

UNIVERSAL FOREST PRODUCTS INC

Form 10-Q

April 21, 2010

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 27, 2010  
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 0-22684  
UNIVERSAL FOREST PRODUCTS, INC.  
(Exact name of registrant as specified in its charter)**

Michigan 38-1465835

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

2801 East Beltline NE, Grand Rapids, Michigan 49525

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (616) 364-6161

NONE

(Former name or former address, if changed since last report.)

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  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of March 27, 2010
Common stock, no par value	19,361,407



**UNIVERSAL FOREST PRODUCTS, INC.  
TABLE OF CONTENTS**

	<b>Page No.</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
<u>Consolidated Condensed Balance Sheets at March 27, 2010, December 26, 2009 and March 28, 2009</u>	3
<u>Consolidated Condensed Statements of Earnings for the Three Months Ended March 27, 2010 and March 28, 2009</u>	4
<u>Consolidated Condensed Statements of Equity for the Three Months Ended March 27, 2010 and March 28, 2009</u>	5
<u>Consolidated Condensed Statements of Cash Flows for the Three Months Ended March 27, 2010 and March 28, 2009</u>	6
<u>Notes to Consolidated Condensed Financial Statements</u>	7-14
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15-25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4. Controls and Procedures</u>	26
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings NONE	
Item 1A. Risk Factors NONE	
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 3. Defaults Upon Senior Securities NONE	
Item 4. (Removed and Reserved)	
<u>Item 5. Other Information</u>	27
<u>Item 6. Exhibits</u>	28
<u>Exhibit 31(a)</u>	
<u>Exhibit 31(b)</u>	
<u>Exhibit 32(a)</u>	
<u>Exhibit 32(b)</u>	



**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
(Unaudited)

(in thousands, except share data)

	March 27, 2010	December 26, 2009	March 28, 2009
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 14,346	\$ 82,219	\$ 9,427
Accounts receivable, net	187,625	107,383	180,021
Inventories:			
Raw materials	112,004	89,956	108,982
Finished goods	95,782	72,192	81,819
	207,786	162,148	190,801
Assets held for sale			5,490
Refundable income taxes		10,391	366
Other current assets	21,718	21,208	17,513
<b>TOTAL CURRENT ASSETS</b>	<b>431,475</b>	<b>383,349</b>	<b>403,618</b>
<b>OTHER ASSETS</b>	<b>4,311</b>	<b>4,478</b>	<b>3,522</b>
<b>GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS</b>	<b>156,732</b>	<b>157,058</b>	<b>156,937</b>
<b>OTHER INTANGIBLE ASSETS, net</b>	<b>15,194</b>	<b>16,693</b>	<b>22,723</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Property, plant and equipment	514,687	510,774	503,393
Accumulated depreciation and amortization	(287,418)	(280,675)	(263,144)
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>227,269</b>	<b>230,099</b>	<b>240,249</b>
<b>TOTAL ASSETS</b>	<b>\$ 834,981</b>	<b>\$ 791,677</b>	<b>\$ 827,049</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 96,889	\$ 64,473	\$ 74,345
Accrued liabilities:			
Compensation and benefits	38,181	48,340	41,160
Income taxes	919		
Other	23,654	21,698	21,888
Current portion of long-term debt and capital lease obligations	683	673	16,223
<b>TOTAL CURRENT LIABILITIES</b>	<b>160,326</b>	<b>135,184</b>	<b>153,616</b>
<b>LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS,</b>			
less current portion	68,881	53,181	96,235
<b>DEFERRED INCOME TAXES</b>	<b>21,640</b>	<b>21,707</b>	<b>17,708</b>

Edgar Filing: UNIVERSAL FOREST PRODUCTS INC - Form 10-Q

OTHER LIABILITIES	12,276	12,659	12,153
TOTAL LIABILITIES	263,123	222,731	279,712
EQUITY:			
Controlling interest shareholders' equity:			
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none			
Common stock, no par value; shares authorized 40,000,000; issued and outstanding 19,361,407, 19,284,587 and 19,178,761	\$ 19,361	\$ 19,285	\$ 19,179
Additional paid-in capital	134,109	132,765	129,558
Retained earnings	409,605	409,278	392,105
Accumulated other comprehensive earnings	4,061	3,633	2,106
	567,136	564,961	542,948
Employee stock notes receivable	(1,771)	(1,743)	(1,672)
	565,365	563,218	541,276
Noncontrolling interest	6,493	5,728	6,061
TOTAL EQUITY	571,858	568,946	547,337
TOTAL LIABILITIES AND EQUITY	\$ 834,981	\$ 791,677	\$ 827,049

See notes to unaudited consolidated condensed financial statements.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS**  
(Unaudited)

(in thousands, except per share data)

	Three Months Ended	
	March 27, 2010	March 28, 2009
NET SALES	\$ 392,958	\$ 361,722
COST OF GOODS SOLD	341,324	314,901
GROSS PROFIT	51,634	46,821
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	48,489	49,092
NET LOSS (GAIN) ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENT AND EXIT CHARGES	172	(1,136)
EARNINGS (LOSS) FROM OPERATIONS	2,973	(1,135)
INTEREST EXPENSE	886	1,074
INTEREST INCOME	(120)	(83)
	766	991
EARNINGS (LOSS) BEFORE INCOME TAXES	2,207	(2,126)
INCOME TAXES (BENEFIT)	487	(963)
NET EARNINGS (LOSS)	1,720	(1,163)
LESS NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(733)	(44)
NET EARNINGS (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 987	\$ (1,207)
EARNINGS (LOSS) PER SHARE BASIC	\$ 0.05	\$ (0.06)
EARNINGS (LOSS) PER SHARE DILUTED	\$ 0.05	\$ (0.06)
	19,258	19,184



WEIGHTED AVERAGE SHARES OUTSTANDING FOR BASIC  
EARNINGS (LOSS)

WEIGHTED AVERAGE SHARES OUTSTANDING FOR DILUTED  
EARNINGS (LOSS)

19,517

19,184

See notes to unaudited consolidated condensed financial statements.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF EQUITY**  
(Unaudited)

