

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2005-05-02** | Period of Report: **2005-03-26**
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FILER

UNIVERSAL FOREST PRODUCTS INC

CIK: **912767** | IRS No.: **381465835** | State of Incorpor.: **MI** | Fiscal Year End: **1229**
Type: **10-Q** | Act: **34** | File No.: **000-22684** | Film No.: **05790895**
SIC: **2421** Sawmills & planting mills, general

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

FORM 10-Q

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

For the quarterly period ended March 26, 2005

OR

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

Commission File Number 0-22684

UNIVERSAL FOREST PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Michigan

38-1465835

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

2801 East Beltline NE, Grand Rapids, Michigan

49525

(Address of principal executive offices)

(Zip Code)

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

NONE

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

Indicate by 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 No

Indicate by checkmark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding as of March 26, 2005
----- Common stock, no par value	----- 18,121,589

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

(in thousands, except share data)

	March 26, 2005	December 25, 2004	March 27, 2004
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 28,396	\$ 25,274	\$ 22,052
Accounts receivable, net.....	179,954	151,811	206,508
Inventories:			
Raw materials.....	146,936	116,104	106,967
Finished goods.....	139,899	96,817	112,237
	-----	-----	-----
	286,835	212,921	219,204
Other current assets.....	15,429	16,477	6,009
	-----	-----	-----
TOTAL CURRENT ASSETS.....	510,614	406,483	453,773
OTHER ASSETS.....	8,303	7,952	8,523
GOODWILL.....	123,901	123,845	122,458
OTHER INTANGIBLE ASSETS, net.....	7,207	7,807	6,381
PROPERTY, PLANT AND EQUIPMENT:			
Property, plant and equipment.....	388,231	380,632	362,522
Accumulated depreciation and amortization.....	(169,862)	(164,359)	(150,989)
	-----	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET.....	218,369	216,273	211,533
	-----	-----	-----
TOTAL ASSETS	\$ 868,394	\$ 762,360	\$ 802,668
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable.....	\$ 123,508	\$ 87,399	\$ 116,789
Accrued liabilities:			
Compensation and benefits.....	43,343	58,151	35,774
Other	21,935	16,282	15,306
Current portion of long-term debt and capital lease obligations...	21,910	22,033	6,010
	-----	-----	-----
TOTAL CURRENT LIABILITIES.....	210,696	183,865	173,879
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS,			
less current portion.....	251,806	185,109	285,682
DEFERRED INCOME TAXES.....	18,597	18,476	16,076
MINORITY INTEREST.....	7,765	8,265	5,433
OTHER LIABILITIES.....	10,153	9,876	9,649
	-----	-----	-----
TOTAL LIABILITIES.....	499,017	405,591	490,719

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS - CONTINUED

	March 26,	December 25,	March 27,
--	-----------	--------------	-----------

	2005	2004	2004
	-----	-----	-----
<S>	<C>	<C>	<C>
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, 18,121,589, 18,002,255 and 17,889,664.....	\$ 18,122	\$ 18,002	\$ 17,890
Additional paid-in capital.....	92,223	89,269	86,944
Deferred stock compensation.....	4,197	3,423	3,187
Deferred stock compensation rabbi trust.....	(2,087)	(1,331)	(1,330)
Retained earnings.....	256,656	247,427	206,200
Accumulated other comprehensive earnings.....	1,635	1,525	701
	-----	-----	-----
Employee stock notes receivable.....	370,746	358,315	313,592
	(1,369)	(1,546)	(1,643)
	-----	-----	-----
TOTAL SHAREHOLDERS' EQUITY.....	369,377	356,769	311,949
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 868,394	\$ 762,360	\$ 802,668
	=====	=====	=====

</TABLE>

See notes to consolidated condensed financial statements.

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

(in thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended	
	March 26, 2005	March 27, 2004
	-----	-----
<S>	<C>	<C>
NET SALES	\$ 537,160	\$ 465,665
COST OF GOODS SOLD.....	469,931	409,304
	-----	-----
GROSS PROFIT.....	67,229	56,361
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	49,851	43,840
	-----	-----
EARNINGS FROM OPERATIONS.....	17,378	12,521
OTHER EXPENSE (INCOME):		
Interest expense.....	3,775	3,631
Interest income.....	(149)	(83)
Net gain on sale of real estate and interest in subsidiary.....	(1,272)	(369)
	-----	-----
	2,354	3,179
	-----	-----
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST.....	15,024	9,342
INCOME TAXES.....	5,759	3,644
	-----	-----
EARNINGS BEFORE MINORITY INTEREST.....	9,265	5,698
MINORITY INTEREST.....	(36)	(131)
	-----	-----
NET EARNINGS	\$ 9,229	\$ 5,567
	=====	=====
EARNINGS PER SHARE - BASIC.....	\$ 0.51	\$ 0.31
EARNINGS PER SHARE - DILUTED.....	\$ 0.49	\$ 0.30
WEIGHTED AVERAGE SHARES OUTSTANDING.....	18,187	17,961
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS.....	18,972	18,709

</TABLE>

See notes to consolidated condensed financial statements.

