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September 16, 2007 @ 10 pm

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### ***Registration Effective August 27<sup>th</sup> and Now Operational***

#### **LOUISIANA-PACIFIC (LPX \$16.78, rated Underweight) EARNINGS ESTIMATES AND PRICE TARGET CUT**

	2007E	2008E	2009E	2010E
Earnings per share revised 9-16	\$(1.51)	\$(1.03)	\$0.04	\$0.64
Prior estimate last 5-4-07	\$(1.12)	\$(0.44)	\$0.47	\$0.97

We are continuing research coverage of Louisiana-Pacific and the OSB sector because it is a highly “transparent” company in a similarly transparent basic commodity market that we can understand, model and analyze. LPX has good disclosure, and is much easier to understand than BHP Billiton, Rio Tinto, CVRD or other very large multi-product cyclicals. LPX has a sound balance sheet and asset base, and market expectations are very low in view of recent housing market turmoil in stark contrast to \$0.25-\$0.50 trillion of recent years investor funds flows that have driven up premiums upon metals commodities contracts aside from the high expectations in metals shares.

We raised our 2007 OSB price estimate to \$160 from \$150 per 000 sq ft because third-quarter prices have been much firmer than expected as producers cut output. Wood markets appeared to have digested and discounted the housing downturn in 2005-06 well before Wall Street.

Louisiana-Pacific’s unit costs should rise in the September and December quarters owing to lower unit volume, the stronger Canadian \$, litigation costs and new startups. It does not expect variable input costs such as wood chips, energy, resin, wax or transportation to exert too much adverse effect, but recent crude oil rises cannot help. We estimate EBITDA basis unit costs per 000 sq ft of OSB rose from \$143 in the March 2005 quarter to \$170 in the June 2007 quarter, and will increase to \$186 in September and \$192 in December of 2007.

We raised our realized price estimate \$3 to \$151, raised our cost estimate \$4 to \$193 including depreciation, raised our foreign currency charge estimate and cut our earnings contributions from the siding, engineered wood and “other” segments. We cut our earnings estimate for 2007 to a \$1.51 from a \$1.12 loss, for 2008 to a \$1.03 from a \$0.44 loss, cut 2009 to a \$0.04 from a \$0.47 profit and cut 2010 to a \$0.64 from a \$0.97 per share estimate.

We estimate the company pays its \$0.60 dividend, buys back little or no shares and that its cash balances range near \$450 mm from 2009 to 2013.

We maintained our Underweight investment rating and cut our price target to \$15 from \$20 per share owing to the subdued outlook for recovery in key demand sectors.

#### OSB MARKET IN THIRD-QUARTER FIRMER THAN OUR PRIOR \$150 PER 000 SQ FT ESTIMATE

Based on Random Lengths north central prices on a 7/16<sup>th</sup> inch basis prices averaged \$320 in 2005, \$220 in 2006, \$166 in 4Q06, \$155 in 1Q07, \$146, in 2Q07 and \$180 in 3Q07 and we estimate prices ease to \$158 in 4Q07.

Production cuts by LPX, Weyerhaeuser, Georgia-Pacific and others permitted second-half prices to be higher than we had first estimated/

#### COSTS EXPECTED TO RISE IN SEPTEMBER AND DECEMBER QUARTERS

Louisiana-Pacific's unit costs should rise in the September and December quarters owing to lower unit volume, the stronger Canadian \$, litigation costs and new startups. It does not expect variable input costs such as wood chips, energy, resin, wax or transportation to exert too much adverse effect, but recent crude oil rises cannot help. We estimate EBITDA basis unit costs per 000 sq ft of OSB rose from \$143 in the March 2005 quarter to \$170 in the June 2007 quarter, and will increase to \$186 in September and \$192 in December of 2007.

#### BREAKEVEN ANALYSIS

LPX's price realizations ranged from \$251 to \$286 per 000 sq ft in 2005 which, while less than 2005, permitted quarterly EBITDA margins in the OSB segment to range from 34% to 46%. Quarterly EBITDA breakeven points were \$144, \$146, \$166 and \$187 per 000 sq ft, respectively, from March to December of 2005.

Prices fell, volumes fell and costs rose in 2006, in which the quarterly EBITDA basis breakeven points were \$179, \$177, \$179 and \$179 per 000 sq ft for the four quarters from March to December, respectively, in the OSB segment. EBITDA margins in the OSB segment fell from 33% in the March 2006 to (28.6%) in the December 2006 quarter.

