Income for the quarter and six month periods ended June 30, 2011 and 2010 are reflected in the table below and are described in the paragraphs following the table:

	Quarter Ended June 30,		Six Months Ended June 30,	
Dollar amounts in millions	2011	2010	2011	2010
Reversal of severance	$—	$—	$—	$0.1
Construction related legal reserves	—	(0.6)	—	(0.6)
Addition to environmental reserves	(0.9)	—	(0.9)	—
Timber related reserves	1.5	—	1.5	—
Settlement of legal claim	—	—	0.8	—
	$0.6	$(0.6)	$1.4	$(0.5)

During the second quarter of 2011, LP recorded a gain of $1.5 million related to reductions in reforestation liabilities associated with LP's Canadian timber obligations and an increase of $0.9 million in environmental reserves associated with a facility currently held for sale.

During the first quarter of 2011, LP recorded a gain of $0.8 million related to an action against a previous claim inspector associated with LP's hardboard class action for various states.

During the second quarter of 2010, LP recorded a loss of $0.6 million associated with an assessment in connection with its indefinitely curtailed OSB mills.

NOTE 11 – TRANSACTIONS WITH AFFILIATES

LP has equity investments in AbitibiBowater-LP (a manufacturer of I-joist) and Canfor-LP (a manufacturer of OSB). LP sells products and raw materials to AbitibiBowater-LP and purchases products for resale from AbitibiBowater-LP and Canfor-LP. 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% interest. For the quarters ended June 30, 2011 and 2010, LP sold $1.5 million and $2.3 million of products to AbitibiBowater-LP and purchased $9.1 million and $13.3 million of I-joist

from AbitibiBowater-LP. LP also purchased $21.9

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million and $30.5 million of OSB from Canfor-LP during the quarters ended June 30, 2011 and 2010. For the six month periods ended June 30, 2011 and 2010, LP sold $2.9 million and $4.0 million of products to AbitibiBowater-LP and purchased $16.8 million and $24.0 million of I-joist from AbitibiBowater-LP. LP also purchased $46.5 million and $54.1 million of OSB from Canfor-LP during the six months ended June 30, 2011 and 2010. Included in LP’s Consolidated Balance Sheets at June 30, 2011 and December 31, 2010 are $1.9 million and $1.6 million in accounts receivable from these affiliates and $2.1 million and $2.4 million in accounts payable related to these affiliates.

NOTE 12 – LEGAL AND ENVIRONMENTAL MATTERS

Certain environmental matters and legal proceedings are discussed below.

Environmental Matters

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

Other Proceedings

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

NOTE 13 – SELECTED SEGMENT DATA

LP operates in three segments: Oriented Strand Board (OSB), Siding, and Engineered Wood Products (EWP). LP’s business units have been aggregated into these three segments based upon the similarity of economic characteristics, customers and distribution methods. LP’s results of operations are summarized below for each of these segments separately as well as for the “other” category which comprises other products that are not individually significant. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 of the Notes to the financial statements included in LP’s Annual Report on Form 10-K for the year ended December 31, 2010.

	Quarter Ended June 30,		Six Months Ended June 30,	
Dollar amounts in millions	2011	2010	2011	2010
Net sales:				
OSB	$140.6	$217.8	$272.6	$335.4
Siding	118.6	130.6	224.7	220.4
Engineered Wood Products	53.6	55.9	101.9	104.7
Other	49.9	47.6	95.8	88.9
Intersegment Sales	(0.3)	(4.4)	(0.9)	(4.9)
	$362.4	$447.5	$694.1	$744.5
Operating profit (loss):				
OSB	$(22.9)	$47.9	$(32.0)	$43.4
Siding	11.3	21.8	24.0	30.3
Engineered Wood Products	(3.2)	(4.4)	(8.7)	(10.9)
Other	2.2	3.7	5.3	3.7
Less intersegment profits	—	(0.5)	—	(0.5)
Other operating credits and charges, net	0.6	(0.6)	1.4	(0.5)
Gain (loss) on sale or impairment of long-lived assets	(2.5)	0.1	(8.0)	(1.2)
General corporate and other expenses, net	(16.5)	(18.2)	(34.5)	(37.9)
Foreign currency gains (losses)	0.6	(0.1)	2.4	1.4
Investment income	3.5	4.3	7.5	10.2
Interest expense, net of capitalized interest	(14.4)	(17.7)	(28.4)	(34.5)
Loss from continuing operations before taxes	(41.3)	36.3	(71.0)	3.5
Provision (benefit) for income taxes	(8.4)	12.7	(15.2)	2.4
Income (loss) from continuing operations	$(32.9)	$23.6	$(55.8)	$1.1

NOTE 14 – POTENTIAL IMPAIRMENTS

LP continues to review certain operations and investments for potential impairments. LP's management currently believes it has adequate support for the carrying value of each of these operations and investments based upon the anticipated cash flows that result from estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of June 30, 2011, the undiscounted cash flows for the facilities indefinitely curtailed support 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, it is possible that impairment charges will be required.

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

NOTE 15 – CONTINGENCY RESERVES

LP maintains reserves for various contingent liabilities as follows:

Dollar amounts in millions	June 30, 2011	December 31, 2010
Environmental reserves	$14.8	$14.3
Hardboard siding reserves	17.2	17.8
Other reserves	0.1	0.8
Total contingency reserves	32.1	32.9
Current portion of contingency reserves	(7.0)	(7.0)
Long-term portion of contingency reserves	$25.1	$25.9

Hardboard Siding Reserves

LP has established reserves relating to certain liabilities associated with a settlement agreement resulting from a nationwide class action lawsuit involving hardboard siding manufactured or sold by corporations acquired by LP in 1999 and installed prior to May 15, 2000 which was approved by the applicable courts in 2000. This settlement is discussed in greater detail in the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2010. LP believes that the reserve balance for this settlement at June 30, 2011 will be adequate to cover future payments to claimants and related administrative costs.

The activity in the portion of LP's loss contingency reserves relating to hardboard siding contingencies for the first six months of 2011 and 2010 are summarized in the following table.

Dollar amounts in millions	June 30, 2011	June 30, 2010
Beginning balance, December 31,	$17.8	$24.2
Payments made for claims	(0.4)	(2.0)
Payments made for administrative costs	(0.2)	(0.8)
Ending balance	$17.2	$21.4

NOTE 16 – DEFINED BENEFIT PENSION PLANS

The following table sets forth the net periodic pension cost for LP's defined benefit pension plans during the quarter ended June 30, 2011 and 2010. The net periodic pension cost included the following components:

	Quarter Ended June 30,		Six Months Ended June 30,	
Dollar amounts in millions	2011	2010	2011	2010
Service cost	$0.8	$0.7	$1.6	$1.7
Interest cost	4.0	4.4	8.0	9.8
Expected return on plan assets	(4.5)	(4.7)	(9.0)	(10.7)
Amortization of prior service cost	0.1	0.1	0.2	0.2
Amortization of net loss	1.1	1.2	2.2	2.8
Net periodic pension cost	$1.5	$1.7	$3.0	$3.8

During the six months ended June 30, 2011 and 2010, LP recognized $3.0 million and $3.8 million of pension expense for all of LP's defined benefit pension plans.