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

(in thousands)

<TABLE>

<CAPTION>

	Three Months Ended	
	March 26, 2005	March 27, 2004
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 9,229	\$ 5,567
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation.....	7,345	6,672
Amortization of intangibles.....	601	410
Deferred income taxes.....	19	20
Minority interest.....	36	131
Loss on sale of interest in subsidiary.....		193
Net gain on sale or impairment of property, plant, and equipment.....	(1,131)	(603)
Changes in:		
Accounts receivable.....	(28,643)	(73,128)
Inventories.....	(73,913)	(48,711)
Accounts payable.....	36,108	37,850
Accrued liabilities and other.....	(6,160)	1,245
	-----	-----
NET CASH FROM OPERATING ACTIVITIES.....	(56,509)	(70,354)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment.....	(10,604)	(7,295)
Acquisitions, net of cash received.....		(5,360)
Proceeds from sale of interest in subsidiary.....		4,679
Proceeds from sale of property, plant and equipment.....	2,295	740
Other assets, net.....	366	178
	-----	-----
NET CASH FROM INVESTING ACTIVITIES.....	(7,943)	(7,058)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under revolving credit facilities.....	66,713	81,516
Repayment of long-term debt.....	(138)	(58)
Proceeds from issuance of common stock.....	1,462	857
Distributions to minority shareholder.....	(536)	(125)
Repurchase of common stock.....		(116)
Other.....	73	(40)
	-----	-----
NET CASH FROM FINANCING ACTIVITIES.....	67,574	82,034
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,122	4,622
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	25,274	17,430
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 28,396	\$ 22,052
	=====	=====
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Cash paid (refunded) during the period for:		
Interest.....	\$ 877	\$ 863
Income taxes.....	1,489	(1,913)

</TABLE>

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS - CONTINUED

<TABLE>

<CAPTION>

	Three Months Ended	
	March 26, 2005	March 27, 2004
	-----	-----
	<C>	<C>
NON-CASH OPERATING ACTIVITIES:		
Accounts receivable exchanged for note receivable.....	\$ 500	

NON-CASH INVESTING ACTIVITIES:
 Note receivable exchanged for property, plant and equipment..... \$ 1,455

NON-CASH FINANCING ACTIVITIES:
 Common stock issued to trust under deferred compensation plan..... \$ 761 \$ 716
 Common stock issued under stock gift plan..... 13 19
 Common stock issued under directors' stock grant plan..... 107 75
 </TABLE>

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
 NOTES TO 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 significant 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 25, 2004.

Certain reclassifications have been made to the Financial Statements for 2004 to conform to the classifications used in 2005.

B. REVENUE RECOGNITION

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

The following table presents the balances of percentage-of-completion accounts:

<TABLE>
 <CAPTION>

	March 26, 2005	March 27, 2004
<S>	<C>	<C>
Cost and Earnings in Excess of Billings.....	\$ 2,568	\$ 1,891
Billings in Excess of Cost and Earnings.....	2,294	2,142

</TABLE>

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

C. COMPREHENSIVE INCOME

Comprehensive income consists of net income and foreign currency translation adjustments. Comprehensive income was approximately \$9.3 million and \$4.9 million for the quarter ended March 26, 2005 and March 27, 2004, respectively.

D. EARNINGS PER COMMON SHARE

A reconciliation of the changes in the numerator and the denominator from

the calculation of basic EPS to the calculation of diluted EPS follows (in thousands, except per share data):

	Three Months Ended 03/26/05			Three Months Ended 03/27/04		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
NET EARNINGS.....	\$ 9,229			\$ 5,567		
EPS - BASIC						
Income available to common stockholders.....	9,229	18,187	\$ 0.51	5,567	17,961	\$ 0.31
EFFECT OF DILUTIVE SECURITIES						
Options.....		785			748	
EPS - DILUTED						
Income available to common stockholders and assumed options exercised.....	\$ 9,229	18,972	\$ 0.49	\$ 5,567	18,709	\$ 0.30

No outstanding options were excluded from the computation of diluted EPS for the quarter ended March 26, 2005.

Options to purchase 20,000 shares of common stock at exercise prices ranging from \$35.75 to \$36.01 were outstanding at March 27, 2004, but were not included in the computation of diluted EPS for the quarter. The options' exercise prices were greater than the average market price of the common stock during the period and, therefore, would be antidilutive.

E. SALE OF ACCOUNTS RECEIVABLE

We have entered into an accounts receivable sale agreement with a bank. Under the terms of the agreement:

- We sell specific receivables to the bank at an agreed-upon price at terms ranging from one month to one year.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

- We service the receivables sold and outstanding on behalf of the bank at a rate of 0.50% per annum.
- We receive an incentive servicing fee, which we account for as a retained interest in the receivables sold. Our retained interest is determined based on the fair market value of anticipated collections in excess of the Agreed Base Value of the receivables sold. Appropriate valuation allowances are recorded against the retained interest.
- The maximum amount of receivables which may be sold and outstanding at any point in time under this arrangement is \$50 million.

On March 26, 2005, \$34.9 million of receivables were sold and outstanding, and we recorded \$2.3 million of net retained interest in other current assets. On March 27, 2004, \$7.0 million of receivables were sold and outstanding, and we recorded \$0.1 million of net retained interest in other current assets. A summary of the transactions we completed for the first three months of 2005 and 2004 are presented below (in thousands).