(in thousands, except share and per share data)

	Common Stock	Additional Paid- In Capital	Retained Earnings	Equity Accumulated Other Comprehensive Earnings	Employees Stock Notes Receivable	Noncontrolling Interest	Total
<b>Balance at December 27, 2008</b>	<b>\$ 19,089</b>	<b>\$ 128,830</b>	<b>\$ 393,312</b>	<b>\$ 2,353</b>	<b>\$ (1,701)</b>	<b>\$ 6,343</b>	<b>\$ 548,226</b>
Comprehensive income:							
Net earnings			(1,207)			44	
Foreign currency translation adjustment				(247)		(256)	
Total comprehensive loss							(1,666)
Distributions to noncontrolling interest						(70)	(70)
Issuance of 15,602 shares under employee stock plans	16	301					317
Issuance of 3,630 shares under stock grant programs	4	74					78
Issuance of 72,179 shares under deferred compensation plans	72	(72)					
Received 1,530 shares for the exercise of stock options	(2)	(30)					(32)
Tax benefits from non-qualified stock options exercised		6					6
Deferred income tax asset reversal for deferred compensation plans		(518)					(518)
Expense associated with share-based		637					637

compensation arrangements								
Accrued expense under deferred compensation plans		330						330
Payments received on employee stock notes receivable					29			29
<b>Balance at March 28, 2009</b>	<b>\$ 19,179</b>	<b>\$ 129,558</b>	<b>\$ 392,105</b>	<b>\$ 2,106</b>	<b>\$ (1,672)</b>	<b>\$ 6,061</b>		<b>\$ 547,337</b>
<b>Balance at December 26, 2009</b>	<b>\$ 19,285</b>	<b>\$ 132,765</b>	<b>\$ 409,278</b>	<b>\$ 3,633</b>	<b>\$ (1,743)</b>	<b>\$ 5,728</b>		<b>\$ 568,946</b>
Comprehensive income:								
Net earnings			987				733	
Foreign currency translation adjustment				428			122	
Total comprehensive earnings								2,270
Distributions to noncontrolling interest							(90)	(90)
Issuance of 14,945 shares under employee stock plans	15	264						279
Issuance of 76,045 shares under stock grant programs	76	37						113
Issuance of 5,830 shares under deferred compensation plans	5	(5)						
Repurchase of 20,000 shares	(20)		(660)					(680)
Tax benefits from non-qualified stock options exercised		79						79
Expense associated with share-based compensation arrangements		660						660
Accrued expense under deferred compensation plans		327						327
Notes receivable adjustment		(18)			(37)			(55)

Payments received on employee stock notes receivable						9		9
<b>Balance at March 27, 2010</b>	<b>\$ 19,361</b>	<b>\$ 134,109</b>	<b>\$ 409,605</b>	<b>\$ 4,061</b>	<b>\$ (1,771)</b>	<b>\$ 6,493</b>	<b>\$ 571,858</b>	

See notes to unaudited consolidated condensed financial statements.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in thousands)

	Three Months Ended	
	March 27, 2010	March 28, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings attributable to controlling interest	\$ 987	\$ (1,207)
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	7,630	8,417
Amortization of intangibles	1,825	2,563
Expense associated with share-based compensation arrangements	660	637
Excess tax benefits from share-based compensation arrangements	(63)	
Expense associated with stock grant plans	113	78
Deferred income taxes (credit)	(96)	214
Net earnings attributable to noncontrolling interest	733	44
Net (gain) loss on sale or impairment of property, plant and equipment	(40)	(1,599)
Changes in:		
Accounts receivable	(80,239)	(41,760)
Inventories	(45,022)	2,353
Accounts payable	32,340	11,231
Accrued liabilities and other	3,066	972
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(78,106)</b>	<b>(18,057)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(4,622)	(3,217)
Acquisitions, net of cash received	(634)	
Proceeds from sale of property, plant and equipment	189	5,575
Advances on notes receivable		(14)
Collections of notes receivable	15	30
Insurance proceeds		242
Other, net	13	9
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(5,039)</b>	<b>2,625</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings (repayments) under revolving credit facilities	15,686	10,577
Repayment of long-term debt		(93)
Borrowings of long-term debt		800
Proceeds from issuance of common stock	279	317
Distributions to noncontrolling interest	(90)	(70)
Repurchase of common stock	(680)	
Excess tax benefits from share-based compensation arrangements	63	
Other, net	14	(9)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>15,272</b>	<b>11,522</b>

NET CHANGE IN CASH AND CASH EQUIVALENTS	(67,873)	(3,910)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	82,219	13,337

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 14,346	\$ 9,427
--	-----------	----------

SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:

Cash paid (refunded) during the period for:

Interest	\$ 256	\$ 444
Income taxes	(10,789)	(7,138)

NON-CASH FINANCING ACTIVITIES:

Common stock issued under deferred compensation plans	\$ 204	\$ 2,351
Stock received for the exercise of stock options, net		32

See notes to unaudited consolidated condensed financial statements.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.  
NOTES TO UNAUDITED  
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**A. BASIS OF PRESENTATION**

The accompanying unaudited, interim, consolidated, condensed financial statements (the Financial Statements ) include our accounts and those of our wholly-owned and majority-owned subsidiaries and partnerships, and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the Financial Statements do not include all of the information and footnotes normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States. All intercompany transactions and balances have been eliminated.

In our opinion, the Financial Statements contain all material adjustments necessary to present fairly our consolidated financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. These Financial Statements should be read in conjunction with the annual consolidated financial statements, and footnotes thereto, included in our Annual Report to Shareholders on Form 10-K for the fiscal year ended December 26, 2009.

**B. FAIR VALUE**

Effective at the beginning of the fiscal year ended December 27, 2008, we adopted ASC 820, *Fair Value Measurements* ( ASC 820 ). This new standard establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value. ASC 820 also expands financial statement disclosure requirements about a company's use of fair value measurements, including the effect of such measures on earnings. The adoption has not had a material impact on our consolidated financial statements.

