UNIVERSAL FOREST PRODUCTS INC
Form 10-Q
October 30, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 29, 2012

OR

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

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 x No o

Indicate by checkmark 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 o Accelerated Filer x Non-Accelerated Filer o Smaller reporting company o

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

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 September 29, 2012
Common stock, no par value	19,790,414

UNIVERSAL FOREST PRODUCTS, INC.

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

(in thousands, except share data)

	September 29, 2012	December 31, 2011	September 24, 2011
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$4,908	$11,305	$18,649
Accounts receivable, net	191,178	127,316	170,030
Inventories:			
Raw materials	119,346	111,526	106,769
Finished goods	89,792	83,171	74,113
	209,138	194,697	180,882
Assets held for sale	-	-	5,082
Refundable income taxes	1,266	3,482	1,779
Other current assets	25,898	21,394	23,649
TOTAL CURRENT ASSETS	432,388	358,194	400,071
OTHER ASSETS	14,918	15,380	11,470
GOODWILL	157,966	154,702	154,702
INDEFINITE-LIVED INTANGIBLE ASSETS	2,340	2,340	2,340
OTHER INTANGIBLE ASSETS, net	8,802	10,924	11,920
PROPERTY, PLANT AND EQUIPMENT:			
Property, plant and equipment	541,473	537,208	531,431
Accumulated depreciation and amortization	(324,542)	(314,741)	(313,511)
PROPERTY, PLANT AND EQUIPMENT, NET	216,931	222,467	217,920
TOTAL ASSETS	$833,345	$764,007	$798,423
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$72,080	$49,433	$65,315
Accrued liabilities:			
Compensation and benefits	39,743	30,920	39,269
Other	17,656	12,172	17,554
Current portion of long-term debt and capital lease obligations	40,000	40,270	266
TOTAL CURRENT LIABILITIES	169,479	132,795	122,404
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	15,918	12,200	52,200
DEFERRED INCOME TAXES	19,889	19,049	20,354
OTHER LIABILITIES	16,342	17,364	17,496
TOTAL LIABILITIES	221,628	181,408	212,454
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 19,790,414, 19,623,803 and 19,556,008	$19,790	$19,624	$19,556
Additional paid-in capital	148,581	143,988	141,849
Retained earnings	432,772	410,848	416,433
Accumulated other comprehensive earnings	4,554	3,600	3,844
Employee stock notes receivable	(1,013)	(1,255)	(1,439)
	604,684	576,805	580,243
Noncontrolling interest	7,033	5,794	5,726
TOTAL EQUITY	611,717	582,599	585,969
TOTAL LIABILITIES AND EQUITY	$833,345	$764,007	$798,423

See notes to unaudited consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 29, 2012	September 24, 2011	September 29, 2012	September 24, 2011
NET SALES	$533,366	$468,941	$1,584,170	$1,400,313
COST OF GOODS SOLD	478,139	414,583	1,403,530	1,247,954
GROSS PROFIT	55,227	54,358	180,640	152,359
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	45,186	44,013	140,070	135,829
CANADIAN ANTI-DUMPING DUTY ASSESSMENT	2,000	-	2,000	-
NET (GAIN) LOSS ON DISPOSITION OF ASSETS, EARLY RETIREMENT, AND OTHER IMPAIRMENT AND EXIT CHARGES	(269)	207	(7,052)	3,696
EARNINGS FROM OPERATIONS	8,310	10,138	45,622	12,834
INTEREST EXPENSE	968	926	3,219	2,738
INTEREST INCOME	(302)	(69)	(864)	(449)
EQUITY IN EARNINGS OF INVESTEE	(15)	(17)	(25)	(52)
	651	840	2,330	2,237
EARNINGS BEFORE INCOME TAXES	7,659	9,298	43,292	10,597
INCOME TAXES	2,903	3,293	16,140	3,508
NET EARNINGS	4,756	6,005	27,152	7,089
LESS NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(558)	(389)	(1,290)	(866)
NET EARNINGS ATTRIBUTABLE TO CONTROLLING INTEREST	$4,198	$5,616	$25,862	$6,223
EARNINGS PER SHARE - BASIC	$0.21	$0.29	$1.31	$0.32
EARNINGS PER SHARE - DILUTED	$0.21	$0.29	$1.31	$0.32

COMPREHENSIVE INCOME	$6,269	$4,491	$28,490	$6,496
LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(956)	130	(1,674)	(594)
COMPREHENSIVE INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	$5,313	$4,621	$26,816	$5,902

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)

