UNIVERSAL FOREST PRODUCTS INC
Form 10-Q
April 30, 2014

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 March 29, 2014

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 x Accelerated Filer o 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 March 29, 2014
Common stock, no par value	20,048,764

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

(in thousands, except share data)

	March 29, 2014	December 28, 2013	March 30, 2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$-	$-	$-
Restricted cash	720	720	653
Accounts receivable, net	242,433	180,452	232,954
Inventories:			
Raw materials	168,310	161,226	158,742
Finished goods	143,700	126,079	132,010
Total inventories	312,010	287,305	290,752
Refundable income taxes	-	2,235	-
Deferred income taxes	6,850	6,866	9,222
Other current assets	20,339	18,820	16,494
TOTAL CURRENT ASSETS	582,352	496,398	550,075
DEFERRED INCOME TAXES	1,307	1,365	1,721
OTHER ASSETS	11,757	12,087	15,868
GOODWILL	160,945	160,146	161,266
INDEFINITE-LIVED INTANGIBLE ASSETS	2,340	2,340	2,340
OTHER INTANGIBLE ASSETS, NET	6,664	7,241	7,597
PROPERTY, PLANT AND EQUIPMENT:			
Property, plant and equipment	587,159	578,702	556,559
Less accumulated depreciation and amortization	(345,740)	(341,292)	(328,476)
PROPERTY, PLANT AND EQUIPMENT, NET	241,419	237,410	228,083
TOTAL ASSETS	$1,006,784	$916,987	$966,950
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Cash overdraft	$12,151	$1,079	$7,665
Accounts payable	91,015	72,918	93,597
Accrued liabilities:			
Compensation and benefits	35,596	45,018	32,819
Income taxes	458	-	930
Other	21,000	20,084	18,817
TOTAL CURRENT LIABILITIES	160,220	139,099	153,828
LONG-TERM DEBT, less current portion	143,471	84,700	155,181
DEFERRED INCOME TAXES	26,627	26,788	25,004
OTHER LIABILITIES	16,044	16,666	17,280
TOTAL LIABILITIES	346,362	267,253	351,293
SHAREHOLDERS' 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, 20,048,764, 19,948,270, and 19,868,615.	$20,049	$19,948	$19,869
Additional paid-in capital	159,278	156,129	151,889
Retained earnings	469,028	461,812	432,116
Accumulated other comprehensive income	2,864	3,466	4,377
Employee stock notes receivable	(540)	(732)	(849)
Total controlling interest shareholders' equity	650,679	640,623	607,402
Noncontrolling interest	9,743	9,111	8,255
TOTAL SHAREHOLDERS' EQUITY	660,422	649,734	615,657
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,006,784	$916,987	$966,950

See notes to consolidated condensed financial statements.

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

(in thousands, except per share data)

	Three Months Ended	
	March 29, 2014	March 30, 2013
NET SALES	$553,998	$554,494
COST OF GOODS SOLD	487,986	496,676
GROSS PROFIT	66,012	57,818
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	53,908	48,228
ANTI-DUMPING DUTY ASSESSMENT	-	639
NET GAIN ON DISPOSITION OF ASSETS	(524)	(106)
EARNINGS FROM OPERATIONS	12,628	9,057
INTEREST EXPENSE	1,066	1,245
INTEREST INCOME	(290)	(147)
EQUITY IN EARNINGS (LOSS) OF INVESTEE	(51)	(42)
	725	1,056
EARNINGS BEFORE INCOME TAXES	11,903	8,001
INCOME TAXES	4,235	2,245
NET EARNINGS	7,668	5,756
LESS NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(452)	(532)
NET EARNINGS ATTRIBUTABLE TO CONTROLLING INTEREST	$7,216	$5,224
EARNINGS PER SHARE - BASIC	$0.36	$0.26
EARNINGS PER SHARE - DILUTED	$0.36	$0.26
NET EARNINGS	7,668	5,756
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(696)	415
COMPREHENSIVE INCOME	6,972	6,171
	(358)	(828)

LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST		
COMPREHENSIVE INCOME ATTRIBUTABLE TO CONTROLLING INTERST	$6,614	$5,343

See notes to consolidated condensed financial statements.