During the six months ended June 30, 2011, LP made no significant pension contributions for LP's defined benefit plans. LP presently anticipates making approximately $10 to $12 million of pension contributions for the plans during the remainder of 2011.

NOTE 17 – GUARANTEES AND INDEMNIFICATIONS

LP is a party to contracts in which LP agrees to indemnify third parties for certain liabilities that arise out of or relate to the subject matter of the contract. In some cases, this indemnity extends to liabilities arising out of the negligence of the indemnified parties, but usually excludes any liabilities caused by gross negligence or willful misconduct of the indemnified parties. LP cannot estimate the potential amount of future payments under these agreements until events arise that would trigger the liability. See Note 21 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2010 for further discussion of LP's guarantees and indemnifications.

During the first quarter of 2011, LP provided a guarantee on behalf of one of its joint ventures to the joint venture bank lender of $1.5 million.

Additionally, LP provides warranties on the sale of most of its products and records an accrual for estimated future claims. Such accruals are based upon historical experience and management's estimate of the level of future claims. The activity in warranty reserves for the second quarter and first six months of 2011 and 2010 are summarized in the following table:

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	Quarter Ended June 30,		Six Months Ended June 30,	
Dollar amounts in millions	2011	2010	2011	2010
Beginning balance	$28.3	$31.9	$29.5	$32.9
Accrued to expense	3.8	2.0	4.9	3.1
Payments made	(1.5)	(3.3)	(3.8)	(5.4)
Total warranty reserves	30.6	30.6	30.6	30.6
Current portion of warranty reserves	(10.0)	(10.0)	(10.0)	(10.0)
Long-term portion of warranty reserves	$20.6	$20.6	$20.6	$20.6

During the second quarter of 2011, LP increased the warranty reserves related to discontinued composite decking products by $3.8 million. The additional reserves reflect revised estimates of future claim payments based upon an increase in decking warranty claims related to a specific operation and specific time period. LP continues to monitor warranty and other claims associated with these products and believes as of June 30, 2011 that the reserves associated with these matters are adequate.

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

NOTE 18 - NON-CONTROLLING INTEREST

On June 14, 2011, LP purchased the remaining 25% ownership of LP Brazil from Massisa for a payment of $24.0 million. This amount was paid through general cash reserves as well as an increase in LP's short term notes payable of $4.5 million.

NOTE 19 - DISCONTINUED OPERATIONS

Over the last several years, LP has adopted and implemented plans to sell selected businesses and assets in order to improve its operating results. For all periods presented, these operations include residual losses of mills divested in past years and associated warranty and other liabilities associated with these operations.

Included in the operating losses of discontinued operations for the second quarter of 2011 is an increase in warranty reserves of $3.8 million associated with previously discontinued composite decking products based upon expected increases in warranty claim activity.

Included in the operating losses of discontinued operations for the second quarter of 2010 is a settlement with a customer associated with a previously discontinued product of $1.9 million.

NOTE 20 - RECENT AND PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board ("FASB") amended Accounting Standards Codification ("ASC") 220, “Presentation of Comprehensive Income.” This amendment will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance, which must be applied retroactively, is effective for interim and annual periods beginning after December 15, 2011, with earlier adoption permitted. This Accounting Standards Update ("ASU") impacts presentation only and will have no effect on LP's financial condition, results of operations or cash flows.

In May 2011, the FASB amended ASC 820, "Fair Value Measurement." This amendment is intended to result in convergence between U.S. GAAP and International Financial Reporting Standards (“IFRS”) requirements for measurement of and disclosures about fair value. This guidance clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The amendment is effective for interim and annual periods beginning after December 15, 2011. Based upon initial assessment, LP does not believe the adoption of this amendment will have a material impact on its consolidated financial statements.

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

GENERAL

Our products are used primarily in new home construction, repair and remodeling, and manufactured housing. We also market and sell our products in light industrial and commercial construction and we have a modest export business. Our manufacturing facilities are primarily located in the U.S. and Canada, but we also operate two facilities in Chile and a Brazilian facility (the remaining 25% ownership interest of which was acquired during the second quarter of 2011).

To serve our markets, we operate in three segments: Oriented Strand Board (OSB), Siding, and Engineered Wood Products (EWP).

Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. For the second quarter of 2011, the U.S. Department of Census reported that actual single and multi-family housing starts were 4% lower than for the second quarter of 2010. For the first six months of 2011, the U.S. Department of Census reported that actual single and multi-family housing starts were 5% lower than for the first six months of 2010. We believe the reduced level of building as compared to the first six months of 2010 is related to certain housing initiatives by the U.S. government in 2010 which were not in place in 2011. Building activity is unlikely to improve to “normal” levels until the number of homes available for sale is reduced, foreclosure activity subsides, employment grows and housing prices stabilize further.

OSB is sold as a commodity for which sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of our products will remain at current levels or increase or decrease in the future. For the second quarter of 2011 and first six months of 2011, OSB prices, as reported by Random Lengths, were 42% and 27% lower than the same periods in 2010.

For additional factors affecting our results, refer to the Management Discussion and Analysis overview contained in our Annual Report on Form 10-K for the year ended December 31, 2010 and to “About Forward-Looking Statements” and “Risk Factors” in this report.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Presented in Note 1 of the Notes to the financial statements included in LP’s Annual Report on Form 10-K for the year ended December 31, 2010 is a discussion of our significant accounting policies and significant accounting estimates and judgments. Throughout the preparation of the financial statements, we employ significant judgments in the application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For the second quarter of 2011, these significant accounting estimates and judgments include:

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

Environmental Contingencies. Our estimates of loss contingencies for environmental matters are based on various judgments and assumptions. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities, including third parties who purchased assets from us subject to environmental liabilities. We consider the ability of third parties to pay their

apportioned cost when developing our estimates. In making these judgments and assumptions related to the development of our loss contingencies, we consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience at other sites that are judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental loss contingencies and, as additional information becomes known, may change our estimates significantly. At June 30, 2011, we