	Controlling Interest Shareholders' Equity						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Employees Stock Notes Receivable	Noncontrolling Interest	Total
Balance at December 25, 2010	$19,333	$ 138,573	$414,108	$ 4,165	$(1,670)	$ 6,667	$581,176
Net earnings			6,223			866	7,089
Foreign currency translation adjustment				(321)		(272)	(593)
Purchase of additional noncontrolling interest						(402)	(402)
Capital contribution from noncontrolling interest						80	80
Distributions to noncontrolling interest						(1,213)	(1,213)
Cash dividends - $0.200 per share			(3,905)				(3,905)
Issuance of 64,989 shares under employee stock plans	65	1,241					1,306
Issuance of 153,999 shares under stock grant programs	154	1	7				162
Issuance of 5,781 shares under deferred compensation plans	5	(5)					-
Tax benefits from non-qualified stock options		240					240

exercised							
Expense associated with share-based compensation arrangements		1,281					1,281
Accrued expense under deferred compensation plans		579					579
Notes receivable adjustment	(1)	(61)			62		-
Payments received on employee stock notes receivable					169		169
Balance at September 24, 2011	$19,556	$ 141,849	$416,433	$ 3,844	$(1,439)	$ 5,726	$585,969
Balance at December 31, 2011	$19,624	$ 143,988	$410,848	$ 3,600	$(1,255)	$ 5,794	$582,599
Net earnings			25,862			1,290	27,152
Foreign currency translation adjustment				954		384	1,338
Capital contribution from noncontrolling interest						436	436
Distributions to noncontrolling interest						(871)	(871)
Cash dividends - $0.200 per share			(3,946)				(3,946)
Issuance of 82,059 shares under employee stock plans	82	1,744					1,826
Issuance of 51,771 shares under stock grant programs	52	24	8				84
Issuance of 33,525 shares under deferred compensation plans	33	(33)					-
Tax benefits from		307					307

non-qualified stock options exercised							
Expense associated with share-based compensation arrangements		993					993
Accrued expense under deferred compensation plans		1,582					1,582
Notes receivable written-off	(1)	(24)			25		-
Payments received on employee stock notes receivable					217		217
Balance at September 29, 2012	$19,790	$ 148,581	$432,772	$ 4,554	$(1,013)	$ 7,033	$611,717

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)

	Nine Months Ended September 29, 2012	Nine Months Ended September 24, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$27,152	$7,089
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	22,154	22,260
Amortization of intangibles	2,218	4,129
Expense associated with share-based compensation arrangements	1,078	1,443
Excess tax benefits from share-based compensation arrangements	(73)	(138)
Loss reserve for notes receivable	767	-
Deferred income tax credit	(1,223)	(222)
Equity in earnings of investee	(25)	(52)
Net gain on sale or impairment of property, plant and equipment	(7,228)	(183)
Changes in:		
Accounts receivable	(63,119)	(47,438)
Inventories	(13,483)	9,497
Accounts payable	22,285	5,849
Accrued liabilities and other	12,343	(109)
NET CASH FROM OPERATING ACTIVITIES	2,846	2,125
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(22,187)	(21,774)
Proceeds from sale of property, plant and equipment	15,092	1,485
Acquisitions, net of cash received	(2,149)	-
Purchase of patents	(95)	(116)
Collections of notes receivable	915	308
Advances of notes receivable	(1,157)	-
Other, net	(387)	100
NET CASH FROM INVESTING ACTIVITIES	(9,968)	(19,997)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under revolving credit facilities	6,217	(2,109)
Repayment of long-term debt	(2,773)	(745)
Debt issuance costs	(86)	-
Proceeds from issuance of common stock	1,826	1,306
Purchase of additional noncontrolling interest	-	(402)
Distributions to noncontrolling interest	(871)	(1,213)
Capital contribution from noncontrolling interest	281	80
Dividends paid to shareholders	(3,946)	(3,905)
Excess tax benefits from share-based compensation arrangements	73	138
Other, net	4	8

NET CASH FROM FINANCING ACTIVITIES	725	(6,842)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,397)	(24,714)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,305	43,363
CASH AND CASH EQUIVALENTS, END OF PERIOD	$4,908	$18,649
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Interest paid	$2,498	$2,162
Income taxes paid	15,797	3,483
NON-CASH FINANCING ACTIVITIES:		
Common stock issued under deferred compensation plans	$1,161	$185

See notes to unaudited consolidated condensed financial statements

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 31, 2011.

Certain prior year information has been reclassified to conform to the current year presentation.

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity. Under ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a continuous statement of comprehensive income or in two separate consecutive statements. We have adopted the provisions of ASU 2011-05 by presenting comprehensive income in a continuous statement of earnings and comprehensive income.

In July 2012, the FASB issued ASU 2012-02, Intangibles-Goodwill and Other (ASC Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”). ASU 2012-02 amends prior indefinite-lived intangible asset impairment testing guidance. Under ASU 2012-02, we have the option to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that an indefinite-lived intangible asset is impaired. If, after considering the totality of events and circumstances, an entity determines it is more likely than not that an indefinite-lived intangible asset is not impaired, then calculating the fair value of such asset is unnecessary. ASU 2012-02 will be effective for the Company during the interim and annual periods beginning after September 15, 2012. The adoption of ASU 2012-02 is not expected to have an impact on the Company's consolidated financial position, results of operations or cash flows.