	Three Months Ended March 26, 2005	Three Months Ended March 27, 2004
Accounts receivable sold.....	\$ 79,466	\$ 56,460
Retained interest in receivables.....	(1,156)	(1,451)
Expense from sale.....	(255)	(111)
Servicing fee received.....	32	24
Discounts and sales allowances.....	(606)	(579)
Net cash received from sale.....	\$ 77,481	\$ 54,343

</TABLE>

F. GOODWILL AND OTHER INTANGIBLE ASSETS

The following amounts were included in other intangible assets, net:

<TABLE>

<CAPTION>

	March 26, 2005		March 27, 2004	
	Assets	Accumulated Amortization	Assets	Accumulated Amortization
<S>	<C>	<C>	<C>	<C>
Non-compete agreements	\$ 9,806	\$(4,657)	\$ 7,884	\$(3,301)
Licensing agreements	2,760	(1,759)	2,910	(1,112)
Customer relationships	1,285	(257)		
Backlog	190	(161)		
Total	\$ 14,041	\$(6,834)	\$10,794	\$(4,413)

</TABLE>

UNIVERSAL FOREST PRODUCTS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

Estimated amortization expense for intangible assets as of March 26, 2005 for each of the five succeeding fiscal years is as follows (in thousands):

<TABLE>

<S>	<C>
2005.....	\$1,604
2006.....	1,961
2007.....	1,446
2008.....	996
2009.....	480
Thereafter.....	720

</TABLE>

The changes in the net carrying amount of goodwill for the three months ended March 26, 2005 and March 27, 2004 are as follows (in thousands):

<TABLE>

<S>	<C>
Balance as of December 25, 2004.....	\$123,845
Other, net.....	56
Balance as of March 27, 2005.....	\$123,901
Balance as of December 27, 2003.....	\$125,028
Final purchase price allocation.....	(2,169)
Other, net.....	(401)
Balance as of March 27, 2004.....	\$122,458

</TABLE>

G. BUSINESS COMBINATIONS

On April 2, 2004, one of our subsidiaries acquired a 50% interest in Shawnlee Construction, LLC ("Shawnlee"), which provides framing services for multi-family construction, and is located in Plainville, MA. The purchase price was approximately \$4.8 million, allocating \$1.2 million to tangible assets and purchased intangibles, \$1.1 million to a non-compete agreement, \$1.3 million to customer relationship related intangibles, \$0.2 million to a backlog, and \$1.0 million to goodwill. Shawnlee had net sales in fiscal 2003 totaling approximately \$20 million. We have consolidated this entity, including a respective minority interest, because we exercise control.

On March 15, 2004, one of our subsidiaries acquired the assets of Slaughter Industries, owned by International Paper Company ("Slaughter"), a facility which supplies the site-built construction market in Dallas, TX. The purchase price was approximately \$3.9 million, which was allocated to the fair value of tangible net assets. Slaughter had net sales in fiscal 2003 totaling approximately \$48 million.

On January 30, 2004, one of our subsidiaries acquired the assets of Midwest Building Systems, Inc. ("Midwest"), a facility which serves the site-built construction market in Indianapolis, IN. The purchase price was

approximately \$1.5 million, which was allocated to the fair value of tangible net assets. Midwest had net sales in fiscal 2003 totaling approximately \$7 million.

UNIVERSAL FOREST PRODUCTS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

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

H. EMPLOYEE STOCK NOTES RECEIVABLE

Employee stock notes receivable represents notes issued to us by certain employees and officers to finance the purchase of our common stock. Directors and executive officers do not, and are not allowed to, participate in this program.

I. STOCK-BASED COMPENSATION

As permitted under SFAS No.123, Accounting for Stock-Based Compensation, ("SFAS 123"), we continue to apply the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, which recognizes compensation expense under the intrinsic value method. Had compensation cost for the stock options granted and stock purchased under the Employee Stock Purchase Plan in the first quarter of 2005 and 2004 been determined under the fair value based method defined in SFAS 123, our net earnings and earnings per share would have been reduced to the following pro forma amounts (in thousands, except per share data):

<TABLE>
<CAPTION>

	Three Months Ended	
	March 26, 2005	March 27, 2004
<S>	<C>	<C>
Net Earnings:		
As reported.....	\$ 9,229	\$ 5,567
Deduct: compensation expense		
- fair value method.....	(237)	(440)
Pro Forma.....	\$ 8,992	\$ 5,127
	=====	=====
EPS - Basic:		
As reported.....	\$ 0.51	\$ 0.31
Pro forma.....	\$ 0.49	\$ 0.29
EPS - Diluted:		
As reported.....	\$ 0.49	\$ 0.30
Pro forma.....	\$ 0.48	\$ 0.28

</TABLE>

J. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

We are self-insured for environmental impairment liability through a wholly owned subsidiary, UFP Insurance Ltd., a licensed captive insurance company. We own and operate a number of facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, we may, under various federal, state, and local

UNIVERSAL FOREST PRODUCTS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Insurance reserves, calculated with no discount rate, have been established to cover remediation activities at our Union City, GA; Stockertown, PA; Elizabeth City, NC; Auburndale, FL; Schertz, TX; and Janesville, WI wood preservation facilities. In addition, a small reserve was established for our Thornton, CA property to remove asbestos and certain lead containing materials which existed on the property at the time of purchase.

Including amounts from our wholly owned captive insurance company, we have reserved approximately \$1.8 million on March 26, 2005 and \$1.9 million on March 27, 2004, representing the estimated costs to complete future remediation efforts and has not been reduced by an insurance receivable.