Effective at the beginning of the fiscal year ended December 26, 2009, we adopted the nonfinancial asset and liability provisions of ASC 820 that were previously deferred by the standard.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

Assets and liabilities measured at fair value are as follows:

(in thousands)	Total	March 27, 2010		Total	March 28, 2009	
		Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)		Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)
Assets:						
Trading marketable securities	\$ 1,010	\$ 1,010		\$ 633	\$ 633	
Assets held for sale				1,000		\$ 1,000
Property, plant and equipment				154		154
	\$ 1,010	\$ 1,010		\$ 1,787	\$ 633	\$ 1,154

Effective at the beginning of the fiscal year ended December 27, 2008, we adopted ASC 825, *The Fair Value Option for Financial Assets and Financial Liabilities* ( ASC 825 ). ASC 825 allows companies to choose to measure certain financial instruments and certain other items at fair value. The statement requires that unrealized gains and losses are reported in earnings for items measured using the fair value option and establishes presentation and disclosure requirements. We have elected not to apply the fair value option to any of our financial instruments except for those expressly required by U.S. GAAP.

**C. REVENUE RECOGNITION**

Earnings on construction contracts are reflected in operations using either percentage-of-completion accounting, which includes the cost to cost and units of delivery methods, or completed contract accounting, depending on the nature of the business at individual operations. Under percentage-of-completion using the cost to cost method, revenues and related earnings on construction contracts are measured by the relationships of actual costs incurred related to the total estimated costs. Under percentage-of-completion using the units of delivery method, revenues and related earnings on construction contracts are measured by the relationships of actual units produced related to the total number of units. Revisions in earnings estimates on the construction contracts are recorded in the accounting period in which the basis for such revisions becomes known. Projected losses on individual contracts are charged to operations in their entirety when such losses become apparent. Under the completed contract method, revenues and related earnings are recorded when the contracted work is complete and losses are charged to operations in their entirety when such losses become apparent.



**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

The following table presents the balances of percentage-of-completion accounts which are included in Other current assets and Accrued liabilities: Other, respectively (in thousands):

	March 27, 2010	December 26, 2009	March 28, 2009
Cost and Earnings in Excess of Billings	\$ 9,355	\$ 9,998	\$ 4,200
Billings in Excess of Cost and Earnings	8,297	8,954	7,101

**D. EARNINGS (LOSS) PER SHARE**

A reconciliation of the changes in the numerator and the denominator from the calculation of basic EPS to the calculation of diluted EPS follows (in thousands, except per share data):

	Three Months Ended March 27, 2010			Three Months Ended March 28, 2009		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Loss (Numerator)	Shares (Denominator)	Per Share Amount
<b>Net Earnings (Loss) Attributable to Controlling Interest</b>	\$ 987			\$ (1,207)		
<b>EPS Basic</b>						
Income available to common stockholders	987	19,258	\$ 0.05	(1,207)	19,184	\$ (0.06)
<b>Effect of dilutive securities</b>						
Options		259				
<b>EPS Diluted</b>						
Income available to common stockholders and assumed options exercised	\$ 987	19,517	\$ 0.05	\$ (1,207)	19,184	\$ (0.06)

No options were excluded from the computation of diluted EPS for the quarter ended March 27, 2010.

Options to purchase shares and certain other shares of common stock were not included in the computation of diluted EPS because they were anti-dilutive given the net loss for the quarter ended March 28, 2009.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.****E. ASSETS HELD FOR SALE AND NET LOSS (GAIN) ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENTS AND EXIT CHARGES**

Included in Assets held for sale on our Consolidated Condensed Balance Sheets are certain property, plant and equipment totaling \$5.5 million on March 28, 2009. The assets held for sale consist of certain vacant land and several facilities we closed to better align manufacturing capacity with the current business environment. The fair values were determined based on appraisals or recent offers to acquire the assets. These and other idle assets were evaluated based on the requirements of ASC 360, which resulted in certain impairment and other exit charges.

Net (gain) loss on disposition of assets and other impairment and exit charges consists of the following amounts, separated by reporting segment, for the periods presented below (in millions):

	Three Months Ended March 27, 2010		Three Months Ended March 28, 2009	
	Northern, Southern and Western Divisions	All Other	Northern, Southern and Western Divisions	All Other
Severances	\$ 0.2		\$ 0.5	
Property, plant and equipment			0.8	
Gain on sale of real estate			(2.4)	

**F. COMMITMENTS, CONTINGENCIES, AND GUARANTEES**

We are self-insured for environmental impairment liability, including certain liabilities which are insured through a wholly owned subsidiary, UFP Insurance Ltd., a licensed captive insurance company.

We own and operate a number of facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, we may, under various federal, state, and local environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Environmental reserves, calculated with no discount rate, have been established to cover remediation activities at our affiliates' wood preservation facilities in Stockertown, PA; Elizabeth City, NC; Auburndale, FL; Gordon, PA; Janesville, WI; Medley, FL; and Ponce, PR. In addition, a reserve was established for our affiliate's facility in Thornton, CA to remove certain lead containing materials which existed on the property at the time of purchase.

On a consolidated basis, we have reserved approximately \$4.2 million on March 27, 2010 and \$4.3 million on March 28, 2009, representing the estimated costs to complete future remediation efforts. These amounts have not been reduced by an insurance receivable.

From time to time, various special interest environmental groups have petitioned certain states requesting restrictions on the use or disposal of CCA treated products. The wood preservation industry trade groups are working with the individual states and their regulatory agencies to provide an accurate, factual background which demonstrates that the present method of uses and disposal is scientifically supported. We market a modest amount of CCA treated products for permitted, non-residential applications.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**

We have not accrued for any potential loss related to the contingencies above. However, potential liabilities of this nature are not conducive to precise estimates and are subject to change.

In addition, on March 27, 2010, we were parties either as plaintiff or a defendant to a number of lawsuits and claims arising through the normal course of our business. In the opinion of management, our consolidated financial statements will not be materially affected by the outcome of these contingencies and claims.