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B. FAIR VALUE

We apply the provisions of ASC 820, Fair Value Measurements and Disclosures, to assets and liabilities measured at fair value. Assets measured at fair value are as follows:

(in thousands)	September 29, 2012 Quoted Prices in Active Markets (Level 1)	September 24, 2011 Quoted Prices in Active Markets (Level 1)
Recurring:		
Money market funds	$ 84	$ 83
Mutual funds:		
Domestic stock funds	597	587
International stock funds	473	546
Target funds	141	142
Bond funds	116	107
Total mutual funds	1,327	1,382
	$ 1,411	$ 1,465

Mutual funds are valued at prices quoted in an active exchange market and are included in "Other Assets". We have elected not to apply the fair value option under ASC 825, Financial Instruments, to any of our financial instruments except for those expressly required by U.S. GAAP.

We did not maintain any Level 2 or 3 assets or liabilities at September 29, 2012 or September 24, 2011.

C. REVENUE RECOGNITION

Earnings on construction contracts are reflected in operations using percentage-of-completion accounting, under either cost to cost or units of delivery methods, 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.

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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):

	September 29, 2012	December 31, 2011	September 24, 2011
Cost and Earnings in Excess of Billings	$ 5,971	$ 3,670	$ 6,151
Billings in Excess of Cost and Earnings	3,232	2,668	3,592

D. EARNINGS PER SHARE

The computation of earnings per share (“EPS”) is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2012	September 24, 2011	September 29, 2012	September 24, 2011
Numerator:				
Net earnings attributable to controlling interest	$ 4,198	$ 5,616	$ 25,862	$ 6,223
Adjustment for earnings allocated to non-vested restricted common stock	(38)	(45)	(225)	(52)
Net earnings for calculating EPS	$ 4,160	$ 5,571	$ 25,637	$ 6,171
Denominator:				
Weighted average shares outstanding	19,827	19,597	19,783	19,551
Adjustment for non-vested restricted common stock	(178)	(156)	(172)	(164)
Shares for calculating basic EPS	19,649	19,441	19,611	19,387
Effect of dilutive stock options	25	33	19	55
Shares for calculating diluted EPS	19,674	19,474	19,630	19,442
Net earnings per share:				
Basic	0.21	0.29	1.31	0.32
Diluted	0.21	0.29	1.31	0.32

No options were excluded from the computation of diluted EPS for the quarter ended September 29, 2012.

Options to purchase 10,000 shares were not included in the computation of diluted EPS for the nine months ended September 29, 2012 because the options’ exercise price was greater than the average market price of the common stock during the period and, therefore would be antidilutive.

Options to purchase 110,000 and 10,000 shares were not included in the computation of diluted EPS for the quarter and nine months ended September 24, 2011 because the options’ exercise price was greater than the average market price of the common stock during the period and, therefore would be antidilutive.

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E. ASSETS HELD FOR SALE AND NET (GAIN) LOSS ON DISPOSITION OF ASSETS, EARLY RETIREMENT 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 $5.1 million on September 24, 2011. The assets held for sale consist of certain vacant land and facilities we previously closed to better align manufacturing capacity with the current business environment. The fair values were determined based on appraisals or recent offers to acquire assets. These and other idle assets were evaluated based on the requirements of ASC 360, which resulted in impairment and other exit charges included in "Net (gain) loss on disposition of assets, early retirement and other impairment and exit charges".

In the second quarter of 2012, we sold certain real estate in Fontana, CA for approximately $12.1 million and recognized a pre-tax gain of approximately $7.2 million.

On June 20, 2011 our chief executive officer resigned and we entered into a consulting and non-competition agreement with him. We accrued for the present value of the future payments under the agreement totaling $2.6 million in June 2011.

The changes in assets held for sale are as follows (in thousands):

Description	Net Book Value	Date of Sale	Net Sales Price
Assets held for sale as of December 25, 2010	$ 2,446		
Additions	5,082		
Transfers to held for use	(1,619)		
Sale of certain real estate in Indianapolis, Indiana	(827)	May 17, 2011	$0.7 million
Assets held for sale as of September 24, 2011	$ 5,082		

F. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

We are self-insured for environmental impairment liability, including certain liabilities which are insured through a wholly owned subsidiary, Ardellis 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; Janesville, WI; and Medley, FL. 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. During 2009, a subsidiary entered into a consent order with the State of Florida to conduct additional testing at the Auburndale, FL facility. We admitted no liability and the costs are not expected to be material.

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On a consolidated basis, we have reserved approximately $3.4 million on September 29, 2012 and $3.2 million September 24, 2011, 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. Our affiliates market a modest amount of CCA treated products for permitted, non-residential applications.

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

In the third quarter, we recorded a $2.0 million loss contingency for a Canadian anti-dumping duty. The Canadian government has imposed retroactive assessments for antidumping and countervailing duties tied to certain extruded aluminum products imported from China. While we continue to work with the government to clarify the applicability of these rules to our products, we recorded a charge in the third quarter for this matter.