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' 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 29, 2012	$19,800	$149,805	$426,887	$4,258	$(982)	$7,757	$607,525
Net earnings			5,224			532	5,756
Foreign currency translation adjustment				119		296	415
Distributions to noncontrolling interest						(330)	(330)
Issuance of 3,409 shares under employee stock plans	3	77					80
Issuance of 32,810 shares under stock grant programs	33	(19)	5				19
Issuance of 33,005 shares under deferred compensation plans	33	(33)					-
Tax benefits from non-qualified stock options exercised		7					7
Expense associated with share-based compensation arrangements		642					642
Accrued expense under deferred compensation plans		1,410					1,410
Payments received on employee stock notes receivable					133		133
Balance at March 30, 2013	$19,869	$151,889	$432,116	$4,377	$(849)	$8,255	$615,657
Balance at December 28, 2013	$19,948	$156,129	$461,812	$3,466	$(732)	$9,111	$649,734
Net earnings			7,216			452	7,668
Foreign currency translation adjustment				(602)		(94)	(696)
Noncontrolling interest associated with business acquisitions						975	975
Distributions to noncontrolling interest						(701)	(701)
Issuance of 2,172 shares under employee stock plans	2	97					99
Issuance of 63,019 shares under stock grant programs	63	523					586
Issuance of 35,303 shares under deferred compensation plans	36	(35)					1
		495					495

Expense associated with share-based compensation arrangements							
Accrued expense under deferred compensation plans		2,069					2,069
Payments received on employee stock notes receivable					192		192
Balance at March 29, 2014	$20,049	$159,278	$469,028	$ 2,864	$ (540)	$ 9,743	$660,422

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

(in thousands)

	Three Months Ended	
	March 29, 2014	March 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$7,668	$5,756
Adjustments to reconcile net earnings attributable to controlling interest:		
Depreciation	7,691	7,140
Amortization of intangibles	586	604
Expense associated with share-based compensation arrangements	495	642
Expense associated with stock grant plans	29	19
Deferred income taxes (credit)	(150)	36
Equity in earnings of investee	(51)	(42)
Net gain on sale of property, plant and equipment	(602)	(127)
Changes in:		
Accounts receivable	(61,825)	(70,715)
Inventories	(23,980)	(47,305)
Accounts payable	18,150	27,417
Accrued liabilities and other	(2,743)	12,001
NET CASH FROM OPERATING ACTIVITIES	(54,732)	(64,574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(8,994)	(8,085)
Proceeds from sale of property, plant and equipment	785	251
Acquisitions, net of cash received	(4,191)	(8,600)
Advances of notes receivable	(2,462)	(383)
Collections on notes receivable	473	543
Cash restricted as to use	-	6,178
Other, net	(36)	6
NET CASH FROM INVESTING ACTIVITIES	(14,425)	(10,090)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving credit facilities	106,318	110,177
Repayments under revolving credit facilities	(47,547)	(50,786)
Proceeds from issuance of common stock	99	80
Distributions to noncontrolling interest	(701)	(330)
Other, net	(8)	(6)
NET CASH FROM FINANCING ACTIVITIES	58,161	59,135
Effect of exchange rate changes on cash	(76)	217
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,072)	(15,312)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(1,079)	7,647

CASH (CASH OVERDRAFT), END OF PERIOD	$(12,151)	$(7,665)
SUPPLEMENTAL INFORMATION:		
Interest paid	$281	$417
Income taxes paid (refunded)	1,681	(6,199)
NON-CASH INVESTING ACTIVITIES		
Other receivables exchanged for notes receivable	2,768	-
NON-CASH FINANCING ACTIVITIES:		
Common stock issued under deferred compensation plans	1,894	1,329

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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 28, 2013.

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 March 30, 2013 balances in the accompanying unaudited consolidated condensed balance sheets.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASC Topic 220) (“ASU 2013-02”). ASU 2013-02 amends prior presentation of comprehensive income guidance. ASU 2013-02 requires that we report, in one place, the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required to be reclassified in its entirety to net income. ASU 2013-02 was effective for the Company during the interim and annual periods beginning after December 15, 2012. Our adoption of the provisions of ASU 2013-02 in 2013 did not affect our consolidated financial position, results of operations or cash flows.

