

LOUISIANA PACIFIC CORP
Form 10-K405
March 16, 2001

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Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended
December 31, 2000

Commission File Number
1-7107

Louisiana-Pacific Corporation

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

93-0609074
(I.R.S. Employer
Identification No.)

805 S.W. Broadway, Suite 1200
Portland, Oregon 97205-3303
(Address of principal executive offices)

Registrant's telephone number
(including area code)
503-221-0800

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

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

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

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

State the aggregate market value of the voting stock held by nonaffiliates of the registrant: \$1,007,638,000 as of March 12, 2001.

Indicate the number of shares outstanding of each of the registrant's classes of common stock: 104,360,850 of Common Stock, \$1 par value, outstanding as of March 12, 2001.

Documents Incorporated by Reference

Definitive Proxy Statement for 2001 Annual Meeting: Part III

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Except as otherwise specified and unless the context otherwise requires, references to "LP" refer to Louisiana-Pacific Corporation and its subsidiaries.

ABOUT FORWARD-LOOKING STATEMENTS

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

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

Risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions;

Possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions; and

Actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials.

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

PART I

ITEM 1. Business

General

LP is a major building products firm, operating approximately 66 facilities in the United States, Canada, Chile and Ireland. For financial reporting purposes, LP divides its businesses into the following business segments: (1) Structural Products, which includes structural panel products (oriented strand board ("OSB") and plywood), lumber, engineered wood products ("EWP") and wood fiber resources; (2) Exterior Products, which includes wood and vinyl siding and related accessories, composite decking and specialty OSB products; (3) Industrial Panel Products, which includes particleboard, medium density fiberboard ("MDF"), hardboard and decorative panels; (4) Other Products; and (5) Pulp. With the exception of pulp, LP's products are used primarily in new home construction, repair, remodeling and manufactured housing. LP distributes its building products primarily through third-party distributors and home centers.

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LP was organized as a Delaware corporation in 1972. LP's executive offices are located at 805 S.W. Broadway Suite 1200, Portland, OR 97205-3303.

Structural Products

Structural Panel Products. LP is one of the largest North American producers of OSB and is a major manufacturer of plywood. OSB is a manufactured composite wood product that is generally used as a lower cost substitute for plywood. These structural panel products are primarily used in new residential construction and remodeling applications such as subfloors, walls and roofs. According to the APA The Engineered Wood Association, the total North American market for structural panel products (OSB and plywood) is approximately 37 billion square feet annually. The OSB share of these products is approximately 50%, up from approximately 25% in 1990. In the past decade, land use regulations and endangered species and environmental concerns have resulted in reduced supplies and higher costs for domestic timber, causing many plywood mills to close permanently. The volume lost from those closed mills has been replaced primarily by OSB.

LP has 14 OSB mills in North America with a combined annual production capacity of approximately 5.8 billion square feet. LP also owns 65% of a joint venture in Ireland which has an OSB mill with an annual production capacity of approximately 450 million square feet, the output of which is primarily distributed in Ireland, the United Kingdom and Western Europe (this mill is considered part of LP's Other Products segment because it does not sell primarily to North American customers). Additionally, LP is currently constructing, under a joint venture relationship, an OSB mill in Chile that is expected commence operation in early 2001. This facility will have an annual capacity of 130 million square feet and the product will be targeted for South American markets.

LP has four plywood mills in the southern United States with a combined annual production capacity of approximately 1.2 billion square feet and one plywood mill in the Province of British Columbia, Canada with an annual production capacity of approximately 150 million square feet. Certain of these mills also produce veneers used in the manufacture of laminated veneer lumber. See Engineered Wood Products below.

Lumber. LP produces lumber in a variety of standard and specialty grades and sizes, and believes it is the largest North American producer of stud lumber.

LP has fourteen sawmills in the United States with a combined annual production capacity of approximately 1.2 billion board feet, two sawmills in the Province of Quebec, Canada with a combined annual production capacity of approximately 120 million board feet, and one sawmill in the Province of British Columbia, Canada with an annual production capacity of approximately 50 million board feet.