In addition, on September 29, 2012, we were parties either as plaintiff or 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 September 29, 2012, we had outstanding purchase commitments on capital projects of approximately $13.0 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 September 29, 2012, we had approximately $21.9 million in outstanding payment and performance bonds, which expire during the next two years. In addition, approximately $18.5 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

On September 29, 2012, we had outstanding letters of credit totaling $28.7 million, primarily related to certain insurance contracts and industrial development revenue bonds described further below.

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 $18.9 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 $9.8 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 $0.7 million. As a result, this amount is recorded in other long-term liabilities on September 29, 2012.

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UNIVERSAL FOREST PRODUCTS, INC.

We did not enter into any new guarantee arrangements during the third quarter of 2012 which would require us to recognize a liability on our balance sheet.

G. BUSINESS COMBINATION

We completed the following acquisition in fiscal 2012 which was accounted for using the purchase method (in millions):

Company Name	Acquisition Date	Purchase Price	Intangible Assets	Net Tangible Assets	Operating Segment	Business Description
MSR Forest Products, LLC ("MSR")	May 16, 2012	$3.2 (asset purchase)	$ 1.1	$ 2.1	Distribution Division	Supplies roof trusses and cut-to-size lumber to manufactured housing customers. Facilities are located in Haleyville, AL and Waycross, GA. In 2011, MSR had annual sales of $10 million.

The acquisition mentioned above was not significant to our operating results individually or in aggregate, and thus pro forma results are not presented. No acquisitions were completed in fiscal 2011.

The purchase price allocation for MSR is preliminary and will be revised as final estimates of intangible values are made.

H. SEGMENT REPORTING

ASC 280, Segment Reporting ("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.

Our operating segments consist of the Eastern, Western, Site-Built, Consumer Products and Distribution divisions. In accordance with ASC 280, due to the similar economic characteristics, nature of products, distribution methods, and customers, we have aggregated our Eastern and Western operating segments into one reportable segment. The Site-Built division is considered a separate reportable segment. Our other divisions do not collectively form a reportable segment because their respective operations are dissimilar and they do not meet the applicable quantitative requirements. These operations have been included in the "All Other" column of the table below. The "Corporate" column includes unallocated administrative costs.

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UNIVERSAL FOREST PRODUCTS, INC.

Three Months Ended September 29, 2012

	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$ 425,260	$ 59,630	$ 48,476	$ -	$ 533,366
Intersegment net sales	13,455	5,040	3,009	-	21,504
Segment operating profit (loss)	6, 149	394	(2,874)	4,641	8,310

Three Months Ended September 24, 2011

	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$ 380,550	$ 49,760	$ 38,631	$ -	468,941
Intersegment net sales	19,150	5,936	5,644	-	30,730
Segment operating profit (loss)	7,656	214	(2,527)	4,795	10,138

Nine Months Ended September 29, 2012

	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$ 1,268,162	$ 160,561	$ 155,447	$ -	$ 1,584,170
Intersegment net sales	49,387	13,916	11,619	-	74,922
Segment operating profit (loss)	45,395	858	(4,150)	3,519	45,622

Nine Months Ended September 24, 2011

	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$ 1,152,450	$ 133,953	$ 113,910	$ -	$ 1,400,313
Intersegment net sales	62,494	18,883	26,491	-	107,868
Segment operating profit (loss)	16,593	(5,586)	(4,602)	6,429	12,834

I. SUBSEQUENT EVENTS

On October 17, 2012, our Board approved a semi-annual dividend of $0.20 per share, payable on December 15, 2012 to shareholders of record on December 1, 2012.

On October 18, 2012, we announced that one of our subsidiaries will acquire the operating assets of Nepa Pallet and Container Co., Inc., a manufacturer of pallets, containers and bins for agricultural and industrial customers. Closing is expected to take place in early November 2012.

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UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Universal Forest Products, Inc. ("the Company") is a holding company that provides capital, management and administrative resources to subsidiaries that design, manufacture and market wood and wood-alternative products for retail building materials home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for the residential construction market, and specialty wood packaging and components and packing materials for various industries. The Company's subsidiaries also provide framing services for the residential market and forming products for concrete construction. The Company's consumer products operations offer a large portfolio of outdoor living products, including wood composite decking, decorative balusters, post caps and plastic lattice. Its lawn and garden group offers an array of products, such as trellises and arches, to retailers nationwide. The Company is headquartered in Grand Rapids, Michigan, and its subsidiaries operate facilities throughout North America. For more about Universal Forest Products, Inc., go to www.ufpi.com.

Please be aware that: Any statements included in this report that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by, and information currently available to, the Company at the time such statements were made. 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: adverse Lumber Market trends, competitive activity, negative economic trends, government regulations and weather. Certain of these risk factors and additional information are included in the Company's reports on Form 10-K and 10-Q on file with the Securities and Exchange Commission. We are pleased to present this overview of 2012.

OVERVIEW

Our results for the third quarter of 2012 were impacted by the following:

- Our sales increased 14% primarily due to an increase in lumber prices. See "Historical Lumber Prices". Our unit sales increased to three of our five markets. We experienced our strongest unit sales increase to the residential construction market.