Prices fell much more, volumes have been about the same and costs have risen more in 2007. We estimate EBITDA margins at negative 24% in the March, negative 11.2% in the June, negative 13.3% in the September and negative 26.6% in the December 2007 quarters. We estimate unit costs on an EBITDA basis at \$164, \$170, \$186 and \$192 per 000 sq ft in the four quarters of 2007, respectively. The \$164 March and \$170 per 000 sq ft June 2007 performances were very favorable benefiting from unit volume gains, shutdowns of higher cost units, new capacity and discretionary controls.

**Table 1: Quarterly OSB Segment EBITDA Breakeven, % Margin and Dynamics**

	osb sales	osb ebit	osb deprn	osb ebitda	osb ebitda margin	mm sq ft	price/sf	price discount to RanLg %	ebitda/sf	implied cost/sf	sequential change in sq ft	sequential change in cost	yr/yr change in sq ft	yr/yr change in cost
1q05	416.2	171.3	21.9	193.2	46.4%	1551	268.34		124.58	<b>143.76</b>				
2q05	403.9	147	21.9	168.9	41.8%	1607	251.34		105.12	<b>146.22</b>	3.6%	2.46		
3q05	353	98.6	21.9	120.5	34.1%	1399	252.32		86.15	<b>166.17</b>	-12.9%	19.95		
4q05	387.4	111.9	21.9	133.8	34.5%	1354	286.12		98.84	<b>187.28</b>	-3.2%	21.11		
1q06	397.7	110.9	19.5	130.4	32.8%	1493	266.38		87.34	<b>179.04</b>	10.3%	-8.24	-3.7%	24.5%
2q06	354.6	62.4	19.5	81.9	23.1%	1542	229.96		53.11	<b>176.85</b>	3.3%	-2.19	-4.0%	20.9%
3q06	275.7	-9.3	19.5	10.2	3.7%	1487	185.41		6.86	<b>178.55</b>	-3.6%	1.70	6.3%	7.4%
4q06	184.2	-54.5	19.5	-35	-19.0%	1222	150.74		-28.64	<b>179.38</b>	-17.8%	0.83	-9.7%	-4.2%
1q07	178.9	-62.5	19.5	-43	-24.0%	1350	132.52		-31.85	<b>164.37</b>	10.5%	-15.01	-9.6%	-8.2%
2q07	223.3	-44.6	19.5	-25.1	-11.2%	1458	153.16		-17.22	<b>170.37</b>	8.0%	6.00	-5.4%	-3.7%
3q07E	230	-50	19.5	-30.5	-13.3%	1400	164.29		-21.79	<b>186.07</b>	-4.0%	15.70	-5.9%	4.2%
4q07E	190	-70	19.5	-50.5	-26.6%	1250	152.00		-40.40	<b>192.40</b>	-10.7%	6.33	2.3%	7.3%

Assumes contractual pricing a 30 day lag behind Random Lengths.  
 Company reports 3/8" basis and we monitor Random Lengths 7/16" north central  
 Source: LP; JT Very Independent Research, LLC estimates

## CAPACITY IDLING ANNOUNCEMENT AUGUST 22<sup>nd</sup>

LPX announced an indefinite idling at its 350 mm sq ft Silsbee, TX plant on August 22<sup>nd</sup> and that it will idle Hayward, WI on October 31. It plans 165 third-quarter down days at other locations. The Michel-des-Saints mill in Quebec has been curtailed. WY and other competitors have idled much capacity as well.

## SALE OF COMPOSITE DECKING PLANT

On July 25<sup>th</sup> LPX announced a letter of intent with expected September 30<sup>th</sup> closing of the sale of its Idaho composite decking plant. LPX will continue to own its Alabama composite decking plant, which it also seeks to sell.

## EARNINGS ESTIMATES CUT

We raised our realized price estimate \$3 to \$151, raised our cost estimate \$4 to \$193 including depreciation, raised our foreign currency charge estimate and cut our earnings contributions from the siding, engineered wood and "other" segments. We cut our earnings estimate for 2007 to a \$1.51 from a \$1.12 loss, for 2008 to a \$1.03 from a \$0.44 loss, cut 2009 to a \$0.04 from a \$0.47 profit and cut 2010 to a \$0.64 from a \$0.97 per share estimate.