On March 27, 2010, we had outstanding purchase commitments on capital projects of approximately \$3.0 million.

We provide a variety of warranties for products we manufacture. Historically, warranty claims have not been material. We distribute products manufactured by other companies, some of which are no longer in business. While we do not warrant these products, we have received claims as a distributor of these products when the manufacturer no longer exists or has the ability to pay. Historically these costs have not had a material affect on our consolidated financial statements.

In certain cases we supply building materials and labor to site-built construction projects or we jointly bid on contracts with framing companies for such projects. In some instances we are required to post payment and performance bonds to insure the owner that the products and installation services are completed in accordance with our contractual obligations. We have agreed to indemnify the surety for claims made against the bonds. As of March 27, 2010, we had approximately \$16.0 million in outstanding payment and performance bonds for projects in progress, which expire during the next two years. In addition, approximately \$27.1 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

We have entered into operating leases for certain personal property assets that include a guarantee of a portion of the residual value of the leased assets. If at the expiration of the initial lease term we do not exercise our option to purchase the leased assets and these assets are sold by the lessor for a price below a predetermined amount, we will reimburse the lessor for a certain portion of the shortfall. These operating leases will expire periodically over the next five years. The estimated maximum aggregate exposure of these guarantees is approximately \$1.3 million.

On March 27, 2010, we had outstanding letters of credit totaling \$32.3 million, primarily related to certain insurance contracts and industrial development revenue bonds as further described below.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**

In lieu of cash deposits, we provide irrevocable letters of credit in favor of our insurers to guarantee our performance under certain insurance contracts. We currently have irrevocable letters of credit outstanding totaling approximately \$19.3 million for these types of insurance arrangements. We have reserves recorded on our balance sheet, in accrued liabilities, that reflect our expected future liabilities under these insurance arrangements.

We are required to provide irrevocable letters of credit in favor of the bond trustees for all of the industrial development revenue bonds that we have issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately \$12.4 million related to our outstanding industrial development revenue bonds. These letters of credit have varying terms but may be renewed at the option of the issuing banks.

Certain wholly owned domestic subsidiaries have guaranteed the indebtedness of Universal Forest Products, Inc. in certain debt agreements, including the Series 2002-A Senior Notes and our revolving credit facility. The maximum exposure of these guarantees is limited to the indebtedness outstanding under these debt arrangements and this exposure will expire concurrent with the expiration of the debt agreements.

Many of our wood treating operations utilize Subpart W drip pads, defined as hazardous waste management units by the EPA. The rules regulating drip pads require that the pad be closed at the point that it is no longer intended to be used for wood treating operations or to manage hazardous waste. Closure involves identification and disposal of contaminants which are required to be removed from the facility. The cost of closure is dependent upon a number of factors including, but not limited to, identification and removal of contaminants, cleanup standards that vary from state to state, and the time period over which the cleanup would be completed. Based on our present knowledge of existing circumstances, it is considered probable that these costs will approximate \$0.3 million. As a result, this amount is recorded in other long-term liabilities on March 27, 2010.

We did not enter into any new guarantee arrangements during the first quarter of 2010 which would require us to recognize a liability on our balance sheet.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.****G. BUSINESS COMBINATIONS**

No business combinations were completed in fiscal 2009. We completed the following business combinations in fiscal 2010 which were accounted for using the purchase method (in millions).

Company Name	Acquisition Date	Purchase Price	Net		Reportable Segment	Business Description
			Intangible Assets	Tangible Assets		
Service Supply Distribution, Inc. ( Service Supply )	March 8, 2010	\$0.6 (asset purchase)	\$ 0.0	\$ 0.6	Southern Division	Distributes products to the manufactured housing market including certain plumbing, electrical, adhesives, flooring paint and other manufactured housing products. Headquartered in Cordele, Georgia, it has distribution centers and capabilities throughout the United States.

The purchase price allocation for D-Stake Mill and Manufacturing Company ( D-Stake ) was adjusted as follows (in millions) during the first quarter of fiscal 2010 as a result of a change in the valuation of the intangible assets acquired. The impact of the adjustment on earnings was negligible.

	Non-compete agreements	Customer Relationships	Goodwill - Total	Goodwill - Tax Deductible
D-Stake	\$ 2.6		\$ 2.5	\$ 2.5
Purchase price allocation adjustments	(1.6)	1.9	(0.3)	(0.3)
D-Stake final	1.0	1.9	2.2	2.2

The business combinations mentioned above were not significant to our operating results individually or in aggregate, and thus pro forma results are not presented.

**H. SEGMENT REPORTING**

ASC 280, *Disclosures about Segments of an Enterprise and Related Information* ( ASC 280 ) defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Beginning January 1, 2010, our Eastern Division was divided into two divisions: a Northern Division and a Southern Division. This change was made in order to drive faster growth by allowing field leadership to concentrate on a smaller entity, thereby having a bigger impact on growth. The presentation of the reportable segment amounts was not impacted.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

Under the definition of a segment, our Northern, Southern, Western and Consumer Products Divisions may be considered an operating segment of our business. Under ASC 280, segments may be aggregated if the segments have similar economic characteristics and if the nature of the products, distribution methods, customers and regulatory environments are similar. Based on these criteria, we have aggregated our Northern, Southern and Western Divisions into one reporting segment, which have the same totals as our former Eastern and Western Divisions. Our Consumer Products Division is included in the All Other column in the table below. Our divisions operate manufacturing and treating facilities throughout North America. A summary of results for the first three months of 2010 and 2009 are presented below (in thousands).

	Three Months Ended March 27, 2010			Three Months Ended March 28, 2009		
	Northern, Southern and Western Divisions	All Other	Total	Northern, Southern and Western Divisions	All Other	Total
Net sales to outside customers	\$ 361,016	\$ 31,942	\$ 392,958	\$ 341,877	\$ 19,845	\$ 361,722
Intersegment net sales	0	14,201	14,201	0	6,052	6,052
Segment operating profit (loss)	1,736	1,237	2,973	391	(1,526)	(1,135)

**I. INCOME TAXES**

Our effective tax rate was 22.1% for the first quarter 2010, which is well below our statutory rate, primarily due to the profits of our Canadian subsidiary and a partnership in which we own a 50% interest and present on a consolidated basis in our financial statements. These entities comprised over half of our pre-tax profits for the quarter. Since our Canadian subsidiary has a net operating loss carry-forward and we have a full valuation allowance against this deferred tax asset, these profits had no related income tax expense in the first quarter of 2010.