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excluded from our estimates approximately $1.3 million of potential environmental liabilities that we estimate will be allocated to third parties pursuant to existing and anticipated future cost sharing arrangements.
Impairment of Long-Lived Assets. We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. We consider the necessity of undertaking such a review at least quarterly, and also when certain events or changes in circumstances occur. Events and changes in circumstances that may necessitate such a review include, but are not limited to: a significant decrease in the market price of a long-lived asset or group of long-lived assets; a significant adverse change in the extent or manner in which a long-lived asset or group of long-lived assets is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or group of long-lived assets, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or group of long-lived assets; current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or group of long-lived assets; and current expectation that, more likely than not, a long-lived asset or group of long-lived assets will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under accounting principles generally accepted in the U.S., requires us to make judgments, assumptions and estimates.
In general, for assets held and used in our operations, impairments are recognized when the carrying amount of the long-lived asset or groups of long-lived assets is not recoverable and exceeds the fair value of the asset or group of assets. The carrying amount of a long-lived asset or groups of long-lived assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets or group of assets. The key assumptions in estimating these cash flows relate to future production volumes, pricing of commodity or specialty products and future estimates of expenses to be incurred as reflected in our long-range internal planning models. Our assumptions regarding pricing are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing, and reflect our assessment of information gathered from industry research firms, research reports published by investment analysts and other published forecasts. Our assumptions regarding expenses reflect our expectation that we will continue to reduce production costs to offset inflationary impacts.
When impairment is indicated for assets held and used in our operations, the book values of the affected assets are written down to their estimated fair value, which is generally based upon discounted future cash flows associated with the affected assets. When impairment is indicated for assets to be disposed of, the book values of the affected assets are written down to their estimated fair value, less estimated selling costs. Consequently, a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which may be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, and thus require an impairment charge. In situations where we have experience in selling assets of a similar nature, we may estimate net sales proceeds on the basis of that experience. In other situations, we hire independent appraisers to estimate net sales proceeds.

Due to the numerous variables associated with our judgments and assumptions relating to the valuation of assets in these circumstances, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates of the related impairment charges are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.
Income Taxes. The determination of the provision for income taxes, and the resulting current and deferred tax assets and liabilities, involves significant management judgment, and is based upon information and estimates available to management at the time of such determination. The final income tax liability to any taxing jurisdiction with respect to any calendar year will ultimately be determined long after our financial statements have been published for that year. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions; however, actual results may differ materially from our estimates.

Judgment is also applied in determining whether deferred tax assets will be realized in full or in part. When we consider it to be more likely than not that all or some portion of a deferred tax asset will not be realized, a valuation allowance is established for the amount of the deferred tax asset that is estimated not to be realizable. As of June 30, 2011, we had established valuation allowances against certain deferred tax assets, primarily related to state and foreign carryovers of net operating losses, credits and capital losses. We have not established valuation allowances against other deferred tax assets based upon tax strategies implemented or deferred tax liabilities which we anticipate to reverse within the carry forward period. Accordingly, changes in facts or circumstances affecting the likelihood of realizing a deferred tax asset could result in the need to record additional valuation allowances.
Auction Rate Securities: Our auction-rate securities represent interests in collateralized debt obligations, a portion of which are

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supported by pools of residential and commercial mortgages, bank trust preferred notes and other securities. Historically, liquidity for these auction-rate securities was typically provided by an auction process that reset the applicable interest rate at pre-determined intervals, usually every 7, 28, 35 or 90 days. As of June 30, 2011, auction-rate securities that we hold had experienced multiple failed auctions as the amount of securities for sale exceeded the amount of purchase orders. Consequently, we have classified $19.6 million ($61.5 million, par value) of auction-rate securities as long-term available-for-sale securities.

Our estimates of the valuation of our current holdings of auction rate securities are based upon our evaluation of the structure of our auction rate securities and current market estimates of fair value, including fair value estimates from the issuing banks and indicative pricing from other parties. We review several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. Due to the numerous variables associated with these judgments, both the precision and reliability of the resulting estimates of the related valuation allowance are subject to substantial uncertainties. We regularly monitor our estimated exposure to these investments and, as additional information becomes known, may change our estimates significantly.

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

Workers’ Compensation. We are self insured for most of our U.S. employees’ workers compensation claims. We account for these plans in accordance with accounting principles generally accepted in the U.S., which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding rates at which future values should be discounted to determine present values, expected future health care costs and other matters, the amounts of our liabilities and related expenses recorded in our financial statements would differ if we used other assumptions.

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

NON-GAAP FINANCIAL MEASURES

In evaluating our business, we utilize several non-GAAP financial measures. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included under applicable GAAP guidance. In this report on Form 10-Q, we disclose earnings (loss) from continuing operations before interest expense, taxes, depreciation and amortization (“EBITDA from continuing operations”) which is a non-GAAP financial measure. Additionally, we disclose adjusted EBITDA from continuing operations which further adjusts EBITDA from continuing operations to exclude stock based compensation expense, (gain) loss on sales or impairment of long lived assets, other operating charges and credits, other than temporary investment impairment, (gain) loss on early debt extinguishment and investment income. Neither EBITDA from continuing operations nor adjusted EBITDA from continuing operations is a substitute for the GAAP measures of net income or operating cash flows or for any other

GAAP measures of operating performance or liquidity.

We have included EBITDA from continuing operations and adjusted EBITDA from continuing operations in this report on Form 10-Q because we use them as important supplemental measures of our performance and believe that they are frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We use EBITDA from continuing operations and adjusted EBITDA from continuing operations to evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates. It should be noted that companies calculate EBITDA and adjusted EBITDA differently and, therefore, our EBITDA and adjusted EBITDA measures may not be comparable to EBITDA and adjusted EBITDA reported by other companies. Our EBITDA and adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, income tax (benefit) expense and depreciation and amortization which are necessary to

operate our business or which we otherwise incurred or experienced in connection with the operation of our business. The following table represents significant items by operating segment and reconciles income (loss) from continuing operations to Adjusted EBITDA from continuing operations:

(Dollar amounts in millions) Three Months Ended June 30, 2011	OSB	Siding	EWP	Other	Corporate	Total
Sales	$140.6	$118.6	$53.6	$49.9	$(0.3)	$362.4
Depreciation and amortization	9.4	3.9	3.1	3.3	0.5	20.2
Cost of sales and selling and administrative	148.6	103.4	53.7	42.5	15.7	363.9
Loss on sale or impairment of long lived assets	—	—	—	—	2.5	2.5
Other operating credits and charges, net	—	—	—	—	(0.6)	(0.6)
Total operating costs	158.0	107.3	56.8	45.8	18.1	386.0
Income (loss) from operations	(17.4)	11.3	(3.2)	4.1	(18.4)	(23.6)
Total non-operating income (expense)					(10.3)	(10.3)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(17.4)	11.3	(3.2)	4.1	(28.7)	(33.9)
Benefit for income taxes					(8.4)	(8.4)
Equity in loss of unconsolidated affiliates	5.5	—	—	1.9	—	7.4
Income (loss) from continuing operations	(22.9)	11.3	(3.2)	2.2	(20.3)	(32.9)
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations						
Income (loss) from continuing operations	(22.9)	11.3	(3.2)	2.2	(20.3)	(32.9)
Income tax benefit	—	—	—	—	(8.4)	(8.4)
Interest expense, net of capitalized interest	—	—	—	—	14.4	14.4
Depreciation and amortization	9.4	3.9	3.1	3.3	0.5	20.2
EBITDA from continuing operations	(13.5)	15.2	(0.1)	5.5	(13.8)	(6.7)
Stock based compensation expense	0.2	0.1	0.1	—	1.0	1.4
Loss on sale or impairment of long lived assets					2.5	2.5
Investment income					(3.5)	(3.5)
Other operating credits and charges, net					(0.6)	(0.6)
Adjusted EBITDA from continuing operations	$(13.3)	$15.3	$—	$5.5	$(14.4)	$(6.9)