<b>TABLE 2 : LPX EARNINGS MODEL (\$ MIL.)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
OSB - North America	1,749.0	1,560.4	1,212.2	824.2	928.1	1,153.9	1,294.7	1,347.0	1,401.5	1,458.1
Composite Wood Products/Siding	554.1	453.5	493.4	453.9	476.6	500.5	525.5	551.8	579.3	608.3
Engineered Wood Products	394.7	431.4	392.0	320.9	336.9	353.8	371.5	390.1	409.6	430.0
Other (includes timberlands before sale)	151.6	153.5	137.5	96.7	48.4	51.7	55.4	59.2	63.4	67.8
<b>Net revenues</b>	<b>2,849.4</b>	<b>2,598.8</b>	<b>2,235.1</b>	<b>1,695.7</b>	<b>1,790.0</b>	<b>2,059.9</b>	<b>2,247.0</b>	<b>2,348.1</b>	<b>2,453.7</b>	<b>2,564.2</b>
<b>OSB as % of Net Revenues</b>	<b>61.4%</b>	<b>60.0%</b>	<b>54.2%</b>	<b>48.6%</b>	<b>51.8%</b>	<b>56.0%</b>	<b>57.6%</b>	<b>57.4%</b>	<b>57.1%</b>	<b>56.9%</b>
OSB - North America	829.7	528.4	109.6	(229.2)	(178.8)	2.4	83.0	98.8	115.5	133.3
Composite Wood Products/Siding	54.2	45.2	67.1	48.6	50.0	55.0	60.0	65.0	70.0	75.0
Engineered Wood Products/Lumber	7.2	34.1	33.3	7.3	15.0	20.0	25.0	25.0	30.0	45.0
Other (includes timberlands before sale)	14.7	13.1	(5.4)	(6.8)	0.0	0.0	2.0	2.0	2.0	2.0
Corporate and other	(192.6)	(89.3)	(95.4)	(97.8)	(95.0)	(97.0)	(97.0)	(97.0)	(97.0)	(97.0)
<b>Operating Income</b>	<b>713.2</b>	<b>531.5</b>	<b>109.2</b>	<b>(277.9)</b>	<b>(208.8)</b>	<b>(19.6)</b>	<b>73.0</b>	<b>93.8</b>	<b>120.5</b>	<b>158.3</b>
Cost of goods sold	1,824.9	1,783.2	1,826.8	1,713.6	1,724.8	1,801.5	1,892.0	1,968.3	2,043.2	2,112.0
Depreciation and amortization	145.1	132.7	128.0	110.0	109.0	108.0	107.0	106.0	105.0	104.0
Cost of timber harvested										
Selling and administrative	166.2	151.3	166.8	160.0	165.0	170.0	175.0	180.0	185.0	190.0
Other operating credits and charges		9.7		(10.0)						
Interest expense	(65.3)	(39.1)	(49.4)	(41.8)	(43.9)	(43.9)	(43.9)	(43.9)	(43.9)	(43.9)
Interest income	45.6	55.8	95.7	83.4	70.0	70.0	70.0	70.0	70.0	70.0
Foreign exchange gains (losses)	9.7	(1.4)	(2.5)	(17.0)						
<b>Pretax income</b>	<b>703.2</b>	<b>546.8</b>	<b>153.0</b>	<b>(263.3)</b>	<b>(182.7)</b>	<b>6.6</b>	<b>99.2</b>	<b>119.9</b>	<b>146.6</b>	<b>184.4</b>
Tax rate	39.8%	31.1%	15.8%	41.8%	41.1%	33.0%	33.0%	33.0%	33.0%	33.0%
Taxes	(280)	(169.9)	(24)	110	75	(2)	(33)	(40)	(48)	(61)
Minority interest				8						
Equity income		(1)	4							
Pre-tax income from discontinued operations	(5)	(32.2)	(3)							
Taxes on discontinued operations	2	11.5	1							
<b>Income from discontinued operations</b>	<b>(3)</b>	<b>(20.7)</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net income</b>	<b>421</b>	<b>376.9</b>	<b>127</b>	<b>(161)</b>	<b>(108)</b>	<b>4</b>	<b>66</b>	<b>80</b>	<b>98</b>	<b>124</b>
Extraordinary or one-time items				3						
<b>Net income</b>	<b>421</b>	<b>376.9</b>	<b>127</b>	<b>(158)</b>	<b>(108)</b>	<b>4</b>	<b>66</b>	<b>80</b>	<b>98</b>	<b>124</b>
Basic shares out	108.3	109.1	105.1	104.0	104.0	104.0	104.0	104.0	104.0	104.0
FD shares out	109.6	109.7	105.5	104.4	104.4	104.4	104.4	104.4	104.4	104.4
<b>EPS - FD from continuing ops</b>	<b>\$3.84</b>	<b>\$3.43</b>	<b>\$1.20</b>	<b>(\$1.51)</b>	<b>(\$1.03)</b>	<b>\$0.04</b>	<b>\$0.64</b>	<b>\$0.77</b>	<b>\$0.94</b>	<b>\$1.18</b>
Dividends per share	\$0.40	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60
Cash flow per FD share	\$9.17	\$39.32	\$48.69	\$0.10	(\$0.02)	\$1.08	\$1.74	\$1.88	\$2.06	\$2.33
Book value per FD share	\$16.13	\$18.62	\$19.60	\$17.70	\$16.07	\$15.51	\$15.55	\$15.73	\$16.07	\$16.65
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
OSB Volume (mm sf 3/8" basis)	5,489	5,533	5,769	5,458	5,676	5,875	5,992	6,112	6,235	6,359
Wood-based siding (mm sf 3/8" basis)	1,033	963	953	950	969	984	998	1,013	1,028	1,044
Engineered I-joist (mm lineal feet)	89	166	149	130	133	135	137	139	141	143
Laminated veneer lumber (LVL,000 cubic ft)	11,860	11,184	9,467	8,300	8,591	8,891	9,202	9,524	9,858	10,203
OSB Price (\$ per 000 sf 7/16" basis)	370	320	220	160	176	211	232	237	242	247
Industrial particleboard	373		250	230	251	251	251	251	251	251
OSB Price Realization	319	282	212	151	164	196	216	220	225	229
OSB EBIT Total Cost (000 sf 3/8" incl deph)	167	187	195	193	195	196	202	204	206	208