The manufacturers of CCA preservative voluntarily discontinued the registration of CCA for certain residential applications as of December 31, 2003. Our wood preservation facilities have been converted to alternate preservatives, either ACQ or borates. In March 2005, one facility began using CCA to treat certain marine products and panel goods for which ACQ is not a suitable preservative.

In November 2003, the EPA published its report on the risks associated with the use of CCA in children's playsets. While the study observed that the range of potential exposure to CCA increased by the continuous use of playsets, the EPA concluded that the risks were not sufficient to require removal or replacement of any CCA treated structures. The EPA did refer a question on the use of sealants to a scientific advisory panel. The panel issued a report which provides guidance to the EPA on the use of various sealants but does not mandate their use. The EPA is reviewing the report and is expected to issue further clarifications. The results of the EPA study are consistent with a prior Consumer Products Safety Commission (CPSC) study which reached a similar conclusion.

In addition, various special interest environmental groups have petitioned certain states requesting restrictions on the use or disposal of CCA treated products. The wood preservation industry trade groups are working with the individual states and their regulatory agencies to provide an accurate, factual background which demonstrates that the present method of uses and disposal is scientifically supported.

We have been requested by a customer to defend it from purported class action lawsuits filed against it in Texas, Illinois, and New Jersey. The purported class action lawsuits seek unspecified damages from one of our customers, based on generalized claims under a purported theory of inherent defect, failure to properly warn, or violation of individual state Consumer Protection Act statutes. To date, none of these cases have been certified as a class action. The Illinois case and the Texas case were recently dismissed without prejudice, although the plaintiff may choose to appeal or refile. The Texas case was again dismissed in March 2005 without prejudice. The Texas case has been continued as an individual plaintiffs

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

case, rather than a class action. As such, the case is not material. The Illinois case, based on an alleged violation of the consumer protection act, has been restated and filed. The remaining case does not allege personal injury or property damage. As previously stated, our vendors believe and scientific studies support the fact that CCA treated lumber poses no unreasonable risks, and we intend to vigorously defend this position. While our customer has charged us for certain costs incurred in the defense of these claims and we have expensed them accordingly, we have not formally accepted liability of these costs.

We believe that based on current facts, laws, and existing scientific evidence, as well as the favorable disposition of the above referenced lawsuits, that the likelihood of a material adverse financial impact from the remaining claims is remote. Therefore, we have not accrued for any potential loss related to the contingencies above. However, potential liabilities of this nature are not conducive to precise estimates and are subject to change. To the extent we are required to defend these actions, we intend to do so vigorously and will monitor these facts on an ongoing basis.

In addition, on March 26, 2005, we were parties either as plaintiff or a defendant to a number of lawsuits and claims arising through the normal course of our business. In the opinion of management, our consolidated financial statements will not be materially affected by the outcome of these contingencies and claims.

On March 26, 2005, we had outstanding purchase commitments on capital projects of approximately \$7.5 million.

We provide a variety of warranties for products we manufacture. Historically, warranty claims have not been material.

In certain cases we jointly bid on contracts with framing companies to supply building materials to site-built construction projects. In some of

these 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. Historically, we have not had any claims for indemnity from our sureties. As of March 26, 2005, we had approximately \$25.1 million in outstanding payment and performance bonds which expire during the next one to twenty-three months. In addition, approximately \$3.5 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

We have entered into operating leases for certain assets that include a guarantee of a portion of the residual value of the leased assets. If at the expiration of the initial lease term we do not exercise our option to purchase the leased assets and these assets are sold by the lessor for a price below a predetermined amount, we will reimburse the lessor for a certain portion of the shortfall. These operating leases will expire periodically over the next five years. The estimated maximum aggregate exposure of these guarantees is approximately \$1.2 million.

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UNIVERSAL FOREST PRODUCTS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

Under our sale of accounts receivable agreement, we guarantee that Universal Forest Products RMS, LLC, as accounts servicer, will remit collections on receivables sold to the bank. (See Note E, "Sale of Accounts Receivable.")

On March 26, 2005, we had outstanding letters of credit totaling \$34.6 million, primarily related to certain insurance contracts and industrial development revenue bonds, as further described 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 \$16.3 million for these types of insurance arrangements. We have reserves recorded on our balance sheet, in accrued liabilities, that reflect our expected future liabilities under these insurance arrangements.

We are required to provide irrevocable letters of credit in favor of the bond trustees for all of the industrial development revenue bonds that we have issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately \$18.3 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.

Our wholly owned domestic subsidiaries have guaranteed the indebtedness of Universal Forest Products, Inc. in certain debt agreements, including the Series 1998-A Senior Notes, 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.

We did not enter into any new guarantee arrangements during the first quarter of 2005 which would require us to recognize a liability on our balance sheet.

K. SALE OF REAL ESTATE

On January 3, 2005, we sold real estate located in Stockton, CA for \$2.3 million and recorded a pre-tax gain totaling approximately \$1.3 million.

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UNIVERSAL FOREST PRODUCTS, INC.

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

Included in this report are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements are based on the beliefs and assumptions of management, together with information available to us when the statements were made. Future results could differ materially from those included in such forward-looking statements as a result of, among other things, the factors set forth below and certain economic and business factors which may be beyond our control. Investors are cautioned

that all forward-looking statements involve risks and uncertainty.