Engineered Wood Products. LP is one of the largest North American manufacturers of EWP, including I-joists and laminated veneer lumber ("LVL"). LP believes that its engineered I-joists, which are used primarily in residential and commercial flooring and roofing systems and other structural applications, are stronger, lighter and straighter than conventional lumber joists. LP's LVL is a high-grade, value-added structural product used in applications where extra strength is required, such as headers and beams. It is also used, together with OSB and lumber, in the manufacture of engineered I-joists.

Wood Fiber Resources. LP obtains wood fiber for its mills from several sources: fee-owned timberland, timber deeds, cutting contracts from other private and public landowners in the United States, Canada and Ireland and purchases from third parties. LP owns approximately 950,000 acres of timberland primarily in the southern and southeastern United States that supplied approximately 10% of its overall timber needs in 2000. See Item 2 "Properties" for additional discussion of LP's timber resources.

LP's mills are generally located in areas that are in close proximity to large and diverse supplies of wood fiber. In areas where LP does not own a significant amount of timberlands, its mills generally have the ability to procure wood fiber at competitive prices from third-party sources.

Exterior Products

LP manufactures exterior siding and other cladding products for the residential and commercial building markets. LP's siding product offerings fall into four categories: (1) SmartSystem® products, (2) hardboard siding products, (3) composite decking, and (4) vinyl siding products. These products are distributed through retail outlets and to builders and siding contractors. LP's portfolio of products offers customers a variety of siding choices at various performance levels and prices.

The SmartSystem® Products. LP's SmartSystem® products consist of a full line of OSB-based sidings, trim, soffit and fascia. These products have quality and performance characteristics similar to solid wood at relatively more attractive prices due to lower raw material and production costs. Additionally, LP produces specialty OSB products. LP manufactures its SmartSystem® products at four facilities which have a combined annual production capacity of approximately 760 million square feet.

Hardboard Siding. LP's product offerings include a number of lap and panel siding products in a variety of patterns and textures, as well as trim products. LP operates a hardboard siding products facility in the southeastern United States with an annual production capacity of 245 million square feet. In addition, LP's East River facility has the ability to produce hardboard siding as needed.

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Vinyl Siding. LP also manufactures vinyl siding products and accessories. These products are available in various styles and colors. LP manufactures these products at two facilities, one in the southern United States and one in Canada, with a combined annual production capacity of three million squares (i.e., units consisting of 100 square feet of material with an average weight of 32 pounds).

Composite Decking. LP manufactures wood composite decking and accessories. These products have superior quality and performance characteristics to solid wood. LP manufactures these products at two facilities which have a combined annual production of approximately 32 million lineal feet.

Additionally, the Exterior Products segment includes certain products that are in the developmental stage, such as OSB concrete form (panels used in the process of forming concrete structures) and treated OSB. Following satisfactory development, LP intends to invest in appropriate technological and sales and marketing support to commercialize these products.

Industrial Panel Products

LP manufactures industrial panel products particleboard, medium density fiberboard ("MDF"), hardboard and decorative panels at six plants. The combined annual production capacity of these plants is approximately 360 million square feet of particleboard, 50 million square feet of MDF and 800 million square feet of hardboard and decorative panels.

Part of LP's strategy in its Industrial Panel Products segment is to focus on LP's value-added specialty products that are complementary to its other product offerings. These value-added specialty product lines include flooring, shelving, door skins, door parts, decorative panels, paneling and other specialty applications.

Other Products

The Other Products segment includes value-added products such as Cocoon cellulose insulation, which is produced from recycled newspaper and has higher insulation efficiency performance levels and superior sound-deadening qualities compared to conventional fiberglass insulation of comparable

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thickness. This product line was contributed to a joint venture with Casella Waste Systems in August of 2000 to create US GreenFiber, LLC. This segment also includes plastic molding products, as well as LP's distribution and wholesale business, wood chips and Ireland operations. Historically, the segment included coatings and specialty chemicals (sold in December 1999), and Alaska lumber and logging operations (sold in November 1999).

Pulp

LP has two pulp mills located in Samoa, California, and Chetwynd, British Columbia, Canada. LP is seeking to sell the Chetwynd, British Columbia pulp mill, which is presently managed by an unrelated party pursuant to a management agreement having a term of 24 months that expires in December 2001. LP recently sold a controlling ownership interest in the Samoa, California pulp mill (see Note 12 of the Notes to financial statements included in Item 8 of this report). Pulp accounted for approximately 5% of LP's net sales in 2000.

