

UNIVERSAL FOREST PRODUCTS INC

Form 10-Q

April 21, 2010

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**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 |

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

(in thousands, except share data)

| | March 27, 2010 | December 26, 2009 | March 28, 2009 |
|---|-------------------|----------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| 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 |
| TOTAL CURRENT ASSETS | 431,475 | 383,349 | 403,618 |
| OTHER ASSETS | 4,311 | 4,478 | 3,522 |
| GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS | 156,732 | 157,058 | 156,937 |
| OTHER INTANGIBLE ASSETS, net | 15,194 | 16,693 | 22,723 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Property, plant and equipment | 514,687 | 510,774 | 503,393 |
| Accumulated depreciation and amortization | (287,418) | (280,675) | (263,144) |
| PROPERTY, PLANT AND EQUIPMENT, NET | 227,269 | 230,099 | 240,249 |
| TOTAL ASSETS | \$ 834,981 | \$ 791,677 | \$ 827,049 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| 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 |
| TOTAL CURRENT LIABILITIES | 160,326 | 135,184 | 153,616 |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, | | | |
| less current portion | 68,881 | 53,181 | 96,235 |
| DEFERRED INCOME TAXES | 21,640 | 21,707 | 17,708 |

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| | | | |
|--|------------|------------|------------|
| 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.

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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.

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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 |
|---|------------------|-----------------------------------|----------------------|---|---|----------------------------|-------------------|
| Balance at December 27, 2008 | \$ 19,089 | \$ 128,830 | \$ 393,312 | \$ 2,353 | \$ (1,701) | \$ 6,343 | \$ 548,226 |
| 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 |
| Balance at March 28, 2009 | \$ 19,179 | \$ 129,558 | \$ 392,105 | \$ 2,106 | \$ (1,672) | \$ 6,061 | | \$ 547,337 |
| Balance at December 26, 2009 | \$ 19,285 | \$ 132,765 | \$ 409,278 | \$ 3,633 | \$ (1,743) | \$ 5,728 | | \$ 568,946 |
| 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 |
| Balance at March 27, 2010 | \$ 19,361 | \$ 134,109 | \$ 409,605 | \$ 4,061 | \$ (1,771) | \$ 6,493 | \$ 571,858 | |

See notes to unaudited consolidated condensed financial statements.

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

(in thousands)

| | Three Months Ended | |
|--|--------------------|-------------------|
| | March 27, 2010 | March 28, 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| 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 |
| NET CASH FROM OPERATING ACTIVITIES | (78,106) | (18,057) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| 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 |
| NET CASH FROM INVESTING ACTIVITIES | (5,039) | 2,625 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| 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) |
| NET 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 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.

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**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 |
| Net Earnings (Loss) Attributable to Controlling Interest | \$ 987 | | | \$ (1,207) | | |
| EPS Basic | | | | | | |
| Income available to common stockholders | 987 | 19,258 | \$ 0.05 | (1,207) | 19,184 | \$ (0.06) |
| Effect of dilutive securities | | | | | | |
| Options | | 259 | | | | |
| EPS Diluted | | | | | | |
| 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.

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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.

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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.

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**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.

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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 |

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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.

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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.

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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.

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**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 ⁽¹⁾ | | | | 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.

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**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.

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**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

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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.