OVERVIEW

We are pleased to report strong results for the first quarter of 2005, which was highlighted by:

- Our growth in sales to the site-built construction, industrial, and manufactured housing markets. Our unit sales to the do-it-yourself/retail (DIY/retail) market declined due to our sales strategy with our largest customer and efforts to diversify our customer base, combined with a delayed spring in the Northeast and Midwest.
- Higher lumber prices which elevated our sales dollars and required a greater investment in working capital. Our sales increased 15% for the quarter, and we estimate that 6% of this increase was due to higher lumber prices.
- A 66% increase in net earnings for the quarter which surpassed our 9% increase in unit sales. Our enhanced profitability was primarily due to the down-sizing of one of our Western framing operations, improved gross margins on certain product lines due to cost reductions, and a gain on the sale of our Stockton, CA, plant.
- Improved cash flows from operating activities and a decrease in our leverage ratio due, in part, to an increase in our sale of receivables program.

In summary, we remain optimistic about the future of our business, markets and strategies, and our employees remain focused on adding value for our customers, executing our strategies and meeting our goals.

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UNIVERSAL FOREST PRODUCTS, INC.

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

RISK FACTORS

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, 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 negatively affect our sales volume, our gross margins and our profitability. We anticipate that these fluctuations will continue in the future.

OUR GROWTH MAY BE LIMITED BY THE MARKETS WE SERVE. Our sales growth is dependent, in part, upon the growth of the markets we serve. If our markets do not achieve anticipated growth, or if we fail to maintain our market share, financial results could be impaired.

Our ability to achieve growth in sales and margins to the site-built construction market is somewhat dependent on housing starts. If housing starts decline significantly, our financial results could be negatively impacted.

We are witnessing consolidation by our customers in each of the markets we serve. These consolidations will result in a larger portion of our sales being made to some customers and may limit the customer base we are able to serve.

A SIGNIFICANT PORTION OF OUR SALES ARE CONCENTRATED WITH ONE CUSTOMER. Our sales to The Home Depot comprised 19% of our total sales in the first three months of 2005, down from 23% for the first three months of 2004.

OUR GROWTH MAY BE LIMITED BY OUR ABILITY TO MAKE SUCCESSFUL ACQUISITIONS. A key component of our growth strategy is to complete business combinations. Business combinations involve inherent risks, including assimilation and successfully managing growth. While we conduct extensive due diligence and have taken steps to ensure successful assimilation, factors beyond our control could influence the results of these acquisitions.

WE MAY BE ADVERSELY AFFECTED BY THE IMPACT OF ENVIRONMENTAL AND SAFETY REGULATIONS. We are subject to the requirements of federal, state and local environmental and occupational health and safety laws and regulations. There can be no assurance that we are at all times in complete compliance with all of these requirements. We have made and will continue to make capital and other expenditures to comply with environmental regulations. If additional laws and regulations are enacted in the future, which restrict our ability to manufacture and market our products, including our treated lumber products, it could

adversely affect our sales and profits. If existing laws are interpreted differently, it could also increase our financial costs. Several states have proposed

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UNIVERSAL FOREST PRODUCTS, INC.

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

legislation to limit the uses and disposal of Chromated Copper Arsenic ("CCA") treated lumber. (See Note J, "Commitments, Contingencies and Guarantees.")

SEASONALITY AND WEATHER CONDITIONS COULD ADVERSELY AFFECT US. Some aspects of our business are seasonal in nature and results of operations vary from quarter to quarter. Our treated lumber and outdoor specialty products, such as fencing, decking and lattice, experience the greatest seasonal effects. Sales of treated lumber, primarily consisting of Southern Yellow Pine ("SYP"), also experience the greatest Lumber Market risk (see "Historical Lumber Prices"). Treated lumber sales are generally at their highest levels between April and August. This sales peak, combined with capacity constraints in the wood treatment process, requires us to build our inventory of treated lumber throughout the winter and spring. (This also has an impact on our receivables balances, which tend to be significantly higher at the end of the second and third quarters.) Because sales prices of treated lumber products may be indexed to the Lumber Market at the time they are shipped, our profits can be negatively affected by prolonged declines in the Lumber Market during our primary selling season. To mitigate this risk, consignment inventory programs are negotiated with certain vendors that are intended to decrease our exposure to the Lumber Market by correlating the purchase price of the material with the related sell price to the customer. These programs include those materials which are most susceptible to adverse changes in the Lumber Market.

The majority of our products are used or installed in outdoor construction activities; therefore, short-term sales volume, our gross margins and our profits can be negatively affected by adverse weather conditions, particularly in our first and fourth quarters. In addition, adverse weather conditions can negatively impact our productivity and costs per unit.

WE CONVERTED TO A NEW PRESERVATIVE TO TREAT OUR PRODUCTS. The manufacturers of CCA preservative voluntarily discontinued the registration of CCA for certain residential applications as of December 31, 2003. As a result, all of our wood preservation facilities, except the one described below, have been converted to an alternate preservative, either Amine Copper Quaternary ("ACQ"), or borates. The cost of ACQ is more than four times higher than the cost of CCA. We estimate the new preservative has increased the cost and sales price of our treated products by approximately 10% to 15%. In March 2005, one facility began using CCA to treat certain marine products and panel goods for which ACQ is not a suitable preservative. While we believe treated products are reasonably priced relative to alternative products such as composites or vinyl, consumer acceptance may be impacted which would in turn affect our future operating results. (See Note J, "Commitments, Contingencies and Guarantees.")