**TABLE 3: ESTIMATED SOURCES AND US**

Sources	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Net income	421	377	124	(158)	(108)	4	66	80	98	124
Depreciation	145	135	128	110	109	108	107	106	105	104
Unusual credits and charges, net	(5)	24	11	25						
Deferred tax	141		(29)	0	(19)	1	8	10	12	15
Asset sales	303	3,778	4,903	25	15					
Equity income, net dividends										
Minority interest	0	0	0	8	0	0	0	0	0	0
Common stock	41	(139)	6							
Debt		199	3	30						
Other	19	7	(2)							
<b>Total Sources</b>	<b>1,065</b>	<b>4,382</b>	<b>5,144</b>	<b>40</b>	<b>(2)</b>	<b>113</b>	<b>182</b>	<b>196</b>	<b>215</b>	<b>243</b>
<b>Uses</b>										
Capital expenditures	148	174	237	240	125	125	125	151	152	153
Acquisitions, investments	651	3,898	5,001	25						
Stock repurchases	4		41							
Purchase of minority interest										
Dividends	33	52	63	62	62	62	62	62	62	62
Cash settlements of contingencies										
Debt repayment	266	178	186							
Preferred redemptions										
Change in non-cash w/c	64	96	(43)							
Change in cash	(100)	(16)	(342)	(287)	(190)	(74)	(6)	(17)	1	27
<b>Total Uses</b>	<b>1,065</b>	<b>4,382</b>	<b>5,144</b>	<b>40</b>	<b>(2)</b>	<b>113</b>	<b>182</b>	<b>196</b>	<b>215</b>	<b>243</b>