Employees

LP had approximately 11,000 employees at December 31, 2000. LP believes that its relations with its employees are good.

Raw Materials

The principal raw materials used in LP's business are logs, which are generally available from numerous sources. See Product Information Summary below, for information regarding LP's sources of logs. Because various factors, including land use regulations and environmental and endangered species concerns, have limited the amount of timber offered for sale by certain United States government agencies, LP must rely more heavily on the acquisition of timber from other sources (including domestic private timber owners) to supply its manufacturing facilities. The reduction in domestic timber supplies has resulted in upward pressure on the prices that LP must pay for timber. In addition, logs are subject to commodity pricing which fluctuates on the basis of market factors over which LP has no control.

LP also uses various resins in the manufacturing processes of its structural and industrial panel products as well as certain of its vinyl products. Resin product prices are influenced by changes in the raw materials used to produce resin, primarily petroleum products, and other

competitive pressures.

Competition

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

Many of LP's products, including structural panels and lumber, are commodity products sold primarily on the basis of price, availability and delivery in competition with numerous other forest and building products companies. Consequently, the prices that LP can obtain for its commodity products may fluctuate unpredictably, which may have a material effect on LP's operating results.

Environmental Compliance

LP's operations are subject to a variety of environmental laws and regulations governing, among other things, the restoration and reforestation of timberlands, discharges of pollutants and other

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emissions on or into land, water and air, the disposal of hazardous substances or other contaminants and the remediation of contamination. In addition, certain environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. Compliance with environmental laws and regulations can significantly increase the costs of LP's operations and otherwise result in significant costs and expenses. Violations of environmental laws and regulations can subject LP to additional significant costs and expenses, including defense costs and expenses and civil and criminal penalties. There can be no assurance that the environmental laws and regulations to which LP is subject will not become more stringent, or be more stringently implemented or enforced, in the future.

LP's policy is to comply fully with all applicable environmental laws and regulations. In recent years, LP has devoted increasing financial and management resources to achieving this goal. In addition, from time to time, LP undertakes construction projects for environmental control facilities or incurs other environmental costs that extend an asset's useful life, improve efficiency, or improve the marketability of certain properties. LP believes that its estimated capital expenditures for environmental control facilities in 2001 and 2002 are not material.

Additional information concerning environmental matters is set forth under Item 3, Legal Proceedings, and in Note 8 of the Notes to financial statements in Item 8.

Executive Officers of Louisiana-Pacific Corporation

Information regarding each executive officer of LP as of March 8, 2001 (including certain executives whose duties may cause them to be classified as executive officers under applicable SEC rules), including employment history for the past five years, is set forth below.

Mark A. Suwyn, age 58, has been Chairman and Chief Executive Officer since January 1996. Before joining LP, Mr. Suwyn was Executive Vice President of International Paper Company from 1992 through 1995. Mr. Suwyn is also a director of LP.

J. Ray Barbee, age 53, has been Vice President, Industrial Panels and Distribution, since January 2001. He served as Vice President, Sales and Marketing and Industrial Panels from September 2000 to January 2001 and previously served as Vice President, Sales and Marketing from June 1998. Prior to joining LP as Director of Pulp in 1997, Mr. Barbee was Vice President and General Sales Manager of Boise Cascade Corporation from 1989 to 1997.

F. Jeff Duncan, Jr., age 46, has been Chief Information Officer of LP since October 1998 and Vice President since March 2001. Mr. Duncan had been Director of Information Technology of LP since September 1996. He was previously employed by E.I. du Pont de Nemours & Co. for 19 years in a variety of positions, most recently as Systems Manager New Business Development.

Warren C. Easley, age 59, has been Vice President, Technology and Quality since May 1996. He was Technical Manager Nylon Division, North America for E.I. du Pont de Nemours & Co. from 1969 to 1996.

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Richard W. Frost, age 49, joined LP in May 1996 as Vice President, Timberlands and Procurement. Mr. Frost was Vice President and Operational Manager for S.D. Warren Company from 1992 to 1996.

M. Ward Hubbell, age 40, has been Director, Corporate Affairs since September 1997 and Vice President since March 2001. Before joining LP, Mr. Hubbell was employed by International Paper Company beginning in October 1992, first as Communications Director and then as Federal Affairs Manager.