Three Months Ended June 30, 2010 (Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
Sales	$217.8	$130.6	$55.9	$47.6	$(4.4)	$447.5
Depreciation and amortization	9.9	5.4	3.7	2.8	0.6	22.4
Cost of sales and selling and administrative	162.7	103.4	56.6	39.3	13.7	375.7
Gain on sale or impairment of long lived assets	—	—	—	—	(0.1)	(0.1)
Other operating credits and charges, net	—	—	—	—	0.6	0.6
Total operating costs	172.6	108.8	60.3	42.1	14.8	398.6
Income (loss) from operations	45.2	21.8	(4.4)	5.5	(19.2)	48.9
Total non-operating income (expense)					(13.5)	(13.5)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	45.2	21.8	(4.4)	5.5	(32.7)	35.4
Provision for income taxes					12.7	12.7
Equity in (income) loss of unconsolidated affiliates	(2.7)	—	—	1.8	—	(0.9)
Income (loss) from continuing operations	47.9	21.8	(4.4)	3.7	(45.4)	23.6
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations						
Income (loss) from continuing operations	47.9	21.8	(4.4)	3.7	(45.4)	23.6
Provision for income taxes	—	—	—	—	12.7	12.7
Interest expense, net of capitalized interest	—	—	—	—	17.7	17.7
Depreciation and amortization	9.9	5.4	3.7	2.8	0.6	22.4
EBITDA from continuing operations	57.8	27.2	(0.7)	6.5	(14.4)	76.4
Stock based compensation expense	0.2	0.2	0.1	—	1.6	2.1
Gain on sale or impairment of long lived assets					(0.1)	(0.1)
Investment income					(4.3)	(4.3)
Other operating credits and charges, net					0.6	0.6
Adjusted EBITDA from continuing operations	$58.0	$27.4	$(0.6)	$6.5	$(16.6)	$74.7

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Six Months Ended June 30, 2011 (Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
Sales	$272.6	$224.7	$101.9	$95.8	$(0.9)	$694.1
Depreciation and amortization	18.7	8.2	7.3	6.4	1.0	41.6
Cost of sales and selling and administative	278.6	192.5	103.0	81.0	32.6	687.7
Loss on sale or impairment of long lived assets	—	—	—	—	8.0	8.0
Other operating credits and charges, net	—	—	—	—	(1.4)	(1.4)
Total operating costs	297.3	200.7	110.3	87.4	40.2	735.9
Income (loss) from operations	(24.7)	24.0	(8.4)	8.4	(41.1)	(41.8)
Total non-operating income (expense)					(18.5)	(18.5)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(24.7)	24.0	(8.4)	8.4	(59.6)	(60.3)
Benefit for income taxes					(15.2)	(15.2)
Equity in (income) loss of unconsolidated affiliates	7.3	—	0.3	3.1	—	10.7
Income (loss) from continuing operations	(32.0)	24.0	(8.7)	5.3	(44.4)	(55.8)
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations						
Income (loss) from continuing operations	(32.0)	24.0	(8.7)	5.3	(44.4)	(55.8)
Income tax benefit	—	—	—	—	(15.2)	(15.2)
Interest expense, net of capitalized interest	—	—	—	—	28.4	28.4
Depreciation and amortization	18.7	8.2	7.3	6.4	1.0	41.6
EBITDA from continuing operations	(13.3)	32.2	(1.4)	11.7	(30.2)	(1.0)
Stock based compensation expense	0.4	0.2	0.2	—	4.0	4.8
Loss on sale or impairment of long lived assets					8.0	8.0
Investment income					(7.5)	(7.5)
Other operating credits and charges, net					(1.4)	(1.4)
Adjusted EBITDA from continuing operations	$(12.9)	$32.4	$(1.2)	$11.7	$(27.1)	$2.9

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Six Months Ended June 30, 2010 (Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
Sales	$335.4	$220.4	$104.7	$88.9	$(4.9)	$744.5
Depreciation and amortization	18.5	10.5	7.1	5.5	1.2	42.8
Cost of sales and selling and administative	276.7	179.6	108.3	76.8	32.4	673.8
Loss on sale or impairment of long lived assets	—	—	—	—	1.2	1.2
Other operating credits and charges, net	—	—	—	—	0.5	0.5
Total operating costs	295.2	190.1	115.4	82.3	35.3	718.3
Income (loss) from operations	40.2	30.3	(10.7)	6.6	(40.2)	26.2
Total non-operating income (expense)					(22.9)	(22.9)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	40.2	30.3	(10.7)	6.6	(63.1)	3.3
Provision for income taxes					2.4	2.4
Equity in (income) loss of unconsolidated affiliates	(3.2)	—	0.3	2.7	—	(0.2)
Income (loss) from continuing operations	43.4	30.3	(11.0)	3.9	(65.5)	1.1
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations						
Income (loss) from continuing operations	43.4	30.3	(11.0)	3.9	(65.5)	1.1
Provision for income taxes	—	—	—	—	2.4	2.4
Interest expense, net of capitalized interest	—	—	—	—	34.5	34.5
Depreciation and amortization	18.5	10.5	7.1	5.5	1.2	42.8
EBITDA from continuing operations	61.9	40.8	(3.9)	9.4	(27.4)	80.8
Stock based compensation expense	0.5	0.3	0.3	—	4.2	5.3
Loss on sale or impairment of long lived assets					1.2	1.2
Investment income					(10.2)	(10.2)
Other operating credits and charges, net					0.5	0.5
Adjusted EBITDA from continuing operations	$62.4	$41.1	$(3.6)	$9.4	$(31.7)	$77.6

RESULTS OF OPERATIONS

(Dollar amounts in millions, except per share amounts)

Our net loss attributable to LP for the second quarter of 2011 was $35.5 million, or $0.27 per diluted share, on sales of $362.4 million, compared to a net income attributable to LP for the second quarter of 2010 of $22.3 million, or $0.16 per diluted share, on sales of $447.5 million. For the second quarter of 2011, loss from continuing operations was $32.9 million, or $0.25 per diluted share, compared to income from continuing operations of $23.6 million, or $0.17 per diluted share, for the second quarter of 2010.

Our net loss attributable to LP for the first six months of 2011 was $58.5 million , or $0.45 per diluted share, on sales of $694.1 million, compared to net loss attributable to LP for the first six months quarter of 2010 of $0.2 million, or $0.00 per diluted share, on sales of $744.5 million. For the first six months of 2011, loss from continuing operations was $55.8 million, or $0.43 per diluted share, compared to income from continuing operations of $1.1 million, or

$0.01 per diluted share, for the first six months of 2010.

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

OSB

Our OSB segment manufactures and distributes commodity and value-added OSB structural panels.