**TABLE 4: BALANCE SHEET**

	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Cash and equivalents	1,153	1,325	1,063	775	586	511	505	488	489	516
Receivables	186	147	157	85	89	103	112	117	123	128
Inventories	216	240	246	153	161	185	202	211	221	231
Other current assets	50	80	38	85	85	85	85	85	85	85
<b>Total current assets</b>	<b>1,604</b>	<b>1,792</b>	<b>1,504</b>	<b>1,098</b>	<b>921</b>	<b>884</b>	<b>905</b>	<b>902</b>	<b>918</b>	<b>960</b>
Property, plant, equipment	1,804	1,850	2,046	2,261	2,371	2,496	2,621	2,772	2,924	3,077
Accumulated depreciation	(1,028)	(1,066)	(1,154)	(1,264)	(1,373)	(1,481)	(1,588)	(1,694)	(1,799)	(1,903)
Net PP&E	776	784	892	997	998	1,015	1,033	1,078	1,125	1,174
Timber and timberlands	92	98	99	99	99	99	99	99	99	99
Goodwill	277	274	274	274	274	274	274	274	274	274
Notes receivable from asset sales	404	333	333	333	333	333	333	334	335	336
Other assets	299	318	336	336	336	336	336	336	336	336
<b>Total assets</b>	<b>3,451</b>	<b>3,599</b>	<b>3,436</b>	<b>3,135</b>	<b>2,960</b>	<b>2,940</b>	<b>2,978</b>	<b>3,021</b>	<b>3,085</b>	<b>3,178</b>
Short-term debt	178	89	0	0	0	0	0	0	0	0
Current portion of contingency reserve	12	12	9	9	9	9	9	9	9	9
Accounts payable and other current	250	246	256	137	150	188	214	229	245	261
<b>Total current liabilities</b>	<b>440</b>	<b>346</b>	<b>265</b>	<b>146</b>	<b>159</b>	<b>197</b>	<b>223</b>	<b>238</b>	<b>254</b>	<b>270</b>
Long-term debt	226	408	318	348	348	348	348	348	348	348
Limited recourse notes payable	397	327	327	327	327	327	327	327	327	327
Deferred income taxes	518	377	364	364	345	346	354	364	376	391
Contingency reserves	42	31	26	26	26	26	26	26	26	26
Other long-term liab and minority interest	61	66	70	78	78	78	78	78	78	78
Liabilities transferred under contractual arran	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	1,768	2,043	2,067	1,847	1,677	1,619	1,623	1,641	1,677	1,738
<b>Total liabilities and equity</b>	<b>3,451</b>	<b>3,598</b>	<b>3,436</b>	<b>3,135</b>	<b>2,960</b>	<b>2,940</b>	<b>2,978</b>	<b>3,021</b>	<b>3,085</b>	<b>3,178</b>

Receivables/sales	6.5%	5.6%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Inventories/sales	7.6%	9.2%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
AP & other/sales	8.8%	9.4%	11.4%	8.1%	8.4%	9.1%	9.5%	9.7%	10.0%	10.2%

Source: Company reports, T Very Independent Research, LLC estimates.

## DIVIDEND PAYMENTS AND TENNESSEE TITANS STADIUM NAMING RIGHTS

We estimate it continues to pay its \$0.60 per share annual dividend owing to LPX's ample cash balances, even though it has not earned it in 2007 and has large negative EBITDA margins in its core business.

We do not expect share repurchases to continue owing to the poor operating cash flows. However, it is possible that LPX chooses to buy shares if its stock price falls lower than we foresee.

LPX views the \$3 mm annual expense to maintain the naming rights of the Nashville football stadium as a “substitute” for other advertising. It is a ten year \$3 mm annual commitment. It is possible that LPX chooses to give up that outlay if end markets fail to recover.

## CASH BALANCES, BOOK VALUE AND STOCK PRICE VALUATION LOTS OF FISH IN THE SEA

Many manufacturing companies generate large profits and free cash flows in the current global commodities boom, and some trade near ten times earnings as investors discount sustainability of commodities prices. Dozens of “no revenue” development companies seek to build new copper, nickel, gold or other mines whose sales margins would exceed 50% if producing today. “Asset plays” like Plum Creek Timber bleed no cash.

We expect the underlying value of LPX declines about \$0.20 per share per month as long as the current climate exists. Alternative companies with a 1%-2% positive rather than negative free cash yield appeal to us more.

## COMPARISON TO OTHER BASIC INDUSTRIES SUCH AS STEEL OR COPPER IN 1982-1986

We went back into our archives to try to remember what was the worst we ever observed in a commodity industry. In 1982 and 1983 the negative EBITDA margins of the U.S. integrated steelmakers were -14% and -6%, respectively. In 1984 Republic Steel disappeared, a laggard worse than its peers, and in 1986 its acquirer, LTV, failed for the first time.

The copper business was pretty rough in 1982-86 and 1998-2002. Phelps Dodge took an eight month strike at its largest mine in Arizona in 1982-83 to decertify the steelworkers union, and it had a -7.8%, 0% and -8.0% EBITDA margin in 1982, 1983 and 1984, respectively. Most remarkably, PD had depreciation much larger than its copper divisional losses in 2001 and 2002, and large positive EBITDA margins in 1999, 2001 and 2002 when it lost just over \$4 per share (pre-splits) each year.