- National housing starts increased approximately 24% in the period of June through August of 2012 (our sales trail housing starts by about a month), compared to the same period of 2011. Our unit sales increased 20% to this market. Since the downturn in housing began, we have lost some share of the residential construction market due to our focus on profitability and cash flow and the significant excess capacity of suppliers servicing the market.

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- We experienced a 9% increase in sales to our industrial customers due to share gains with existing customers and by adding new customers.

- Shipments of HUD code manufactured homes were up 11% in July and August 2012, compared to the same period of 2011, which helped drive our 14% increase in unit sales to this market. We have maintained our share of the manufactured housing market in the product lines we offer and our sales increase reflects greater market activity.

- The retail building materials market, which has been adversely impacted by a decline in consumer demand in prior years, experienced a trend up early in the year due in part to favorable weather. More recently, consumer spending and confidence appears to have softened. Our unit sales decreased due to the fact we lost some market share with a major retail customer this year, primarily in product lines with lower gross margins. This decrease was offset to some extent by gaining share with other customers in a variety of other product lines.

- Our gross profit percentage decreased to 10.4% from 11.6% comparing 2012 to 2011 primarily due to the higher level of lumber prices in the third quarter of 2012. We generally price our products to earn a fixed profit per unit such that lumber costs are passed through to the customer. Therefore, in periods of higher lumber prices our gross profit as a percentage of sales will decrease. See Historical Lumber Prices. Conversely, our selling, general and administrative expenses declined as a percentage of sales.

- In the third quarter, we recorded a $2.0 million loss contingency for a Canadian anti-dumping duty. The Canadian government has imposed retroactive assessments for antidumping and countervailing duties tied to certain extruded aluminum products imported from China. While we continue to work with the government to clarify the applicability of these rules to our products, we recorded a charge in the third quarter for this matter.

HISTORICAL LUMBER PRICES

We experience significant fluctuations in the cost of commodity lumber products from primary producers ("Lumber Market"). The following table presents the Random Lengths framing lumber composite price:

	Random Lengths Composite Average $/MBF	
	2012	2011
January	$ 281	$ 301
February	286	296
March	300	294
April	308	275
May	342	259
June	330	262
July	323	269
August	340	265
September	332	262
Third quarter average	$ 332	$ 265
Year-to-date average	316	276
Third quarter percentage change	25.3 %	

Year-to-date percentage change	14.5	%

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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	
	2012	2011
January	$ 269	$ 282
February	278	289
March	300	290
April	314	266
May	341	254
June	314	246
July	300	253
August	315	263
September	319	239
Third quarter average	$ 311	$ 252
Year-to-date average	306	265
Third quarter percentage change	23.4 %	
Year-to-date percentage change	15.5 %	

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UNIVERSAL FOREST PRODUCTS, INC.

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 (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 retail building materials customers, as well as trusses, wall panels and other components sold to the residential 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 with our suppliers for these sales commitments. Also, the time period and quantity limitations generally allow us to re-price our products for changes in lumber costs from our suppliers.

- 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 we 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. As a result of the decline in the housing market and our sales to residential and commercial builders, a greater percentage of our sales fall into this general pricing category. Consequently, we believe our profitability may be impacted to a much greater extent to changes in the trend of lumber prices.

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

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Ÿ 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 15% 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.)

Ÿ 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.

BUSINESS COMBINATIONS

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

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UNIVERSAL FOREST PRODUCTS, INC.

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.

	Three Months Ended				Nine months Ended			
	September 29, 2012		September 24, 2011		September 29, 2012		September 24, 2011	
Net sales	100.0	%	100.0	%	100.0	%	100.0	%
Cost of goods sold	89.6		88.4		88.6		89.1	
Gross profit	10.4		11.6		11.4		10.9	
Selling, general, and administrative expenses	8.3		9.4		8.8		9.7	
Loss contingency for Canadian anti-dumping duty	0.4		-		0.1		-	
Net (gain) loss on disposition of assets, early retirement, and other impairment and exit charges	0.1		0.0		(0.4	)	0.3	
Earnings from operations	1.6		2.2		2.9		0.9	
Other expense (income), net	0.1		0.2		0.2		0.2	
Earnings before income taxes	1.4		2.0		2.7		0.8	
Income taxes	0.5		0.7		1.0		0.3	
Net earnings	0.9		1.3		1.7		0.5	
Less net earnings attributable to noncontrolling interest	(0.1	)	(0.1	)	(0.1	)	(0.1	)
Net earnings attributable to controlling interest	0.8	%	1.2	%	1.6	%	0.4	%

Note: Actual percentages are calculated and may not sum to total due to rounding.

GROSS SALES

We design, manufacture and market wood and wood-alternative products for national home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for residential and commercial construction, and specialty wood packaging, components and packing materials for various industries. Our strategic long-term sales objectives include:

ŸDiversifying our end market sales mix by increasing sales of specialty wood packaging to industrial users, increasing our penetration of the concrete forming market, increasing our sales of engineered wood components for custom home, multi-family, military and light commercial construction, and increasing our market share with independent retailers.