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

	Quarter Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Net sales	$140.6	$217.8	(35)%	$272.6	$335.4	(19)%
Operating losses	(22.9)	47.9	(148)%	(32.0)	43.4	(174)%
Adjusted EBITDA from continuing operations	(13.3)	58.0	(123)%	(12.9)	62.4	(121)%

Percent changes in average sales prices and unit shipments for the quarter and six months ended June 30, 2011 compared to the quarter and six months ended June 30, 2010 are as follows:

	Quarter Ended June 30, 2011 versus 2010		Six Months Ended June 30, 2011 versus 2010	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB	(36)%	(4)%	(25)%	5 %

For both the quarter and six months ended June 30, 2011, OSB prices decreased as compared to the corresponding periods in 2010. The decrease in OSB prices was likely due to weakening of the relationship between supply and demand based upon currently operating facilities across the industry as housing starts decreased during the quarter and the six month period ended June 30, 2011. The decrease in selling price unfavorably impacted operating losses and adjusted EBITDA from continuing operations by approximately $71 million for the quarter and $83 million for the six month period ended as compared to the corresponding periods of 2010. To balance supply and demand, we continue to have two of our ten OSB mills curtailed.

Compared to the second quarter and first six months of 2010, the primary factor for increased operating losses was the decrease in commodity OSB sales prices.

SIDING

Our siding segment produces and markets wood-based siding and related accessories, together with commodity OSB products from one mill.

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

	Quarter Ended June 30,			Six Months ended June 30,		
	2011	2010	Change	2011	2010	Change
Net sales	$118.6	$130.6	(9)%	$224.7	$220.4	2 %
Operating profits	11.3	21.8	(48)%	24.0	30.3	(21)%
Adjusted EBITDA from continuing operations	15.3	27.4	(44)%	32.4	41.1	(21)%

Sales in this segment by product line are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
SmartSide Siding	$93.5	$100.7	(7)%	$174.1	$167.2	4 %
Commodity OSB	6.5	13.7	(53)%	14.1	21.8	(35)%
Canexel siding and other hardboard related products	18.6	16.2	15 %	36.5	31.4	16 %
Total	$118.6	$130.6	(9)%	$224.7	$220.4	2 %

Percent changes in average sales prices and unit shipments for the quarter and six month period ended June 30, 2011 compared to the quarter and six month period ended June 30, 2010 are as follows:

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	Quarter Ended June 30, 2011 versus 2010		Six Months Ended June 30, 2011 versus 2010	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
SmartSide Siding	2 %	(8)%	1 %	3 %
Commodity OSB	(38)%	(24)%	(24)%	(15)%
Canexel siding	22 %	(6)%	20 %	(4)%

For the second quarter of 2011 compared to the corresponding period in 2010, sales volumes decreased in our SmartSide siding line due to a sales price increase which was implemented at of the beginning of the second quarter (announced during the first quarter of 2011) which pulled forward demand as well as customers reducing inventory due to continued weakened demand primarily in the retail markets. Sales for the six month period ended June 30, 2011 as compared to the same period in 2010, we continued to increases in sales volumes due to continued market penetration in several keys market areas. Sales prices in our SmartSide siding product line for both the quarter and six month periods June 30, 2011 as compared to the corresponding periods of 2010 increased due to the previously announced sales price increase which were offset by changes in product mix.

For both the second quarter and first six months of 2011 compared to the same periods in the prior year, sales volumes declined in our Canexel siding lines due to weakening in the Canadian housing market. In our Canexel product line, sales prices increased in the second quarter and first six months of 2011 as compared to the corresponding periods of last year due to the impact of the strengthening Canadian dollar as a majority of these sales are made in Canada, alignment to a richer product mix as well as a price increase which was implemented in August of 2010.

For both the second quarter and first six months of 2011 as compared to the same periods in the prior year, sales prices and volumes declined in our commodity OSB products as discussed in the OSB segment above. The decrease in selling price unfavorably impacted operating losses and adjusted EBITDA from continuing operations by approximately $4.0 million for the quarter and $4.5 million for the six month period as compared to the corresponding periods of 2010.

Overall, the decline in operating results for our siding segment for the second quarter and six months ended June 30, 2011 compared to the same periods of 2010 was primarily due to reduced OSB pricing and raw material pricing increases that were partially offset by sales price increase in both our SmartSide as well as Canexel product lines.

ENGINEERED WOOD PRODUCTS

Our engineered wood products (EWP) segment manufactures and distributes laminated veneer lumber (LVL), I-Joists, laminated strand lumber (LSL) and other related products. This segment also includes the sale of I-Joist and LVL products produced by the AbitibiBowater-LP or under a sales arrangement.

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

	Quarter Ended June 30,			Six months ended June 30,		
	2011	2010	Change	2011	2010	Change
Net sales	$53.6	$55.9	(4)%	$101.9	$104.7	(3)%
Operating losses	(3.2)	(4.4)	27 %	(8.7)	(10.9)	20 %
Adjusted EBITDA from continuing operations	—	(0.6)	100 %	(1.2)	(3.6)	67 %

Sales in this segment by product line are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change

LVL/LSL	$29.0	$27.5	5 %	$52.1	49.5	5 %
I-Joist	16.6	22.3	(26)%	29.6	40.9	(28)%
Related products	8.0	6.1	31 %	20.2	14.3	41 %
Total	$53.6	$55.9	(4)%	$101.9	$104.7	(3)%

Percent changes in average sales prices and unit shipments for the quarter and six month periods ended June 30, 2011 compared

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to the quarter and six months ended June 30, 2010 are as follows:

	Quarter Ended June 30, 2011 versus 2010		Six Months Ended June 30, 2011 versus 2010	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL/LSL	2 %	(1)%	5 %	(5)%
I-Joist	3 %	(29)%	6 %	(32)%

During the second quarter and first six months of 2011 compared to the corresponding periods of 2010, we saw decreases in sales volumes in both LVL/LSL and I-Joist due to decreased housing demand, while net average selling prices increased in both I-Joist and LVL/LSL. Our focus in the EWP segment continues to be on reductions in conversion costs, better geographic manufacturing and distribution, and maintaining key customer relationships. Included in this segment is a plywood operation, which primarily produces plywood as a by-product from the LVL production process.

For the second quarter and first six months of 2011 compared to the corresponding periods of 2010, the results of operations for EWP were improved due to higher sales price and continued improvements in our LSL facility which offset lower volumes.

OTHER PRODUCTS

Our other products category includes a moulding business, South American operations, export sales and a joint venture that produces and sells cellulose insulation. This category also includes remaining timber and timberlands and other minor products, services and operations closed prior to January 1, 2002.