**J. SUBSEQUENT EVENT**

On April 1, 2010, we purchased the remaining 5% interest in Shawnlee Construction, LLC. The purchase price was approximately \$1.2 million.

On April 14, 2010, our Board approved a semi-annual dividend of \$0.20 per share, payable on June 15, 2010 to shareholders of record on June 1, 2010.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the markets we serve, the economy, and the company itself. Words like anticipates, believes, confident, estimates, expects, forecasts, likely, plans, projects, should, variations of such words, and similar expressions are used in such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. The Company does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. Actual results could differ materially from those included in such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. Among the factors that could cause actual results to differ materially from forward-looking statements are the following: Fluctuations in the price of lumber; adverse or unusual weather conditions; adverse conditions in the markets we serve; government regulations, particularly involving environmental and safety regulations; and our ability to make successful business acquisitions. We also encourage you to read our Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission. That report includes Risk Factors that you should consider in connection with any decision to buy or sell our securities. We are pleased to present this overview of 2010.

**OVERVIEW**

Our results for the first quarter of 2010 were impacted by the following:

Our overall unit sales increased 3% primarily due to our manufactured housing and industrial markets. We believe we have gained additional share of the DIY/retail and industrial markets and maintained our share of the manufactured housing market. We recently closed several plants that supply the site-built housing market in order to achieve profitability and cash flow goals; consequently, we believe that these actions may temporarily cause us to lose some market share.

The Leading Indicator for Remodeling Activity, released by Harvard's Joint Center for Housing Studies, released its report for the first quarter of 2010 and indicated that spending on homeowner remodeling improvements declined 12% for the period, which impacts our DIY/retail market. Consumer spending for large repair/remodel projects has decreased due to general economic conditions, among other factors, including weak home prices and decreased cost recovery for most types of upper-end home improvement projects. Consequently, the same store sales of big box home improvement retailers have declined.

National housing starts increased approximately 9% in January and February of 2010, compared to the same periods of 2009. However, within these amounts, multi-family starts declined approximately 47% in January and February of 2010 compared to the same period of 2009.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

Shipments of HUD code manufactured homes were down 17% in January of 2010, compared to the same period of 2009. Industry sales of modular homes are not yet available.

The industrial market has improved as the U.S. economy continues to recover. We gained additional share of this market due, in part, to adding new concrete forming business.

The Lumber Market was up approximately 50% in the quarter compared to the same period of 2009.

Our gross margin increased to 13.1% from 12.9% in 2009 due to the implementation of various cost reduction initiatives.

Our selling, general and administrative expenses are down approximately \$0.6 million, or 1.2%, from the first quarter of 2009, due to our right-sizing efforts and plant consolidation actions we took last year, offset somewhat by an increase in accrued bonus.

Our cash flow used in operating activities was \$78 million due to the seasonal working capital requirements of our business. We currently anticipate achieving strong cash flows from operations for the year.

Our net interest costs decreased by \$0.2 million, or 22.7%, due to a reduction in our interest-bearing debt.

**HISTORICAL LUMBER PRICES**

The following table presents the Random Lengths framing lumber composite price is presented below:

	Random Lengths Composite Average \$/MBF	
	2010	2009
January	\$ 264	\$ 198
February	312	199
March	310	195
First quarter average	\$ 295	\$ 197
First quarter percentage change from 2009	49.7%	



**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

In addition, a Southern Yellow Pine ( SYP ) composite price, which we prepare and use, is presented below. Sales of products produced using this species, which primarily consists of our preservative-treated products, may comprise up to 50% of our sales volume.

	Random Lengths SYP Average \$/MBF	
	2010	2009
January	\$ 269	\$ 241
February	331	233
March	337	232
First quarter average	\$ 312	\$ 235

First quarter percentage change from 2009 32.8%

**IMPACT OF THE LUMBER MARKET ON OUR OPERATING RESULTS**

We experience significant fluctuations in the cost of commodity lumber products from primary producers ( Lumber Market ). We generally price our products to pass lumber costs through to our customers so that our profitability is based on the value-added manufacturing, distribution, engineering, and other services we provide. As a result, our sales levels (and working capital requirements) are impacted by the lumber costs of our products. Lumber costs are a significant percentage of our cost of goods sold.

Our gross margins are impacted by both (1) the relative level of the Lumber Market (i.e. whether prices are higher or lower from comparative periods), and (2) the trend in the market price of lumber (i.e. whether the price of lumber is increasing or decreasing within a period or from period to period). Moreover, as explained below, our products are priced differently. Some of our products have fixed selling prices, while the selling prices of other products are indexed to the reported Lumber Market with a fixed dollar adder to cover conversion costs and profits. Consequently, the level and trend of the Lumber Market impact our products differently.

Below is a general description of the primary ways in which our products are priced.

Products with fixed selling prices. These products include value-added products such as decking and fencing sold to DIY/retail customers, as well as trusses, wall panels and other components sold to the site-built construction market, and most industrial packaging products. Prices for these products are generally fixed at the time of the sales quotation for a specified period of time or are based upon a specific quantity. In order to maintain margins and reduce any exposure to adverse trends in the price of component lumber products, we attempt to lock in costs for these sales commitments with our suppliers. Also, the time period and quantity limitations generally allow us to re-price our products for changes in lumber costs from our suppliers.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

Products with selling prices indexed to the reported Lumber Market with a fixed dollar adder to cover conversion costs and profits. These products primarily include treated lumber, remanufactured lumber, and trusses sold to the manufactured housing industry. For these products, we estimate the customers' needs and carry anticipated levels of inventory. Because lumber costs are incurred in advance of final sale prices, subsequent increases or decreases in the market price of lumber impact our gross margins. For these products, our margins are exposed to changes in the trend of lumber prices.