Ÿ Expanding geographically in our core businesses, domestically and internationally.

ŸIncreasing sales of value-added products, which primarily consist of fencing, decking, lattice, and other specialty products sold to the retail building materials market, specialty wood packaging, engineered wood components, and wood alternative products. Wood alternative products consist primarily of composite wood and plastics. Engineered wood components include roof trusses, wall panels, and floor systems. 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.

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Ÿ Developing new products and expanding our product offering for existing customers.

Ÿ 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.

	Three Months Ended			Nine Months Ended		
Market Classification	September 29, 2012	September 24, 2011	% Change	September 29, 2012	September 24, 2011	% Change
Retail Building Materials	$204,368	$210,874	(3.1)	$682,016	$673,614	1.3
Residential Construction	69,648	52,066	33.8	181,750	156,508	16.1
Commercial Construction and Concrete Forming	23,850	21,415	11.4	68,236	57,206	19.3
Industrial	153,906	128,219	20.0	444,499	363,975	22.1
Manufactured Housing	89,023	65,717	35.5	232,755	177,371	31.2
Total Gross Sales	540,795	478,291	13.1	1,609,256	1,428,674	12.6
Sales Allowances	(7,429)	(9,350)		(25,086)	(28,361)	
Total Net Sales	$533,366	$468,941	13.7	$1,584,170	$1,400,313	13.1

Gross sales in the third quarter of 2012 increased 13% compared to the same period of 2011, primarily due to the impact of the higher level of the Lumber Market on our selling prices.

Gross sales in the first nine months of 2012 increased 13% compared to the same period of 2011, due to higher lumber prices in the second and third quarters and an increase in unit sales in the first quarter primarily resulting from improved demand in each of our markets and more favorable weather compared to inclement weather in 2011.

Changes in our gross sales by market are discussed below.

Retail Building Materials:

Gross sales to the retail building materials market decreased 3% in the third quarter of 2012 compared to the same period of 2011, primarily due to a 10% decrease in our overall unit sales, offset by higher lumber prices. Unit sales decreased primarily due to the loss of sales of low-margin products to a major retail customer. This loss of market share was offset somewhat by increased sales to other retail customers. Within this market, sales to our big box customers decreased 16% while our sales to other retailers increased 16%.

Gross sales to the retail building materials market increased 1% in the first nine months of 2012 compared to the same period of 2011, primarily due to the same factors discussed above and an increase in consumer spending in the first quarter.

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Residential Construction:

Gross sales to the residential construction market increased 34% in the third quarter of 2012 compared to the same period of 2011 due to an increase in lumber prices and a 20% increase in our unit sales. By comparison, national housing starts increased approximately 24% in the period of June through August of 2012 (our sales trail housing starts by about a month), compared to the same period of 2011. Gross sales to the residential construction market increased 16% in the first nine months of 2012 compared to the same period of 2011 primarily due to a 10% increase in unit sales (plant closures since July of 2011 had the effect of decreasing unit sales by 3%) combined with an increase in selling prices due to the Lumber Market. By comparison, national housing starts increased approximately 26% in the period of December through August of 2012 (our sales trail housing starts by about a month), compared to the same period of 2011. We continue to be selective in the business that we pursue in order to maximize profitability. As a result, we have lost some share of this market.

Commercial Construction and Concrete Forming:

Gross sales to the commercial construction and concrete forming market increased 11% in the third quarter of 2012 compared to the same period of 2011. Within this market, sales to commercial builders increased 10% and sales of products used to make concrete forms increased 13%. Gross sales to the commercial construction and concrete forming market increased 19% in the first nine months of 2012 compared to the same period of 2011. Within this market, sales to commercial builders increased 13% as a result of our ability to supply “turnkey” (components and framing) services to our customers, and sales of products used to make concrete forms increased 25% due to the sales and capital resources we’ve dedicated to growing our share of this market.

Industrial:

Gross sales to the industrial market increased 20% in the third quarter of 2012 compared to the same period of 2011, due a 9% increase in unit sales and an 11% increase in selling prices due to the Lumber Market. We added over 40 new customers this quarter and our sales to existing customers increased as we gained share with our top customers and demand improved.

Gross sales to the industrial market increased 22% in the first nine months of 2012 compared to the same period of 2011, primarily due an increase in unit sales as a result of the same factors discussed above.

Manufactured Housing and Recreation Vehicles:

Gross sales to the manufactured housing market increased 36% in the third quarter of 2012 compared to 2011, primarily due to an increase in selling prices due to the Lumber Market and combined with a 14% increase in unit sales. Unit sales to this market increased due to a rise in industry production of HUD-code homes related to orders from FEMA and strong demand for temporary housing in some areas of the country related to shale oil and gas development. In addition, we continued to add product lines and expand share in our distribution business. Shipments of HUD-code homes in July and August 2012 were up 11% compared to 2011.