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

	Quarter Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Net sales	$49.9	$47.6	5 %	$95.8	$88.9	8 %
Operating profits (losses)	2.2	3.7	(41)%	5.3	3.7	43 %
Adjusted EBITDA from continuing operations	5.5	6.5	(15)%	11.7	9.4	24 %

Sales in this segment by operation are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Moulding	$7.4	$7.6	(3)%	$15.2	$16.8	(10)%
Chilean operations	23.4	25.8	(9)%	46.3	44.0	5 %
Brazilian operations	16.1	11.0	46 %	28.4	21.9	30 %
Other	3.0	3.2	(6)%	5.9	6.2	(5)%
Total	$49.9	$47.6	5 %	$95.8	$88.9	8 %

For the second quarter and first six months of 2011 compared to the corresponding periods of 2010, sales in our moulding operation were lower due to initial purchases by a new customer in the first six months of 2010. Sales in our Brazil operations increased as we continued to penetrate local and export markets. Sales in our Chilean market were slightly lower in the second quarter however for the six month period ended June 30, 2011 compared to the sames period in the prior year, we continue to see increased penetration. Our U.S. Greenfiber joint venture saw decreased sales as well as increased raw material costs.

Overall, operating results associated with these activities were positively impacted by improvements in our Chilean operation which partially offset reduced operating results in moulding and our U.S. Greenfiber joint venture.

GENERAL CORPORATE AND OTHER EXPENSE, NET

For the second quarter and first six months of 2011 compared to the corresponding periods of 2010, general corporate expenses decreased 9 percent and 9 percent and overall selling and administrative expenses decreased by 6 percent and 5 percent. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits for corporate and sales personnel, professional fees, insurance and other expenses. The decrease in general corporate expenses as well as overall

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selling and administrative is primarily related to changes in the management incentive program between periods as well as continued cost containment.

INTEREST EXPENSE AND INVESTMENT INCOME

Components of interest expense, net of investment income, are as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
Dollar amounts in millions	2011	2010	2011	2010
Investment income	$3.4	$5.0	$6.9	$10.4
SERP market adjustments	0.1	(0.7)	0.6	(0.2)
Investment income	3.5	4.3	7.5	10.2
Interest expense	(13.6)	(17.0)	(26.9)	(33.0)
Amortization of debt charges	(0.8)	(0.7)	(1.5)	(1.5)
Interest expense, net of capitalized interest	(14.4)	(17.7)	(28.4)	(34.5)
Foreign currency gains (losses)	0.6	(0.1)	2.4	1.4
Other non-operating expense	0.6	(0.1)	2.4	1.4
Total non-operating income (expense)	$(10.3)	$(13.5)	$(18.5)	$(22.9)

INCOME TAXES

For the second quarter and first six months of of 2011, we recorded an income tax benefit on continuing operations of 20% and 21% as compared to 35% and 69% in the comparable periods of 2010. The primary difference between the U.S. statutory rate of 35% and the effective rate applied to continuing operations for the first six months of 2011 relates to state income taxes, the effect of foreign tax rates and increases in valuation allowances due to net operating loss carry forwards in various jurisdictions. For the six months of 2010, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to our continuing operations relate to state income taxes, the effect of foreign tax rates and a discrete adjustment for state income taxes.

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. See Note 13 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010 for further information on our plans. We estimate that our net periodic pension cost for 2011 will be approximately $5.7 million. If a curtailment or settlement occurs in 2011, this estimate may change significantly. We estimate that we will contribute approximately $10 to $12 million to our defined benefit pension plans in 2011. At December 31, 2010, we had $115.1 million of net actuarial loss and $1.0 million of prior service cost included in accumulated other comprehensive loss. Of these amounts, we expect to recognize a net actuarial loss of $3.5 million as a component of net periodic pension cost in 2011, which will account for approximately 62% of our estimated 2011 net periodic pension cost.

LEGAL AND ENVIRONMENTAL MATTERS

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Items 3, 7 and 8 in our Annual Report on Form 10-K for the year ended December 31, 2010, Note 18 to the Notes to the financial statements contained therein.

HARDBOARD SIDING LITIGATION UPDATE

The following update should be read in conjunction with the discussion of our hardboard siding litigation set forth in Note 18 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Cumulative statistics under hardboard settlements are as follows:

	June 30, 2011
Completed claims received	86,900
Claims dismissed	14,500
Claims settled	74,000

The average payment amount for settled claims as of June 30, 2011 was $1,000. Dismissal of claims is typically the result of claims for product not produced by LP or predecessor companies or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies.

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 credit facilities. 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, repurchase shares of our common stock and acquire assets or businesses that are complementary to our operations. Any such repurchases may be commenced, suspended, discontinued or resumed, and the method or methods of effecting any such repurchases may be changed, at any time or from time to time without prior notice.

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

The following discussion provides further details of our liquidity and capital resources.

OPERATING ACTIVITIES

During the first six months of 2011, we used $39.0 million of cash from operating activities compared to cash provided of $35.6 million in the first six months of 2010. The increase in cash used by operating activities in the first six months of 2011 was primarily related to the receipt of $46.8 million tax refund in the first six months of 2010.

During the first six months of 2011, our accounts receivable declined due to lower sales volume across all product lines as well as lower OSB pricing. No substantial change in credit terms or number of days outstanding occurred.

Inventory increased based on our requirements to increase log inventory due to the inability to harvest logs during the spring break up. Accounts payable decreased slightly.

INVESTING ACTIVITIES

During the first six months of 2011, cash provided from investing activities was approximately $5.6 million. Capital expenditures in the first six months of 2011 were $8.0 million. Additionally, we contributed $3.1 million to our joint ventures for working capital requirements. During the first six months, we reduced our restricted cash under letters of credit or credit facility requirements by $16.4 million primarily associated with the renegotiation of our Chilean loan.

Included in "Accounts payable" is $0.8 million related to capital expenditures that had not yet been paid as of June 30, 2011.

During the first six months of 2010, cash provided from investing activities was approximately $122.2 million. Capital expenditures in the first six months of 2010 were $5.4 million. Additionally, we received $6.1 million from our joint

ventures

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and $1.2 million in the sale of assets. We received $115.1 million in principal payments on our notes receivable from asset sales. Restricted cash was reduced by $5.2 million. Included in "Accounts payable" was $1.5 million related to capital expenditures that had not yet been paid as of June 30, 2010.

Capital expenditures in 2011 are expected not to exceed $25 million related to projects critical for continuing operations.

FINANCING ACTIVITIES

During the first six months of 2011, we redeemed the non-controlling interest associated with the 25% ownership of our Brazilian OSB operation for $24.0 million. In connection with this redemption, we borrowed $4.5 million under a short term Chilean working capital loan. As part of our on-going cost reduction activities, we renegotiated our Chilean loan which required us to pay a financing fee of $1.0 million allowing us to release our restricted cash associated with letters of credit supporting Chilean borrowings and lower the interest rate on this loan.

During the first six months of 2010, we repaid $113.8 million of our limited recourse notes payable.

CREDIT AGREEMENTS

We have a credit facility which provides for a committed asset-based borrowing capacity of up to $100 million, with a $60 million sublimit for U.S. letters of credit and a $10 million sublimit for Canadian letters of credit. The credit facility is scheduled to end in September of 2012.