MARKET CONDITIONS FOR THE SUPPLY OF CERTAIN LUMBER PRODUCTS AND INBOUND TRANSPORTATION MAY BE LIMITED. These conditions, which occur on occasion, have resulted in difficulties procuring desired quantities and receiving orders on a timely basis for all industry participants. We are not certain how these conditions may impact our short-term sales volumes and profitability. However, we attempt to mitigate the risks these conditions by:

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UNIVERSAL FOREST PRODUCTS, INC.

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

- Our pricing practices (see "Impact of the Lumber Market on Our Operating Results");
- Leveraging our size with mill and transportation suppliers to ensure they achieve supply and service requirements;
- Increasing our utilization of consigned inventory programs with mills; and
- Expanding our supply base of dedicated carriers.

When analyzing this report to assess our future performance, please recognize the potential impact of the various factors set forth above.

HISTORICAL LUMBER PRICES

The following table presents the Random Lengths framing lumber composite price for the three months ended March 26, 2005 and March 27, 2004:

<TABLE>
<CAPTION>

	Random Lengths Composite Average \$/MBF	
	2005	2004
<S>	<C>	<C>
January.....	\$381	\$341
February.....	420	376
March.....	422	382
First quarter average.....	\$408	\$366
First quarter percentage increase from 2004.....	11.5%	

</TABLE>

In addition, a SYP composite price, which we prepare and use, is presented below. Sales of products produced using this species comprise up to 50% of our sales volume.

<TABLE>
<CAPTION>

	Random Lengths SYP Average \$/MBF	
	2005	2004
<S>	<C>	<C>
January.....	\$446	\$410
February.....	489	436
March.....	501	487
First quarter average.....	\$479	\$444

</TABLE>

UNIVERSAL FOREST PRODUCTS, INC.

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

IMPACT OF THE LUMBER MARKET ON OUR OPERATING RESULTS

<Table>
<S>

First quarter percentage increase from 2004.....	7.9%
---	------

</Table>

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.

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

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

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

commitments with our suppliers. Also, the time period and quantity limitations generally allow us to re-price our products for changes in lumber costs from our suppliers.

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

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

UNIVERSAL FOREST PRODUCTS, INC.

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

- Products that have significant inventory levels with low turnover rates, whose selling prices are indexed to the Lumber Market. This would include treated lumber, which comprises almost twenty-five percent of our total sales. 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 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. (See "Risk Factors - Seasonality and weather conditions could adversely affect us.")
- 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.

<TABLE>
<CAPTION>

	Period 1	Period 2
	-----	-----
<S>	<C>	<C>
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%

</TABLE>

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

We completed the following business combinations in fiscal 2005 and fiscal 2004, which were accounted for using the purchase method. (See Note G, "Business Combinations.")

UNIVERSAL FOREST PRODUCTS, INC.

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

<TABLE>
<CAPTION>

Company Name	Acquisition Date	Business Description
-----	-----	-----

<S> Shawnee Construction, LLC	<C> April 2, 2004	<C> Provides framing services for multi-family construction in the Northeast. Located in Plainville, MA.
Slaughter Industries	March 15, 2004	Distributes lumber products and manufactures engineered wood components for site-built construction. Located in Dallas, TX.
Midwest Building Systems, Inc.	January 30, 2004	Manufacturer of engineered wood components for site-built construction. Located in Indianapolis, IN.

RESULTS OF OPERATIONS

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

	For the Three Months Ended	
	March 26, 2005	March 27, 2004
<S>	<C>	<C>
Net sales.....	100.0%	100.0%
Cost of goods sold.....	87.5	87.9
Gross profit.....	12.5	12.1
Selling, general, and administrative expenses.....	9.3	9.4
Earnings from operations.....	3.2	2.7
Interest, net.....	0.6	0.8
Net gain on sale of real estate and interest in subsidiary.....	(0.2)	(0.1)
	0.4	0.7
Earnings before income taxes and minority interest.....	2.8	2.0
Income taxes.....	1.1	0.8

UNIVERSAL FOREST PRODUCTS, INC.

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

	<C>	<C>
Earnings before minority interest.....	1.7	1.2
Minority interest.....	(0.0)	(0.0)
Net earnings.....	1.7%	1.2%

NET SALES

We engineer, manufacture, treat, distribute and install lumber, composite wood, plastic, and other building products for the DIY/retail, site-built construction, manufactured housing, and industrial markets. Our strategic sales objectives include:

- Diversifying our end market sales mix by increasing sales of specialty wood packaging to industrial users and engineered wood components and framing services to the site-built construction market. Engineered wood components include roof trusses, wall panels, and floor systems.
- Increasing sales of "value-added" products and framing services. Value-added product sales consist of fencing, decking, lattice, and other specialty products sold to the DIY/retail market, specialty wood packaging, engineered wood components, and "wood alternative" products. Wood alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is

not presently included in the value-added sales totals.

- Maximizing unit sales growth while achieving return on investment goals.