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:

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(in thousands)	March 29, 2014 Quoted Prices in Active Markets (Level 1)	March 30, 2013 Quoted Prices in Active Markets (Level 1)
Money market funds	$ 162	$ 62
Mutual funds:		
Domestic stock funds	833	653
International stock funds	577	537
Target funds	198	151
Bond funds	152	140
Total mutual funds	1,760	1,481
	$ 1,922	$ 1,543

We maintain money market and mutual funds in our non-qualified deferred compensation plan. These 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 March 29, 2014 or March 30, 2013.

C. REVENUE RECOGNITION

Revenue is recognized at the time the product is shipped to the customer. Generally, title passes at the time of shipment. In certain circumstances, the customer takes title when the shipment arrives at the destination. However, our shipping process is typically completed the same day.

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.

Our construction contracts are generally entered into with a fixed price and completion of the projects can range from 6 to 18 months in duration. Therefore, our operating results are impacted by, among many other things, labor rates and commodity costs. During the year, we update our estimated costs to complete our projects using current labor and commodity costs and recognize losses to the extent that they exist.

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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):

	March 29, 2014	December 28, 2013	March 30, 2013
Cost and Earnings in Excess of Billings	$7,296	$ 6,903	$6,660
Billings in Excess of Cost and Earnings	1,307	2,858	4,189

D. EARNINGS PER SHARE

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

	Three Months Ended	
	March 29, 2014	March 30, 2013
Numerator:		
Net earnings attributable to controlling interest	$7,216	$5,224
Adjustment for earnings allocated to non-vested restricted common stock	(63)	(48)
Net earnings for calculating EPS	$7,153	$5,176
Denominator:		
Weighted average shares outstanding	20,058	19,886
Adjustment for non-vested restricted common stock	(176)	(184)
Shares for calculating basic EPS	19,882	19,702
Effect of dilutive stock options	23	34
Shares for calculating diluted EPS	19,905	19,736
Net earnings per share:		
Basic	$0.36	$0.26
Diluted	$0.36	$0.26

No options were excluded from the computation of diluted EPS for the quarters ended March 29, 2014 or March 30, 2013.

E. 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.

On a consolidated basis, we have reserved approximately $3.5 million on March 29, 2014 and $3.5 million on March 30, 2013, representing the estimated costs to complete future remediation efforts. These amounts are included in Other Liabilities within the condensed balance sheet and have not been reduced by an insurance receivable.

We are currently undergoing an unclaimed property audit with the state of Michigan covering the period July 1, 1994 to present. We anticipate that the audit will be completed during 2014 and do not expect it to result in a material loss.

In addition, on March 29, 2014, 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 March 29, 2014, we had outstanding purchase commitments on capital projects of approximately $5.0 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 residential and multi-family 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 29, 2014 we had approximately $15.8 million in outstanding payment and performance bonds, which expire during the next two years. In addition, approximately $19.8 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

On March 29, 2014, we had outstanding letters of credit totaling $26.5 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 $16.7 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 2012 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 $0.5 million. As a result, this amount is recorded in other long-term liabilities on March 29, 2014.

We did not enter into any new guarantee arrangements during the first quarter of 2014 which would require us to recognize a liability on our balance sheet.

F. BUSINESS COMBINATIONS

We completed the following acquisitions in fiscal 2014 and 2013 which were accounted for using the purchase method (in thousands):