The availability of credit under the credit facility is subject to a borrowing base, which is calculated based upon certain percentages of accounts receivable and inventory and at any given time may limit the amount of borrowings and letters of credit otherwise available under the facility. In addition, the credit facility contains a covenant requiring us to maintain a fixed charge coverage ratio of at least 1.1 to 1.0 at any time that our unused borrowing base capacity after adjustment to exclude certain past due trade payables falls below $15 million. This covenant effectively precludes us from using all or a portion of the last $15 million of our unused borrowing base capacity, if, before or immediately after such use, we would not satisfy the minimum fixed charge coverage ratio. At June 30, 2011, we had $79.6 million of unused borrowing base capacity under the credit facility. The credit facility allows us to pledge, as security for our reimbursement obligations in respect of letters of credit issued under the facility, cash collateral in an amount not less than 105% of the of the stated amount of such letters of credit. The above-described preclusion to our utilization of $15 million of the capacity otherwise available under the facility does not apply to such cash collateralized letters of credit. At June 30, 2011, we had no borrowings outstanding under the facility. Outstanding under this facility at June 30, 2011 were $11.6 million in letters of credit which were collateralized by $12.5 million of cash. Based upon our available cash balances, we do not currently anticipate using this facility except to obtain and maintain letters of credit. Additionally, we expect that our fixed charge coverage ratio may fall below 1.1 to 1.0 from time to time during 2011, and, accordingly we will be subject to the limitation on our ability to fully utilize our adjusted borrowing base capacity as described above during such time. As a result, our ability to obtain and maintain non-cash collateralized letters of credit under this facility may become constrained to an amount that does not exceed the excess of our adjusted borrowing base over $15 million.

Subject to certain exceptions, obligations under the credit facility are secured by, among other things, a first-priority lien on our present and future receivables, inventory and certain general intangibles, and by a second-priority lien on substantially all of our domestic property, plant and equipment, and are guaranteed by certain of our subsidiaries.

The credit facility contains customary covenants applicable to us and our subsidiaries, other than certain unrestricted subsidiaries, including certain financial covenants as well as 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 facility also 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 Secured Notes due 2017 are, in general, secured by a first-priority lien on the collateral that secures obligations under the credit facility on a second-priority basis, and by a second-priority lien on the collateral that secures obligations under the credit facility on a first-priority basis, subject

to the terms of an intercreditor agreement, and are guaranteed by the subsidiaries that guarantee obligations under the credit facility.

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

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events of defaults, the occurrence of which could result in acceleration of our obligations to repay the indebtedness outstanding thereunder.

OTHER LIQUIDITY MATTERS

As of June 30, 2011, we had $19.6 million ($61.5 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. Subsequent to June 30, 2011, we sold $18.5 million ($35.9 million, par value) of these securities for cash proceeds of $18.7 million plus accrued interest.

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.

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.

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 June 30, 2011, the undiscounted cash flows for the facilities indefinitely curtailed support the conclusion that no impairment is necessary for those facilities. However, should the markets for our products continue to remain at levels significantly below cycle average pricing or should we decide to invest capital in alternative projects, it is possible that we will be required to record further impairment charges.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Offsetting the variable rate debt are variable rate notes receivable from asset sales. Based upon the balances of the variable rate notes receivable from asset sales and the variable rate debt at June 30, 2011, 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 annual production capacity (including our joint venture operation) of 5.0 billion square feet (3/8" basis) or 4.3 billion square feet (7/16" basis), a $1 change in the annual average price on 7/16" basis would change annual pre-tax profits by approximately $4.3 million. Because of the decline in the housing market and related indefinitely curtailed facilities in our OSB business, we expect that our near-term volumes will be significantly below our capacity.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have carried out, as of June 30, 2011, with the participation of LP’s management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act (the “Act”). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that LP’s disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
SUMMARY OF PRODUCTION VOLUMES [1]
The following table sets forth production volumes for the quarter and six months ended June 30, 2011 and 2010.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Oriented strand board, million square feet 3/8" basis[1]	811	846	1,571	1,510
Oriented strand board, million square feet 3/8" basis (produced by wood-based siding mills)	41	54	87	102
Wood-based siding, million square feet 3/8" basis	201	226	422	429
Engineered I-Joist, million lineal feet[1]	16	21	29	43
Laminated veneer lumber (LVL), thousand cubic feet[1] and laminated strand lumber (LSL), thousand cubic feet	1,727	1,885	3,356	3,389

(1) Includes volumes produced by joint venture operations and sold to LP or through sales arrangements.

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

	OSB N. Central 7/16" Basis
Annual Average	
2005	320
2006	210
2007	146
2008	172
2009	163
2010 1st Qtr. Avg.	214
2010 2nd Qtr. Avg.	295
2011 1st Qtr. Avg .	198
2011 2nd Qtr. Avg.	172

Source: Random Lengths

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PART II -OTHER INFORMATION

Item 1. Legal Proceedings.

The description of certain legal and environmental matters involving LP set forth in Part I of this report under "Note 15 – Contingency Reserves" is incorporated herein by reference.

Item 1A. Risk Factors.

You should be aware that the occurrence of any of the events described in this Risk Factors section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below and the matters described in "About Forward-Looking Statements."

Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial condition and results of operations. Our operating results reflect the general cyclical pattern of the building products industry. Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. This cyclicality is influenced by a number of factors, including the supply of new and existing homes on the market, of which existing homes are currently at above average levels, the level of unemployment, which has been increasing in recent periods, longer-term interest rates, which in recent years have been at relatively low levels, the availability of mortgage financing, which has recently declined, and mortgage foreclosure rates, which are higher than normal. A significant increase in longer-term interest rates, a prolonged decline in the availability of mortgage financing, or the occurrence of other events that reduce levels of residential construction activity could have a material adverse effect on our financial condition, results of operations and cash flows. Our primary product, OSB, and a significant portion of our raw materials are globally traded commodity products. In addition, our products are subject to competition from manufacturers worldwide. Historical prices for our products have been volatile, and we, like other participants in the building products industry, have limited influence over the timing and extent of price changes for our products. Product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors. The level of new residential construction activity and home repair and remodeling activity primarily affects the demand for our building products. Demand is also subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions and other factors. We are not able to predict with certainty market conditions and selling prices for our products. In this competitive environment with so many variables for which we do not control, we cannot assure you that prices for our products will not decline from current levels. A prolonged and severe weakness in the markets for one or more of our principal products, particularly OSB, could seriously harm our financial condition and results of operations and our ability to satisfy our cash requirements, including the payment of interest and principal on our debt. We have a high degree of product concentration. OSB accounted for about 46% of our North American sales in the first six months of 2011 and 53% of our sales in the first six months of 2010 and we expect OSB sales to continue to account for a substantial portion of our revenues and profits in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. In this competitive environment with so many variables for which we do not control, we cannot assure you that pricing for OSB or our other products will not decline from current levels.