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Gross sales to the manufactured housing market increased 31% in the first nine months of 2012 compared to 2011, primarily due to an increase in selling prices due to the Lumber Market and combined with a 19% increase in unit sales. Unit sales to this market increased due to the factors discussed above. Shipments of HUD-code homes in January through August 2012 were up 17% compared to 2011.

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. Value-added products generally carry higher gross margins than our commodity-based products.

	Three Months Ended				Nine Months Ended			
	September 29, 2012		September 24, 2011		September 29, 2012		September 24, 2011	
Value-Added	58.5	%	59.0	%	58.9	%	59.0	%
Commodity-Based	41.5	%	41.0	%	41.1	%	41.0	%

COST OF GOODS SOLD AND GROSS PROFIT

Our gross profit percentage decreased to 10.4% from 11.6% comparing the third quarter of 2012 to the same period of 2011. Our gross profit dollars increased by 2%, which is slightly better than our 1% increase in unit sales. Our lower gross profit percentage in 2012 reflects the impact the higher level of the Lumber Market this year compared to 2011. See Historical Lumber Prices.

Our gross profit percentage increased to 11.4% from 10.9% comparing the first nine months of 2012 to the same period of 2011. In addition, our gross profit dollars increased by 19%, which compares favorably to our 6% increase in unit sales. This improvement is primarily due to the impact of the Lumber Market combined with our increase in unit sales in the first quarter and the operating leverage we have in our cost structure. In addition, more favorable weather in the first quarter of 2012 compared to 2011, when we lost many production days due to inclement weather, impacted our production efficiency and improved our gross profit percentage. These increases were offset to some extent by pricing pressure experienced during the first nine months of the year. In addition, we lost some market share with a major retail customer this year, primarily in product lines with lower gross margins.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses increased by approximately $0.4 million, or 0.9%, in the third quarter of 2012 compared to the same period of 2011, while we reported a 1% increase in unit sales. The increase in SG&A was primarily due to small increases in compensation and related expenses, costs to prepare a new plant for production of our Eovations product line, and various selling costs. These increases were offset by a decrease in accrued bonus and other incentive compensation, which is based on profitability and the efficient use of capital.

Selling, general and administrative ("SG&A") expenses increased by approximately $3.5 million, or 2.6%, in the first nine months of 2012 compared to the same period of 2011, while we reported a 6% increase in unit sales. The increase in SG&A was primarily due to increases in accrued bonus and other incentive compensation, which is based on profitability and the efficient use of capital. Also, SG&A expenses in 2011 were impacted by a bad debt recovery in 2011, while our bad debt expense for 2012 remained consistent with our normal trends. These increases were offset by decreases in compensation and related expenses, amortization expense, and several other expenses as a result of our continuing efforts to reduce our cost structure.

CANADIAN ANTI-DUMPING DUTY ASSESSMENT

In the third quarter, we recorded a $2.0 million loss contingency for a Canadian anti-dumping duty. The Canadian government has imposed retroactive assessments for antidumping and countervailing duties tied to certain extruded aluminum products imported from China. While we continue to work with the government to clarify the applicability of these rules to our products, we recorded a charge in the third quarter for this matter such that our accrued liability is the maximum amount of our exposure.

NET (GAIN) LOSS ON DISPOSITION OF ASSETS, EARLY RETIREMENT AND OTHER IMPAIRMENT AND EXIT CHARGES

In the first nine months of 2012, we incurred approximately $0.2 million of severance costs which were offset by net gains on the sale or disposal of real estate and other property, plant and equipment totaling approximately $7.2 million.

In the first nine months of 2011, we recorded charges totaling $3.7 million relating to asset impairments and other costs associated with idled facilities and down-sizing efforts combined with early retirement expense. On June 20, 2011 our chief executive officer resigned and we entered into a consulting and non-competition agreement with him. We accrued for the present value of the future payments under the agreement totaling $2.6 million in June 2011.

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

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UNIVERSAL FOREST PRODUCTS, INC.

We currently have 9 operations which are experiencing operating losses and negative cash flow for the first nine months of 2012. The net book value of the long-lived assets of these operations, which could be subject to an impairment charge in the future, was $19.3 million at the end of September of 2012. In addition, these operations had future fixed operating lease payments totaling $0.8 million at the end of September of 2012.

INTEREST, NET

Net interest costs were comparable in the third quarter and first nine months of 2012 compared to the same periods of 2011. Our debt levels in 2012 were lower but our borrowing rates were slightly higher compared to 2011.

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 37.9% in the third quarter of 2012 compared to 35.4% for same period of 2011. Our effective tax rate was 37.3% in the first nine months of 2012. Our effective tax rate was 33.1% in the first nine months of 2011. The increase in our effective tax rate is primarily due to the expiration of the R&D tax credit offset by a combination of several small permanent differences.