Changes in the trend of lumber prices have their greatest impact on the following products:

Products with significant inventory levels with low turnover rates, whose selling prices are indexed to the Lumber Market. In other words, the longer the period of time these products remain in inventory, the greater the exposure to changes in the price of lumber. This would include treated lumber, which comprises approximately 17% of our total sales. This exposure is less significant with remanufactured lumber, trusses sold to the manufactured housing market, and other similar products, due to the higher rate of inventory turnover. We attempt to mitigate the risk associated with treated lumber through vendor consignment inventory programs. *(Please refer to the Risk Factors section of our annual report on form 10-K, filed with the United States Securities and Exchange Commission.)*

Products with fixed selling prices sold under long-term supply arrangements, particularly those involving multi-family construction projects. We attempt to mitigate this risk through our purchasing practices by locking in costs.

In addition to the impact of the Lumber Market trends on gross margins, changes in the level of the market cause fluctuations in gross margins when comparing operating results from period to period. This is explained in the following example, which assumes the price of lumber has increased from period one to period two, with no changes in the trend within each period.

	Period 1	Period 2
Lumber cost	\$ 300	\$ 400
Conversion cost	50	50
= Product cost	350	450
Adder	50	50
= Sell price	\$ 400	\$ 500
Gross margin	12.5%	10.0%

As is apparent from the preceding example, the level of lumber prices does not impact our overall profits, but does impact our margins. Gross margins are negatively impacted during periods of high lumber prices; conversely, we experience margin improvement when lumber prices are relatively low.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.  
BUSINESS COMBINATIONS**

See Notes to Consolidated Condensed Financial Statements, Note G, Business Combinations.

**RESULTS OF OPERATIONS**

The following table presents, for the periods indicated, the components of our Consolidated Condensed Statements of Earnings as a percentage of net sales.

	For the Three Months Ended	
	March 27, 2010	March 28, 2009
Net sales	100.0%	100.0%
Cost of goods sold	86.9	87.1
Gross profit	13.1	12.9
Selling, general, and administrative expenses	12.3	13.5
Net loss (gain) on disposition of assets and other impairment and exit charges	0.0	(0.3)
Earnings (loss) from operations	0.8	(0.3)
Interest, net	0.2	0.3
Earnings (loss) before income taxes	0.6	(0.6)
Income taxes (benefit)	0.1	(0.3)
Net earnings (loss)	0.5	(0.3)
Less net earnings attributable to noncontrolling interest	(0.2)	(0.0)
Net earnings (loss) attributable to controlling interest	0.3%	(0.3%)

**GROSS SALES**

We market, manufacture and engineer wood and wood-alternative products for the DIY/retail market, structural lumber products for the manufactured housing market, engineered wood components for the site-built construction market, and specialty wood packaging for various markets. We also provide framing services for the site-built construction market and various forms for concrete construction. Our strategic long-term sales objectives include:

Diversifying our end market sales mix by increasing sales of specialty wood packaging to industrial users, increasing our penetration of the concrete forms market, increasing our sales of engineered wood components for custom home, multi-family and light commercial construction, and expanding our product lines in each of the markets we serve.

Expanding geographically in our core businesses.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.**

Increasing sales of value-added products and framing services. Value-added product sales primarily consist of fencing, decking, lattice, and other specialty products sold to the DIY/retail market, specialty wood packaging, engineered wood components, and wood alternative products. Engineered wood components include roof trusses, wall panels, and floor systems. Wood alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales totals.

Maximizing unit sales growth while achieving return on investment goals.

The following table presents, for the periods indicated, our gross sales (in thousands) and percentage change in gross sales by market classification.

Market Classification	For the Three Months Ended		% Change
	March 27, 2010	March 28, 2009	
DIY/Retail	\$ 164,407	\$ 167,579	(1.9)
Site-Built Construction	60,889	60,321	0.9
Industrial	125,988	104,636	20.4
Manufactured Housing	48,362	36,571	32.2
Total Gross Sales	399,646	369,107	8.3
Sales Allowances	(6,688)	(7,385)	
Total Net Sales	\$ 392,958	\$ 361,722	8.6

Note: In the first quarter of 2010, we reviewed the classification of our customers and made certain reclassifications. Prior year information has been restated to reflect these reclassifications.

Gross sales in the first quarter of 2010 increased 8% compared to the first quarter of 2009. We estimate that our unit sales increased by 3% and overall selling prices increased by 5% comparing the two periods. We estimate that our unit sales increased 1% as a result of business acquisitions and new plants and increased 2% as a result of existing operations and operations we recently closed. Our overall selling prices may fluctuate as a result of the Lumber Market (see Historical Lumber Prices ) and competitive factors.

Changes in our sales by market are discussed below.

**DIY/Retail:**

Gross sales to the DIY/retail market decreased 2% in the first quarter of 2010 compared to 2009 primarily due to an estimated 6% decrease in overall unit sales offset by an estimated 4% increase in overall selling prices due to the Lumber Market. Unit sales declined due to a decline in consumer spending as evidenced by declines in same store

sales reported by our big box customers. We believe that we achieved market share gains in 2010, which offset some of the impact of these adverse market conditions.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.****Site-Built Construction:**

Gross sales to the site-built construction market increased 1% in the first quarter of 2010 compared to 2009 due to an estimated 2% decrease in unit sales out of existing plants and an estimated 3% increase in our average selling prices primarily due to the Lumber Market. National housing starts increased approximately 9% in January and February of 2010, compared to the same periods of 2009. We have taken several recent plant closure actions in order to achieve profitability and cash flow objectives, which has temporarily resulted in a loss of market share.

**Industrial:**

Gross sales to the industrial market increased 20% in the first quarter of 2010 compared to 2009, due to an estimated 17% increase in unit sales and an estimated 3% increase in selling prices. The industrial market has improved as the U.S. economy continues to recover, and we have been able to continue to gain market share due, in part, to our continued penetration of the concrete forming market and our efforts to introduce new products that we distribute to existing customers.