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

Our results of operations may be harmed by potential shortages of raw materials and increases in raw material costs. The most significant raw material used in our operations is wood fiber. For the year ended December 31, 2010, we

obtained about 73% of our wood fiber requirements in the open market. Wood fiber is subject to commodity pricing, which fluctuates on the basis of market factors over which we have no control. In addition, the cost of various types of wood fiber that we purchase in the market has at times fluctuated greatly because of governmental, economic or industry conditions, and may be affected by increased demand resulting from initiatives to increase the use of biomass materials in the production of heat, power, biobased products and biofuels. In addition to wood fiber, we also use a significant quantity of various resins in our manufacturing processes. Resin product costs are influenced by changes in the prices or availability of raw materials used to produce resins,

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

Many of the Canadian forestlands also are subject to the constitutionally protected treaty or common-law rights of the aboriginal peoples of Canada. Most of British Columbia is not covered by treaties and, as a result, the claims of British Columbia's aboriginal peoples relating to forest resources are largely unresolved, although many aboriginal groups are actively engaged in treaty discussions with the governments of British Columbia and Canada. Final or interim resolution of claims brought by aboriginal groups are expected to result in additional restrictions on the sale or harvest of timber and may increase operating costs and affect timber supply and prices in Canada. It is possible that, over the long term, such claims could have an adverse effect on our business, financial condition and results of operations. In addition, there is proposed legislation in Quebec which could be enacted as early as 2013 which could materially impact our ability to harvest and therefore the valuation of our associated timber licenses in Quebec.

We depend on our senior management team and other key employees, and significant attrition within our management team could adversely affect our business. Our success depends in part on our ability to attract, retain, and motivate senior management and other key employees. Achieving this objective may be difficult due to cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain, and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. Cost-cutting measures that have reduced compensation make us vulnerable to attrition among our current senior management team and other key employees, and may make it difficult for us to hire additional senior managers and other key employees. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition, and results of operations.

Our operations require substantial capital. Capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may be substantial. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot assure you that key pieces of equipment in our various production processes will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. If for any reason we are unable to provide for our operating needs, capital expenditures and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

Our pension and health care costs are subject to numerous factors which could cause these costs to change. We have defined benefit pension plans covering substantially all U.S. and Canadian employees. We provide retiree health care benefits to certain of our U.S. salaried and certain hourly employees. Our pension costs are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns; changes in general interest rates and changes in the number of retirees may result in increased pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could also increase pension and health care costs. Although we froze our U.S. defined benefit plan in January 2010 in terms of future service credits, we continue to be subject to market risk on pension plan assets as well as discount rates on long-term obligations. Significant changes in any of these factors could adversely affect our cash flows, financial condition and results of operations.

Our pension plans are currently underfunded, and over time we will be required to make cash payments to the plans, reducing the cash available for our business. We record a liability associated with our pension plans equal to the excess of the benefit obligation over the fair value of plan assets. The benefit liability recorded under the provisions of Accounting Standards Codification (ASC) 715, “Compensation – Retirement Benefits,” at December 31, 2010 was $61 million. Although we expect to have no obligation to fund our plans in 2011, we continually reassess the amount and

timing of any discretionary contributions and have elected to make such a contribution in 2011. Regardless of whether we make a discretionary contribution in 2011, over the next several years we will make contributions to the plans that are likely to be material. The amount of such contributions will depend upon a number of factors, principally the actual earnings and changes in values of plan assets, changes in interest rates and the impact of possible funding relief legislation currently under consideration in the U.S. Congress.

A portion of our operations are conducted by joint ventures that we cannot operate solely for our benefit. We conduct a portion of our operations through joint ventures. In joint ventures we share ownership and management of a company with one or more

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parties who may or may not have the same goals, strategies, priorities or resources as we do. In general, joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. In joint ventures, we are required to pay more attention to our relationship with our co-owners as well as with the joint venture, and if a co-owner changes, our relationship may be adversely affected. In addition, the benefits from a successful joint venture are shared among the co-owners, so that we do not receive all the benefits from our joint ventures.

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

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

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

We are involved in various environmental matters, product liability and other legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties. The conduct of our business involves the use of hazardous substances and the generation of contaminants and pollutants. In addition, the end-users of many of our products are members of the general public. We currently are and from time to time in the future will be involved in a number of environmental matters and legal proceedings, including legal proceedings involving anti-trust, warranty or non-warranty product liability claims, negligence and other claims, including claims for wrongful death, personal injury and property damage alleged to have arisen out of the use by others of our or our predecessors' products or the release by us or our predecessors of hazardous substances. Environmental matters and legal matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal

proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject to inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time. We may incur costs in respect of existing and future environmental matters and legal proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

The valuation of our investment in auction-rate securities (ARS) is subject to uncertainties that are difficult to predict. With the liquidity issues experienced in global credit and capital markets, the ARS held by us have experienced multiple failed auctions as the amount of securities submitted for sale has exceeded the amount of purchase orders. Given the failed auctions, the values

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

Settlements of tax exposures may exceed the amounts we have established for known estimated tax exposures. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions and uncertain tax positions. Significant income tax exposures may include potential challenges to intercompany pricing, the treatment of financing, acquisition and disposition transactions, the use of hybrid entities and other matters. These exposures are settled primarily through the closure of audits with the taxing jurisdictions and, on occasion, through the judicial process, either of which may produce a result inconsistent with past estimates. We believe that we have established appropriate reserves for estimated exposures; however, if actual results differ materially from our estimates we could experience a material adverse effect on our financial condition, results of operations and cash flows.

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

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

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

matters, and is subject to inherent uncertainties. Actual results may differ materially from the results expressed or implied by, or based upon, such forecasted and forward-looking information.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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Item 4. [Removed and Reserved]
None.
Item 5. Other Information

In light of the vote by shareholders on the frequency of the advisory vote on executive compensation at the May 5, 2011 Annual Meeting of Shareholders and the Board's recommended frequency for such vote, the Company will ask shareholders to vote on executive compensation each year.

Item 6. Exhibits

10.13	2004 Executive Deferred Compensation Plan, amended June 14, 2011
10.14	Supplemental Executive Retirement Plan, amended June 14, 2011
10.15	Non-Employee Director Phantom Share Plan, adopted May 15, 2011
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32.1	Certifications pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
100.INS	XBRL Instance Document*
100.SCH	XBRL Taxonomy Extension Schema Document*
100.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
100.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
100.LAB	XBRL Taxonomy Extension Label Linkbase Document*
100.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* To be filed by amendment
LP hereby agrees to furnish supplementally to the SEC upon its request any schedules and similar documents omitted pursuant to Item 601(b)(2) of Regulation S-K and any instruments omitted pursuant to Item 601 (b)(4)(iii) of Regulation S-K.

SIGNATURES

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

	LOUISIANA-PACIFIC CORPORATION
Date: July 29, 2011	BY: /S/ RICHARD W. FROST Richard W. Frost Chief Executive Officer
Date: July 29, 2011	BY: /S/ CURTIS M. STEVENS Curtis M. Stevens Executive Vice President Administration and Chief Financial Officer (Principal Financial Officer)