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

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

FORM 10-Q

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

For the quarterly period ended September 29, 2012

OR

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

Commission File Number 0-22684

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

Michigan (State or other jurisdiction of incorporation or organization)	38-1465835 (I.R.S. Employer Identification Number)
2801 East Beltline NE, Grand Rapids, Michigan (Address of principal executive offices)	49525 (Zip Code)

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

NONE
(Former name or former address, if changed since last report.)

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

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

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

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

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

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

Class	Outstanding as of September 29, 2012
Common stock, no par value	19,790,414

UNIVERSAL FOREST PRODUCTS, INC.

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

(in thousands, except share data)

	September 29, 2012	December 31, 2011	September 24, 2011
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$4,908	$11,305	$18,649
Accounts receivable, net	191,178	127,316	170,030
Inventories:			
Raw materials	119,346	111,526	106,769
Finished goods	89,792	83,171	74,113
	209,138	194,697	180,882
Assets held for sale	-	-	5,082
Refundable income taxes	1,266	3,482	1,779
Other current assets	25,898	21,394	23,649
TOTAL CURRENT ASSETS	432,388	358,194	400,071
OTHER ASSETS	14,918	15,380	11,470
GOODWILL	157,966	154,702	154,702
INDEFINITE-LIVED INTANGIBLE ASSETS	2,340	2,340	2,340
OTHER INTANGIBLE ASSETS, net	8,802	10,924	11,920
PROPERTY, PLANT AND EQUIPMENT:			
Property, plant and equipment	541,473	537,208	531,431
Accumulated depreciation and amortization	(324,542)	(314,741)	(313,511)
PROPERTY, PLANT AND EQUIPMENT, NET	216,931	222,467	217,920
TOTAL ASSETS	$833,345	$764,007	$798,423
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$72,080	$49,433	$65,315
Accrued liabilities:			
Compensation and benefits	39,743	30,920	39,269
Other	17,656	12,172	17,554
Current portion of long-term debt and capital lease obligations	40,000	40,270	266
TOTAL CURRENT LIABILITIES	169,479	132,795	122,404
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	15,918	12,200	52,200
DEFERRED INCOME TAXES	19,889	19,049	20,354
OTHER LIABILITIES	16,342	17,364	17,496
TOTAL LIABILITIES	221,628	181,408	212,454
EQUITY:			
Controlling interest shareholders' equity:			

Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none			
Common stock, no par value; shares authorized 40,000,000; issued and outstanding 19,790,414, 19,623,803 and 19,556,008	$19,790	$19,624	$19,556
Additional paid-in capital	148,581	143,988	141,849
Retained earnings	432,772	410,848	416,433
Accumulated other comprehensive earnings	4,554	3,600	3,844
Employee stock notes receivable	(1,013)	(1,255)	(1,439)
	604,684	576,805	580,243
Noncontrolling interest	7,033	5,794	5,726
TOTAL EQUITY	611,717	582,599	585,969
TOTAL LIABILITIES AND EQUITY	$833,345	$764,007	$798,423

See notes to unaudited consolidated condensed financial statements.

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

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

See notes to unaudited consolidated condensed financial statements.

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

(in thousands, except share and per share data)

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

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

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

See notes to unaudited consolidated condensed financial statements.

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

(in thousands)

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

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

See notes to unaudited consolidated condensed financial statements

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UNIVERSAL FOREST PRODUCTS, INC.

NOTES TO UNAUDITED
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

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

In our opinion, the Financial Statements contain all material adjustments necessary to present fairly our consolidated financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. These Financial Statements should be read in conjunction with the annual consolidated financial statements, and footnotes thereto, included in our Annual Report to Shareholders on Form 10-K for the fiscal year ended December 31, 2011.