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

<TABLE>
<CAPTION>

Market Classification	For the Three Months Ended		
	March 26, 2005	% Change	March 27, 2004
<S>	<C>	<C>	<C>
DIY/Retail.....	\$ 177,622	(0.7)	\$ 178,884
Site-Built Construction.....	151,901	32.3	114,843
Manufactured Housing.....	96,344	25.2	76,975
Industrial.....	111,293	17.2	94,963
Total.....	\$ 537,160		\$ 465,665

</TABLE>

Net sales in the first quarter of 2005 increased 15% compared to the first quarter of 2004 resulting from an estimated increase in units shipped of approximately 9%, while overall selling prices increased by 6%. Overall selling prices increased as a result of the Lumber Market (see "Historical Lumber Prices"), since our pricing practices are designed to pass these costs along to our customers.

UNIVERSAL FOREST PRODUCTS, INC.

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

(See "Impact of the Lumber Market on Our Operating Results.") We estimate that our unit sales increased by 4% as a result of business acquisitions and new plants, while our unit sales out of existing facilities increased by 6%. Plant closures caused our unit sales to decrease by 1%.

DIY/Retail:

Net sales to the DIY/retail market decreased 1% in the first quarter of 2005 compared to 2004, as a result of a 6% decline in units shipped. Unit sales declined as a result of declining business with our largest customer that did not meet our margin requirements, combined with a delayed spring in the Northeast and Midwest.

Site-Built Construction:

Net sales to the site-built construction market increased 32% in the first quarter of 2005 compared to 2004, primarily due to an estimated 25% increase in unit sales. Unit sales increased as a result of acquisitions and new plants, combined with organic growth out of several existing plants, particularly those in our Carolina, Florida, and Texas regions, totaling approximately 10%.

Manufactured Housing:

Net sales to the manufactured housing market increased 25% in the first quarter of 2005 compared to the same period of 2004. This increase resulted primarily from an increase in selling prices due to the higher Lumber Market and a change in sales mix toward more complex trusses that require more engineering costs, and an estimated 12% increase in units shipped. A 13% increase in industry production for HUD code homes contributed to our increase in unit sales.

Industrial:

Net sales to the industrial market increased 17% in the first quarter of 2005 compared to the same period of 2004, primarily due to an estimated 14% increase in units shipped. We believe our unit sales and market share continue to grow significantly due to our dedicated local sales teams and national sales support efforts, combined with our competitive advantages in manufacturing, purchasing, and material utilization.

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

UNIVERSAL FOREST PRODUCTS, INC.

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

<TABLE>
<CAPTION>

	Three Months Ended	
	March 26, 2005	March 27, 2004
<S>	<C>	<C>
Value-Added.....	53.2%	52.5%
Commodity-Based.....	46.8%	47.5%

Value-added sales increased 17% in the first quarter of 2005 compared to 2004, primarily due to increased sales of engineered wood components, turn-key framing services, and industrial packaging products. Commodity-based sales increased 14% during the first quarter of 2005 primarily due to the higher Lumber Market and a 7% increase in unit sales.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit as a percentage of net sales increased in the first quarter of 2005 compared to the same period of 2004, in spite of a higher Lumber Market. See "Impact of the Lumber Market on our Operating Results." Gross profits increased approximately 19% comparing the first quarter of 2005 with the same period of 2004, which exceeded our 9% increase in unit sales. Our improved profitability this quarter was due to a combination of:

- The down-sizing of one of our Western framing operations;
- Improved margins on sales of engineered wood components as a result of anticipating an increase in lumber prices and improving our ability to lock in costs with vendors;
- And attainment of certain cost efficiencies.

In the third quarter of 2004, one of our multi-family framing subsidiaries in the West commenced certain new construction projects which are expected to be completed in three to six months. Based on the nature of these projects, calculating precise estimates is difficult except to determine we will not recognize a loss. Accordingly, total estimated gross profit on these projects range from breakeven to a gross profit of approximately \$920,000. We have used the low end of the range while utilizing the percentage of completion method of accounting. If we had used the high end of the range, our gross profits for the first quarter of 2005 would have been approximately \$147,000 higher. As mentioned above, this operation is being down-sized.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses as a percentage of sales decreased to 9.3% in the first quarter of 2005 compared to 9.4% in the same period of 2004 primarily due to the impact of the Lumber Market on our selling prices. SG&A expenses increased by 14% in the first quarter of 2005 compared to the same period of 2004, which compares unfavorably with our 9% increase in

UNIVERSAL FOREST PRODUCTS, INC.

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

unit sales, primarily due to higher incentive compensation costs tied to profits and return on investment and higher employee benefit costs.

INTEREST, NET

Net interest costs increased in the first quarter of 2005 compared to the same period of 2004 due to slightly higher interest rates in 2005.

NET GAIN ON SALE OF REAL ESTATE

On January 3, 2005, we sold real estate located in Stockton, CA for \$2.3 million and recorded a pre-tax gain totaling approximately \$1.3 million.

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 decreased to 38.3% in the first quarter of

2005 from 39.0% in the same period of 2004 primarily due to:

- Income taxes accrued on the sale of Nascor Incorporated in 2004.
- Anticipated benefits in 2005 associated with the new manufacturing deduction allowed under the Jobs Creation Act.

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):

<TABLE>
<CAPTION>

	March 26, 2005	March 27, 2004
	-----	-----
<S>	<C>	<C>
Cash from operating activities.....	(\$ 56,509)	(\$70,354)
Cash from investing activities.....	(7,943)	(7,058)
Cash from financing activities.....	67,574	82,034
	-----	-----
Net change in cash and cash equivalents.....	3,122	4,622
Cash and cash equivalents, beginning of period.....	25,274	17,430
	-----	-----
Cash and cash equivalents, end of period.....	\$ 28,396	\$22,052
	=====	=====

</TABLE>

UNIVERSAL FOREST PRODUCTS, INC.