**Manufactured Housing:**

Gross sales to the manufactured housing market increased 32% in the first quarter of 2010 compared to 2009, primarily due to an estimated 14% increase in unit sales and an estimated 18% increase in selling prices due to the Lumber Market. Shipments of HUD code manufactured homes were down 17% in January of 2010, compared to the same period of 2009.

**Value-Added and Commodity-Based Sales:**

The following table presents, for the periods indicated, our percentage of value-added and commodity-based sales to total sales.

	Three Months Ended	
	March 27, 2010	March 28, 2009
Value-Added	58.0%	60.6%
Commodity-Based	42.0%	39.4%

Value-added sales increased 4% in the first quarter of 2010 compared to 2009, primarily due to increased sales of engineered wood products and construction and building materials. Commodity-based sales increased 16% comparing the first quarter of 2010 with the same period of 2009, primarily due to increased sales of non-manufactured lumber.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**

**COST OF GOODS SOLD AND GROSS PROFIT**

Our gross profit percentage increased to 13.1% from 12.9% comparing the first quarter of 2010 with the same period of 2009. In addition, our gross profit dollars increased by 10% comparing the first quarter of 2010 with the same period of 2009, which compares favorably with our 3% increase in unit sales. Our improved gross margin is primarily due to cost reductions consisting of an improvement in labor and plant overhead costs as a percentage of net sales due to plant consolidation and right-sizing efforts previously taken. Our cost efficiencies were slightly offset by the impact of the higher level of the Lumber Market, which causes a decrease in our gross margin. See **Impact of the Lumber Market on Our Operating Results** .

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative ( SG&A ) expenses decreased by approximately \$0.6 million, or 1.2%, in the first quarter of 2010 compared to the same period of 2009, while we reported a 3% increase in unit sales. New operations added \$0.5 million of expenses, operations we closed decreased expenses by \$3.1 million, and existing operations increased expenses by \$2.0 million. The increase in SG&A expenses at our existing operations was primarily due to an increase in accrued bonuses and wages. These increases were partially offset by a decrease in bad debt expense. Our SG&A expenses decreased as a percentage of sales primarily due to efficiencies and our continuing efforts to control costs. The higher level of the Lumber Market also contributed a slight improvement in this ratio.

**NET LOSS (GAIN) ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENT AND EXIT CHARGES**

We incurred \$0.2 million of charges in the first quarter of 2010 and \$1.3 million in the first quarter of 2009 relating to asset impairments and other costs associated with idled facilities and down-sizing efforts. In 2009, these costs were offset by \$2.4 million gain on the sale of certain real estate.

We regularly review the performance of each our operations and make decisions to permanently or temporarily close operations based on a variety of factors including:

Current and projected earnings, cash flow and return on investment

Current and projected market demand

Market share

Competitive factors

Future growth opportunities

Personnel and management

We currently have 20 operations which are experiencing operating losses and negative cash flow for the first quarter months of 2010. The net book value of the long-lived assets of these operations, which could be subject to an impairment charge in the future, was \$11.9 million at the end of March of 2010. In addition, these operations had future fixed operating lease payments totaling \$3.9 million at the end of March of 2010.

**Table of Contents****UNIVERSAL FOREST PRODUCTS, INC.****INSURANCE PROCEEDS**

In May, 2008 our plant in Windsor, CO was hit by a tornado. In accordance with ASC 605, *Accounting for Involuntary Conversions of Non-Monetary Assets to Monetary Assets*, we have written off the net book value of the destroyed inventory and property totaling \$0.7 million. The insured value of the property exceeded its net book value, which was recorded as a gain in 2008. In 2008, we collected \$0.8 million of the insurance receivable and in 2009 we collected \$1.0 million. As of March 27, 2010, there is no remaining insurance receivable.

**INTEREST, NET**

Net interest costs were lower in the first quarter 2010 compared to the same periods of 2009 primarily due to lower debt balances in 2010.

**INCOME TAXES**

Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes and permanent tax differences. Our effective tax rate was 22.1% for the first quarter 2010, which is well below our statutory rate, primarily due to the profits of our Canadian subsidiary and a partnership in which we own a 50% interest and present on a consolidated basis in our financial statements. These entities comprised over half of our pre-tax profits for the quarter. Since our Canadian subsidiary has a net operating loss carry-forward and we have a full valuation allowance against this deferred tax asset, these profits had no related income tax expense in the first quarter of 2010.

**OFF-BALANCE SHEET TRANSACTIONS**

We have no significant off-balance sheet transactions other than operating leases.

**LIQUIDITY AND CAPITAL RESOURCES**

The table below presents, for the periods indicated, a summary of our cash flow statement (in thousands):

	Nine Months Ended	
	March 27, 2010	March 28, 2009
Cash from operating activities	\$ (78,106)	\$ (18,057)
Cash from investing activities	(5,039)	2,625
Cash from financing activities	15,272	11,522
Net change in cash and cash equivalents	(67,873)	(3,910)
Cash and cash equivalents, beginning of period	82,219	13,337
Cash and cash equivalents, end of period	\$ 14,346	\$ 9,427



**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**

In general, we financed our growth in the past through a combination of operating cash flows, our revolving credit facility, industrial development bonds (when circumstances permit), and issuance of long-term notes payable at times when interest rates are favorable. We have not issued equity to finance growth except in the case of a large acquisition. We manage our capital structure by attempting to maintain a targeted ratio of debt to equity and debt to earnings before interest, taxes, depreciation and amortization. We believe this is one of many important factors to maintaining a strong credit profile, which in turn helps ensure timely access to capital when needed. We are currently below our internal targets but plan to manage our capital structure conservatively in light of current economic conditions.

Seasonality has a significant impact on our working capital from March to August which historically resulted in negative or modest cash flows from operations in our first and second quarters. Conversely, we experience a substantial decrease in working capital from September to February which results in significant cash flow from operations in our third and fourth quarters. For comparative purposes, we have included the March 28, 2009 balances in the accompanying unaudited consolidated condensed balance sheets.