My colleagues and I at Oppenheimer & Co., Inc. represented the US Department of Justice in 1985 as trustee to divest LTV's Gadsden, AL one million ton steel sheet and plate business that was losing about \$3 mm each month at the time. Two bids were made, a union ESOP and a nonunion bidder, which had 10% different cost structures. I advised then assistant attorney Doug Ginsburg, later an unsuccessful U.S. Supreme Court nominee, that competitive industries did not permit 10% different cost structures and that at most a 5% cost differential was the largest survivable shortfall and that large subpar costs were a key predictor of bath writeoffs, plant shutdown or insolvency.

Both the absolute level of LPX's current negative EBITDA margin near 19% in the OSB segment for the year 2007 and the cost disadvantage it suffers relative to Norbord, partly because LPX has 35% Canadian facilities in its production mix, reflect very badly compared to the metrics we applied in past problem cycles in other industries, in our view.

## OUR EARNINGS ESTIMATES PRESUME A GRADUALLY BETTER VOLUME, PRICE OR COST RECOVERY

We have estimated LPX's EBIT basis cost per 1,000 sq ft to be \$193, \$195, and \$196 in 2007, 2008 and 2009, respectively, versus \$195 in 2006. We have estimated selling prices at \$160, \$176, and \$211 in 2007, 2008, and 2009, respectively, which could prove optimistic, versus \$220 in 2006. We have estimated volumes at 5.235, 5.444, and 5.635 billion square feet (bsf) in 2007, 2008, and 2009, respectively, after reaching 5.769 bsf in 2006.

For comparison, in 2004 when LPX had EPS of \$4.35 it enjoyed an average OSB sales price realization of \$319, EBIT basis cost per 000 sq ft of \$167 and volume of 5.489 bsf to generate \$829.7 million of operating profit from OSB, \$703.2 million of pretax income and \$4.35 in EPS.

We estimate a breakeven earnings scenario in 2008 or 2009 would require an average OSB sales price of \$185 per thousand square feet, EBIT basis cost per thousand square feet of \$190, other divisions' combined EBIT of \$92 million and OSB volume of 5.444 billion square feet. Thus, we estimate it would take a \$43 improvement in price-cost margins from March 2007-quarter actual levels.

## TARGET PRICE AND INVESTMENT VIEWPOINT

We lowered our investment rating to Underweight from Neutral Weight and cut our price target to \$15 from \$20 as it appears the earnings trough will be deeper and longer than we expected, and in the interim better opportunities exist. Our price target of \$15 is near the 2008 to 2013 estimated book value per share.

Many building products including lumber and plywood should show price improvements when the housing market stabilizes or begins to rebound. For OSB, on the other hand, not only will we have to wait for housing to recover, but some capacity needs to be withdrawn to offset the supply that is in process of coming online over the next couple of years should keep OSB prices depressed further. The housing market is a big enough question mark, yet OSB producers like LPX will likely have to endure pain beyond that.

## RISKS

LPX is at risk of losing its large net cash position the longer the current environment continues. OSB prices currently at \$146 remain below breakeven levels, as demand for housing starts weakens as new supply ramps up. The net cash balance LPX was wise or lucky enough to store in anticipation of the downturn could be gone by the end of 2008. Currently trading just over book value, we would caution that book value could fall to \$15 or \$16 per share. Book value fell \$0.50 per share from December 31, 2006, to March 31, 2007.

## CHANGE IN THIS RESEARCH OPERATION

This report reflects research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving Prudential Equities Group (PEG), which shut down on June 6, 2007 as noted. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar

owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

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JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide “unbundled” metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Neither JTVIR, its members or its employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining Prudential Financial and until after one month of completed New Jersey registration of JTVIR. Our policy is that any personal trading must be consistent with our recommendation, made two business days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to “put his or her money where his mouth is” to invest consistent with the recommendation to clients after such recommendation has been made, and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d'Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or "due diligenced" for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

#### **ANALYST UNIVERSE COVERAGE:**

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of "Overweight," "Neutral Weight," and "Underweight" most closely correspond with the more traditional ratings of "Buy," "Hold," and "Sell," respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor's decision to buy or sell a security should always take into account, among other things, that the investor's particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

### **Price Target – Methods/Risks**

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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