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	
	September 29, 2012	September 24, 2011
Cash from operating activities	$2,846	$ 2,125
Cash from investing activities	(9,968)	(19,997)
Cash from financing activities	725	(6,842)
Net change in cash and cash equivalents	(6,397)	(24,714)
Cash and cash equivalents, beginning of period	11,305	43,363
Cash overdraft, end of period	$4,908	$ 18,649

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 results 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 typically results in significant cash flow from operations in our third and fourth quarters. For comparative purposes, we have included the September 24, 2011 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 46 days in the first nine months of 2012 from 51 days in the first nine months of 2011, due to a 5 day decrease in our days supply of inventory. In 2012, consumer demand and weather were unexpectedly good resulting in strong sales increases and higher inventory turnover. Conversely, in 2011 demand and weather were poor, resulting in weak sales and lower inventory turnover.

Cash provided by operating activities was $2.8 million in the first nine months of 2012, which was comprised of net earnings of $27.2 million and $24.8 million of non-cash expenses, offset by a $7.2 million gain on the sale of property, plant and equipment and a $42.0 million increase in working capital since the end of 2011. Working capital at the end of September 2012 is higher than the end of September 2011 primarily due to the impact of higher lumber prices.

Capital expenditures were $22.2 million in the nine months of 2012. We currently plan to spend up to $38 million in 2012, which includes outstanding purchase commitments on existing capital projects totaling approximately $13.0 million on September 29, 2012, primarily for expansion to support new product offerings and sales growth into new geographic markets. We intend to fund capital expenditures and purchase commitments through our operating cash flows for the balance of the year.

Cash flows used in investing activities included $2.1 million spent to acquire assets of an operation that produces products for the manufactured housing industry. See Notes to Unaudited Consolidated Condensed Financial Statements, Note G “Business Combinations”.

On September 29, 2012, we had $6.2 million outstanding on our $265 million revolving credit facility. The revolving credit facility also supports letters of credit totaling approximately $28.7 million on September 29, 2012. 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 in compliance with all of our covenant requirements on September 29, 2012.

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Our Series 2002-A Senior Notes totaling $40 million is due in December 2012. We expect to refinance this obligation in the fourth quarter.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

See Notes to Unaudited 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 31, 2011.

LONG-LIVED ASSETS AND GOODWILL

We evaluate long-lived assets for indicators of impairment when events or circumstances indicate that this risk may be present. Our judgments regarding the existence of impairment are based on market conditions, operational performance and estimated future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded to adjust the asset to its fair value. Changes in forecasted operations and changes in discount rates can materially affect these estimates. In addition, we test goodwill annually for impairment by utilizing the discounted cash flow method. The first step of the goodwill impairment test requires that the estimated fair value of the applicable reporting unit be compared with its recorded value. The fair value of the Consumer Products Division exceeded its net book value including goodwill by 27% as of the last impairment test date, December 31, 2011.

The amount of goodwill allocated to the Consumer Products Division is $8.4 million. Key assumptions that were used in determining the fair value of the reporting unit, included: additional sales of our composite decking product with a key customer; retention of existing business and replacement of any lost business; and profitability improvements based on covering our fixed costs sooner as a result of higher sales volumes running through the plants. Uncertainties exist in achieving key assumptions in the short term due to lower than expected consumer demand for the product offering and slower growth of replacement business, which has resulted in lower than forecasted leverage of our fixed costs to date. However, we currently view these lower than forecasted profits to be temporary, and long-term forecasts at December 31, 2011 to still be achievable.

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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.

We are subject to fluctuations in the price of lumber. We experience significant fluctuations in the cost of commodity lumber products from primary producers (the "Lumber Market"). A variety of factors over which we have no control, including government regulations, transportation, environmental regulations, weather conditions, economic conditions, and natural disasters, impact the cost of lumber products and our selling prices. While we attempt to minimize our risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect our sales volume, our gross margins, and our profitability. We anticipate that these fluctuations will continue in the future. (See “Impact of the Lumber Market on Our Operating Results.”)

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 September 29, 2012 (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 September 29, 2012, 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.

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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)
July 1 – August 4, 2012(1)				2,988,229
August 5 – September 1, 2012				2,988,229
September 2 – 29, 2012				2,988,229

(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. On October 14, 2011, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. The total number of shares that may be repurchased under the program is almost 3 million shares.

Item 5. Other Information.

None.

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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:

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).
101		Interactive Data File.
	(INS)	XBRL Instance Document.
	(SCH)	XBRL Schema Document.
	(CAL)	XBRL Taxonomy Extension Calculation Linkbase Document.
	(LAB)	XBRL Taxonomy Extension Label Linkbase Document.
	(PRE)	XBRL Taxonomy Extension Presentation Linkbase Document.
	(DEF)	XBRL Taxonomy Extension Definition Linkbase Document.

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* 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: October 30, 2012	By: /s/ Matthew J. Missad Matthew J. Missad, Chief Executive Officer and Principal Executive Officer
Date: October 30, 2012	By: /s/ Michael R. Cole Michael R. Cole, Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer

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EXHIBIT INDEX

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