Due to the seasonality of our business and the effects of the Lumber Market, we believe our cash cycle (days of sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital management. Our cash cycle decreased to 53 days in the first quarter of 2010 from 61 days in the first quarter of 2009, due to a 4 day decrease in our receivables cycle combined with a 5 day decrease in our days supply of inventory, offset by a 1 day decrease in our payables cycle due to several initiatives to improve our management of receivables and inventory.

Cash used in operating activities was approximately \$78 million in the first quarter of 2010 due to a \$90 million increase in working capital since the end of 2009, offset by net earnings of \$1 million and \$11 million of non-cash expenses. Working capital increased primarily due to an increase in accounts receivable as a result of 83% higher sales in March 2010 compared to December 2009. In addition, our inventory increased as we prepare for our primary selling season and the Lumber Market has increased significantly since the end of 2009.

Capital expenditures were only \$4.6 million in the first quarter. We still plan to spend approximately \$32 million in 2010, which includes outstanding purchase commitments on existing capital projects totaling approximately \$3.0 million on March 27, 2010. We intend to fund capital expenditures and purchase commitments through our operating cash flows for the balance of the year.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**

On March 27, 2010, we had approximately \$15.7 million outstanding balance on our \$300 million revolving credit facility, which matures in February of 2012. The revolving credit facility also supports letters of credit totaling approximately \$32.3 million on March 27, 2010. Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest and fixed charge coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on March 27, 2010.

**ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS**

See Notes to Consolidated Condensed Financial Statements, Note F, Commitments, Contingencies, and Guarantees.

**CRITICAL ACCOUNTING POLICIES**

In preparing our consolidated financial statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. There have been no material changes in our policies or estimates since December 26, 2009.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We are exposed to market risks related to fluctuations in interest rates on our variable rate debt, which consists of a revolving credit facility and industrial development revenue bonds. We do not currently use interest rate swaps, futures contracts or options on futures, or other types of derivative financial instruments to mitigate this risk.

For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not influence fair market value, but do affect future earnings and cash flows. We do not have an obligation to prepay fixed rate debt prior to maturity, and as a result, interest rate risk and changes in fair market value should not have a significant impact on such debt until we would be required to refinance it.

**Item 4. Controls and Procedures.**

- (a) **Evaluation of Disclosure Controls and Procedures.** With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) as of the quarter ended March 27, 2010 (the Evaluation Date ), have concluded that, as of such date, our disclosure controls and procedures were effective.
- (b) **Changes in Internal Controls.** During the quarter ended March 27, 2010, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except for the following. Effective January 1, 2010, we implemented new software for processing payroll. This change was a result of our continuous improvement initiatives and was not in response to a deficiency or material weakness.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.**  
**PART II. OTHER INFORMATION**

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

(a) None.

(b) None.

(c) Issuer purchases of equity securities.

Fiscal Month	(a)	(b)	(c)	(d)
December 27, 2009 – January 30, 2010 <sup>(1)</sup>				1,133,129
January 31 – February 27, 2010	20,000	\$	34.12	1,113,129
February 28 – March 27, 2010				1,113,129

(a) Total number of shares purchased.

(b) Average price paid per share.

(c) Total number of shares purchased as part of publicly announced plans or programs.

(d) Maximum number of shares that may yet be purchased under the plans or programs.

(1) On November 14, 2001, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to

2.5 million  
shares of our  
common stock.  
As of March 27,  
2010,  
cumulative total  
authorized  
shares available  
for repurchase is  
1.1 million  
shares.

Item 5. Other Information.

In the first quarter of 2009, the Audit Committee approved \$115,000 non-audit services to be provided by our independent auditors, Ernst & Young LLP, for 2010.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.  
PART II. OTHER INFORMATION**

**Item 6. Exhibits.**

The following exhibits (listed by number corresponding to the Exhibit Table as Item 601 in Regulation S-K) are filed with this report:

10 Material Contracts.

- (i)(4) Series 2004-A, Credit Agreement dated December 20, 2004 was filed as Exhibit 10(i) to a Form 8-K Current Report dated December 21, 2004 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement are filed herewith.
- (i)(5) First Amendment dated February 12, 2007 relating to Series 2004-A, Credit Agreement dated December 20, 2004, was filed as Exhibit 10(i) to a Form 8-K Current Report dated February 15, 2007 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement are filed herewith.
- (j)(2) Series 2002-A, Senior Note Agreement dated December 18, 2002 was filed as Exhibit 10(j)(2) to a Form 10-K Annual Report for the year ended December 28, 2002 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement are filed herewith.

31 Certifications.

- (a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- (b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32 Certifications.

- (a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- (b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

\* Indicates a compensatory arrangement.

**Table of Contents**

**UNIVERSAL FOREST PRODUCTS, INC.  
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.

**UNIVERSAL FOREST PRODUCTS, INC.**

Date: April 21, 2010

By: /s/ Michael B. Glenn  
Michael B. Glenn,  
Chief Executive Officer and Principal Executive  
Officer

Date: April 21, 2010

By: /s/ Michael R. Cole  
Michael R. Cole,  
Chief Financial Officer,  
Principal Financial Officer and  
Principal Accounting Officer

**Table of Contents**

EXHIBIT INDEX

Exhibit No. Description

- 10 Material Contracts.
- (i)(4) Series 2004-A, Credit Agreement dated December 20, 2004 was filed as Exhibit 10(i) to a Form 8-K Current Report dated December 21, 2004 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement are filed herewith.
  - (i)(5) First Amendment dated February 12, 2007 relating to Series 2004-A, Credit Agreement dated December 20, 2004, was filed as Exhibit 10(i) to a Form 8-K Current Report dated February 15, 2007 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement are filed herewith.
  - (j)(2) Series 2002-A, Senior Note Agreement dated December 18, 2002 was filed as Exhibit 10(j)(2) to a Form 10-K Annual Report for the year ended December 28, 2002 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement are filed herewith.
- 31 Certifications.
- (a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
  - (b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32 Certifications.
- (a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
  - (b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

\* Indicates a compensatory arrangement.