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

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 operating cash flow. 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.

Seasonality has a significant impact on our working capital from March to August which generally 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 results in significant cash flow from operations in our third and fourth quarters. For comparative purposes, we have included the March 27, 2004 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 sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital management. Our cash cycle increased to 53 days in the first three months of 2005 from 48 days in the first three months of 2004, primarily due to an increase in our days supply of inventory. Inventory levels have increased as a result of opportunistic buying by our purchasing offices, which anticipated rising lumber prices and attempted to lock in margins on products with fixed selling prices.

Cash flows used in operating activities improved by almost \$14 million in the first three months of 2005 compared to the same period of 2004, primarily due to an increase in our sale of receivables program combined with a significant decline in sales to our DIY/retail market comparing March of 2005 with March of 2004, which resulted in a decline in our receivables. These positive factors were offset by a substantial increase in inventory primarily due to opportunity buying by our purchasing offices.

Cash used for investing activities increased by \$0.9 million in the first three months of 2005 compared to the same period of 2004, primarily due to an increase in capital expenditures associated with opening our new plants in Thorndale, ON and Thornton, CA and expanding our plant in Woodburn, OR. We expect to spend approximately \$41 million on capital expenditures in 2005, which includes outstanding purchase commitments on capital projects totaling approximately \$7.5 million on March 26, 2005. We intend to fund capital expenditures and purchase

commitments through a combination of operating cash flows and availability under our revolving credit facility.

Cash provided by financing activities decreased \$14 million in the first three months of 2005 compared to the same period of 2004, primarily due to decreased borrowings under our revolving credit facility to support the capital requirements discussed above.

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UNIVERSAL FOREST PRODUCTS, INC.

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

On March 26, 2005, we had \$95.8 million outstanding on our \$250 million revolving credit facility, including approximately \$75 million related to seasonal working capital requirements. The revolving credit facility also supports letters of credit totaling approximately \$32.2 million on March 26, 2005. Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on March 26, 2005.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

See Notes to Consolidated Condensed Financial Statements, Note J, "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 25, 2004.

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UNIVERSAL FOREST PRODUCTS, INC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

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

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UNIVERSAL FOREST PRODUCTS, INC.

Item 4. Controls and Procedures.

- (a) Evaluation of Disclosure Controls and Procedures. With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15e and 15d - 15e) as of the quarter ended March 26, 2005 (the "Evaluation Date"), have concluded that, as of such date, our disclosure controls and procedures were effective.
- (b) Changes in Internal Controls. During the first quarter ended March 26, 2005, 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.

<TABLE>

<CAPTION>

Fiscal Month -----	(a)	(b)	(c)	(d)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
December 25, 2004 - January 29, 2005(1).....	(none)			
January 30 - February 26, 2005.....	(none)			
February 27 - March 26, 2005.....	(none)			

</TABLE>

- (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 October 21, 1998, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 1.8 million shares of our common stock. On October 18, 2000 and November 14, 2001, the Board of Directors authorized an additional 1 million shares and 2.5 million shares, respectively, to be repurchased under the program. As of March 26, 2005, cumulative total authorized shares available for repurchase is 1.5 million shares.

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UNIVERSAL FOREST PRODUCTS, INC.

PART II. OTHER INFORMATION

Item 5. Other Information.

In the first quarter of 2005, the Audit Committee approved non-audit services to be provided by our independent auditors, Ernst & Young LLP, totaling \$100,000 for 2005.

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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(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).
- 31(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(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).
- 32(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).

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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: May 2, 2005

By: /s/ William G. Currie

William G. Currie

Its: Vice Chairman of the Board and Chief Executive Officer

Date: May 2, 2005

By: /s/ Michael R. Cole

Michael R. Cole

Its: Chief Financial Officer

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EXHIBIT INDEX

<TABLE>

<CAPTION>

Exhibit No.

Description

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31(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).

31(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).

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32(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).

</TABLE>

UNIVERSAL FOREST PRODUCTS, INC.

CERTIFICATION

I, William G. Currie, certify that:

1. I have reviewed this report on Form 10-Q of Universal Forest Products, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially

affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2005

/s/ William G. Currie

William G. Currie
Chief Executive Officer

UNIVERSAL FOREST PRODUCTS, INC.

CERTIFICATION

I, Michael R. Cole, certify that:

1. I have reviewed this report on Form 10-Q of Universal Forest Products, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially

affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2005

/s/ Michael R. Cole

Michael R. Cole
Chief Financial Officer

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):

I, William G. Currie, Chief Executive Officer of Universal Forest Products, Inc., certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that:

(1) The quarterly report on Form 10-Q for the quarterly period ended March 26, 2005, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended March 26, 2005 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: May 2, 2005

By: /s/ William G. Currie

William G. Currie

Its: Chief Executive Officer

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):

I, Michael R. Cole, Chief Financial Officer of Universal Forest Products, Inc., certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that:

(1) The quarterly report on Form 10-Q for the quarterly period ended March 26, 2005, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended March 26, 2005 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: May 2, 2005

By: /s/ Michael R. Cole

Michael R. Cole

Its: Chief Financial Officer