Joseph B. Kastelic, age 37, has been Vice President, Specialty Products since November 2000 and Vice President, Sales and Specialty Products since January 2001. He previously served as Director,

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Specialty Building Products from January 1999 to November 2000. From March 1997 to December 1998, Mr. Kastelic was Business Director, Siding/Exterior Products, and from September 1996 to March 1997 served as Marketing Development Manager for new construction and siding. Before joining LP in September 1996, Mr. Kastelic was the Marketing Development Manager at PPG Industries in Pittsburgh, Pennsylvania.

J. Keith Matheney, age 52, has been Vice President, OSB and Engineered Wood Products since November 2000. He previously served as Vice President, Core Businesses from June 1998 to November 2000, as Vice President, Sales and Marketing from January 1997 to June 1998, as General Manager Western Division from February 1996 to January 1997, and General Manager Weather-Seal Division from May 1994 to February 1996.

Curtis M. Stevens, age 48, has been Vice President, Treasurer and Chief Financial Officer since September 1997. Before joining LP, Mr. Stevens spent 13 years as the senior financial executive of Planar Systems, Inc., a leading manufacturer and supplier of electroluminescent flat panel displays, where he was named Executive Vice President and General Manager in 1996. He also served on the Board of Directors for Planar Systems.

Michael J. Tull, age 55, has been Vice President, Human Resources since May 1996. Before joining LP, Mr. Tull was employed by Sharp HealthCare, a regional system of hospitals and related facilities in San Diego, California, for more than 10 years, most recently as Corporate Vice President of Employee Quality and Development beginning in 1991.

Gary C. Wilkerson, age 54, has been Vice President and General Counsel since September 1997. Before joining LP, Mr. Wilkerson served as (acting) Senior Vice President, General Counsel and Secretary for the consumer products division of IVAX Pharmaceuticals beginning in early 1997. For the previous seven years, he was Senior Vice President, General Counsel and Secretary of Maybelline Co., a cosmetics manufacturer.

Walter M. Wirfs, age 53, has been Vice President, Lumber and Plywood since November 2000, and as Vice President, Manufacturing from March 1999 to November 2000. From January 1998 to March 1999, Mr. Wirfs served as President of Western Wood Products Association. Mr. Wirfs was employed by Willamette Industries, Inc., a forest products company headquartered in Portland, Oregon, for 23 years until December 1997, most recently as Vice President of its Southern and Atlantic Regions.

Executive officers are elected from time to time by the Board of Directors. Each officer's term of office runs until the meeting of the Board of Directors following the next annual meeting of the stockholders and until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

Segment and Price Trend Data

The following table sets forth, for each of the last five years, (1) LP's consolidated net sales by business segment, (2) LP's consolidated profit (loss) by business segment, (3) production volumes, (4) the average wholesale price of selected building products in the United States, and (5) logs used in

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production by source. This information should be read in conjunction with the consolidated financial statements (including the notes thereto) and the other information contained in this report.

Product Information Summary For Years Ended December 31 (Dollar Amounts in Millions)

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SALES BY BUSINESS SEGMENT(3)	2000		1999		1998		1997		1996	
Structural products	\$ 1,817	62%	\$ 1,876	61%	\$ 1,307	53%	\$ 1,223	48%	\$ 1,398	53%
Exterior products	329	11	276	9	116	5	112	4	108	4
Industrial panel products	287	10	300	10	192	8	199	8	217	8
Other products	348	12	477	16	731	30	861	34	717	27
Building products	2,781	95	2,929	95	2,346	96	2,395	93	2,440	92
Pulp	152	5	143	5	105	4	169	7	213	8
Total sales	\$ 2,933	100	\$ 3,072	100	\$ 2,451	100	\$ 2,564	100	\$ 2,653	100

PROFIT (LOSS) BY BUSINESS SEGMENT

Structural products	\$ 173	\$ 440	\$ 198	\$ 21	\$ 135
Exterior products	19	53	22	9	17
Industrial panel products	2	13	6	13	31
Other products	(12)	(11)	(20)	(24)	(9)
Building products	182	495	206	19	174
Pulp	13	(15)	(38)	(29)	(91)
Unusual credits and charges, net	(71)	(8)	(48)		