Company Name	Acquisition Date	Purchase Price	Intangible Assets	Net Tangible Assets	Operating Segment	Business Description
Upshur Forest Products, LLC ("Upshur")	March 27, 2014	$1,774 (50% asset purchase; 51% voting majority)	$ 799	$ 975	Western Division	A business of remanufacturing, packaging, and selling lumber products from its facility located in Gilmer, TX. Upshur had annual sales of $8.9 million.
Container Systems, Inc. ("CSI")	March 14, 2014	$2,417 (asset purchase)	$ -	$ 2,417	Eastern Division	A manufacturer of crates and containers for industrial applications and the moving-and-storage industry, located in Franklinton, NC. CSI had annual sales of $3.0 million.
SE Panel and Lumber Supply, LLC ("SE Panel")	November 8, 2013	$2,181 (asset purchase)	$ -	$ 2,181	Eastern Division	A distributor of Olympic Panel overlay concrete forming panels and commodity lumber products to the concrete forming and construction industries. Facility is located in South Daytona, FL. SE Panel had annual sales of $5.4 million.
Premier Laminating Services, Inc. ("Premier Laminating")	May 31, 2013	$696 (asset purchase)	$ 250	$ 446	Western Division	A business specialized in environmentally sustainable laminated wooden products. Facility is located in Perris, CA. Premier Laminating had annual sales of $6.2 million.
Millry Mill Company, Inc. ("Millry")	February 28, 2013	$2,323 (asset purchase)	$ 50	$ 2,273	Eastern Division	A highly specialized export mill that produces rough dimension boards and lumber. Facility is located in Millry, AL. Millry had annual sales of $4.7 million.
Custom Caseworks, Inc. ("Custom Caseworks")	December 31, 2012	$6,278 (asset purchase)	$ 2,000	$ 4,278	Western Division	A high-precision business-to-business manufacturer of engineered wood products in many commercial markets. Facility is located in Sauk Rapids, MN. Custom Caseworks had annual sales of $7 million.

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The purchase price allocation for Upshur is preliminary for the valuation of intangible assets and will be revised, as necessary, as final determinations of intangible fair value are completed. The intangible assets for the other acquisitions were finalized and allocated to their respective identifiable intangible asset and goodwill accounts during 2013.

G. 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, Pinelli Universal 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 and certain incentive compensation expense.

	Three Months Ended March 29, 2014				
	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$456,396	$ 52,121	$45,481	$ -	$553,998
Intersegment net sales	22,580	2,818	3,845	-	29,243
Segment earnings from operations	14,906	1,598	(1,253)	(2,623)	12,628

	Three Months Ended March 30, 2013				
	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$445,524	$ 58,150	$50,820	$ -	$554,494
Intersegment net sales	18,792	4,293	2,612	-	25,697
Segment earnings from operations	14,074	(4,055)	(346)	(616)	9,057

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H. 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 35.6% in the first quarter of 2014 compared to 28.1% for same period of 2013. The increase is primarily due to recognizing a tax benefit for research and development and certain other tax credits totaling approximately $700,000 in the first quarter of 2013 related to 2012. These tax credits were enacted in the first quarter of 2013, retroactive to the beginning of 2012.

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

Universal Forest Products, Inc. is a holding company that provides capital, management and administrative resources to subsidiaries that supply wood, wood composite and other products to three robust markets: retail, construction and industrial. Founded in 1955, the Company is headquartered in Grand Rapids, Mich., with affiliates throughout North America. For more about Universal Forest Products, go to www.ufpi.com.

This report contains 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 identify 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, events, or assumptions 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 economic conditions in the markets we serve; government regulations, particularly involving environmental and safety regulations; and our ability to make successful business acquisitions. Certain of these risk factors as well as other 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 2014.

OVERVIEW

Our results for the first quarter of 2014 were impacted by the following:

Our overall sales were flat compared to the first quarter of 2013 as a 3% increase in our unit sales was offset by a decline in selling prices due to the commodity lumber market (see Historical Lumber Prices). Our 3% increase in unit sales was driven by sales growth to our industrial and commercial construction and concrete forming markets, offset by a decline in unit sales to our residential construction market. Unit sales to our retail and manufactured housing markets were flat. Our ability to grow sales to the retail and construction markets was temporarily hampered by inclement weather in most of the United States in the first quarter of 2014.

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- National housing starts increased approximately 1.6% in the period from December 2013 through February 2014 (our sales trail housing starts by about a month), compared to the same period of 2013. Although national housing starts increased, our unit sales to the residential construction market decreased 6%, primarily due to being more selective in the business that we take, particularly in our framing operations within our Site-Built segment.

- Production of HUD code manufactured homes increased 3.8% in the first quarter of 2014, compared to the same period of 2013, which helped drive our 1% increase in unit sales to this market. Our unit sales growth trails the market primarily due to a vertical integration strategy being employed by one of our customers. We expect this trend to continue for the balance of the year.

- Our operating profit percentage increased to 2.3% from 1.6% comparing 2014 to 2013 primarily due to the improved profitability of our framing and other operations that primarily serve residential construction customers.

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	
	2014	2013
January	$ 395	