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

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

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

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B. FAIR VALUE

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

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

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

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

C. REVENUE RECOGNITION

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

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

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

D. EARNINGS PER SHARE

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

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

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

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

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

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E. ASSETS HELD FOR SALE AND NET (GAIN) LOSS ON DISPOSITION OF ASSETS, EARLY RETIREMENT AND OTHER IMPAIRMENTS AND EXIT CHARGES

Included in "Assets held for sale" on our Consolidated Condensed Balance Sheets are certain property, plant and equipment totaling $5.1 million on September 24, 2011. The assets held for sale consist of certain vacant land and facilities we previously closed to better align manufacturing capacity with the current business environment. The fair values were determined based on appraisals or recent offers to acquire assets. These and other idle assets were evaluated based on the requirements of ASC 360, which resulted in impairment and other exit charges included in "Net (gain) loss on disposition of assets, early retirement and other impairment and exit charges".

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

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

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

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

F. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

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

We own and operate a number of facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, we may, under various federal, state, and local environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Environmental reserves, calculated with no discount rate, have been established to cover remediation activities at our affiliates' wood preservation facilities in Stockertown, PA; Elizabeth City, NC; Auburndale, FL; Janesville, WI; and Medley, FL. In addition, a reserve was established for our affiliate's facility in Thornton, CA to remove certain lead containing materials which existed on the property at the time of purchase. During 2009, a subsidiary entered into a consent order with the State of Florida to conduct additional testing at the Auburndale, FL facility. We admitted no liability and the costs are not expected to be material.

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On a consolidated basis, we have reserved approximately $3.4 million on September 29, 2012 and $3.2 million September 24, 2011, representing the estimated costs to complete future remediation efforts. These amounts have not been reduced by an insurance receivable.

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

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

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

In addition, on September 29, 2012, we were parties either as plaintiff or defendant to a number of lawsuits and claims arising through the normal course of our business. In the opinion of management, our consolidated financial statements will not be materially affected by the outcome of these contingencies and claims.

On September 29, 2012, we had outstanding purchase commitments on capital projects of approximately $13.0 million.

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

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UNIVERSAL FOREST PRODUCTS, INC.

In certain cases we supply building materials and labor to site-built construction projects or we jointly bid on contracts with framing companies for such projects. In some instances we are required to post payment and performance bonds to insure the owner that the products and installation services are completed in accordance with our contractual obligations. We have agreed to indemnify the surety for claims made against the bonds. As of September 29, 2012, we had approximately $21.9 million in outstanding payment and performance bonds, which expire during the next two years. In addition, approximately $18.5 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

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

In lieu of cash deposits, we provide irrevocable letters of credit in favor of our insurers to guarantee our performance under certain insurance contracts. We currently have irrevocable letters of credit outstanding totaling approximately $18.9 million for these types of insurance arrangements. We have reserves recorded on our balance sheet, in accrued liabilities, that reflect our expected future liabilities under these insurance arrangements.

We are required to provide irrevocable letters of credit in favor of the bond trustees for all of the industrial development revenue bonds that we have issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately $9.8 million related to our outstanding industrial development revenue bonds. These letters of credit have varying terms but may be renewed at the option of the issuing banks.

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

Many of our wood treating operations utilize "Subpart W" drip pads, defined as hazardous waste management units by the EPA. The rules regulating drip pads require that the pad be “closed” at the point that it is no longer intended to be used for wood treating operations or to manage hazardous waste. Closure involves identification and disposal of contaminants which are required to be removed from the facility. The cost of closure is dependent upon a number of factors including, but not limited to, identification and removal of contaminants, cleanup standards that vary from state to state, and the time period over which the cleanup would be completed. Based on our present knowledge of existing circumstances, it is considered probable that these costs will approximate $0.7 million. As a result, this amount is recorded in other long-term liabilities on September 29, 2012.

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UNIVERSAL FOREST PRODUCTS, INC.

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

G. BUSINESS COMBINATION

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

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

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

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

H. SEGMENT REPORTING

ASC 280, Segment Reporting (“ASC 280”), defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

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

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UNIVERSAL FOREST PRODUCTS, INC.

	Three Months Ended September 29, 2012				
	Eastern and Western	Site-Built	All Other	Corporate	Total
Net sales to outside customers	$ 425,260	$ 59,630	$ 48,476	$ -	$ 533,366
Intersegment net sales	13,455	5,040	3,009	-	21,504
Segment operating profit (loss)	6, 149	394	(2,874)	4,641	