

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. For the fiscal year ended December 29, 2018.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. For the transition period of ____ to ____.

Commission File No.: 0-22684

UNIVERSAL FOREST PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of incorporation or organization)

2801 East Beltline, N.E., Grand Rapids, Michigan

(Address of principal executive offices)

38-1465835

(I.R.S. Employer Identification No.)

49525

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title Of Each Class
Common Stock, \$1 par value

Name of Each Exchange on Which Registered
The NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant (i.e. excluding shares held by executive officers, directors, and control persons as defined in Rule 405, 17 CFR 230.405) on June 30, 2018 was \$2,136,389,121 computed at the closing price of \$36.62 on that date.

As of February 2, 2019, 60,890,762 shares of the registrant's common stock, \$1 par value, were outstanding.

Documents incorporated by reference:

- (1) Certain portions of the registrant's Annual Report to Shareholders for the fiscal year ended December 29, 2018 are incorporated by reference into Part I and II of this Report.
- (2) Certain portions of the registrant's Proxy Statement for its 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

Exhibit Index located on page E-1.

ANNUAL REPORT ON FORM 10-K
DECEMBER 29, 2018
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Item 1. Business.**General Development of the Business.**

Universal Forest Products, Inc. is a holding company with subsidiaries throughout North America, Europe, Asia, and Australia that supply wood, wood composite and other products to three markets: retail, industrial, and construction. The Company is headquartered in Grand Rapids, Michigan. For more information about Universal Forest Products, Inc., or its affiliated operations, go to www.ufpi.com.

Information relating to current developments in our business is incorporated by reference from our Annual Report to Shareholders for the fiscal year ended December 29, 2018 ("2018 Annual Report") under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." Selected portions of the 2018 Annual Report are filed as Exhibit 13 with this Form 10-K Report.

Financial Information About Segments.

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 that are stand-alone reportable segments consist of our Northern, Southern, and Western divisions. Our operating segments that are aggregated into the All Other reportable segment are the Alternative Materials, International, iDX, and Corporate business units.

Narrative Description of Business.

We design, manufacture and market wood and wood-alternative products for national home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for residential and commercial construction, specialty wood packaging, components and packing materials for various industries, and customized interior fixtures used in a variety of retail and commercial structures. Our locations generally serve customers in multiple markets. Each of our markets, Retail, Industrial and Construction, are discussed in the paragraphs that follow.

Retail. The customers comprising this market are national home center retailers, retail-oriented regional lumberyards and contractor-oriented lumberyards. Generally, terms of sale are established for annual or bi-annual periods, and orders are placed with our regional facilities in accordance with established terms. One customer, The Home Depot, accounted for approximately 19% of our total sales in fiscal 2018 and 2017, and 20% in 2016.

We currently supply customers in this market from many of our locations. These regional facilities are able to supply mixed truckloads of products which can be delivered to customers with rapid turnaround from receipt of an order. Freight costs are a factor in the ability to competitively service this market, especially with treated wood products because of their heavier weight. The close proximity of our regional facilities to the various outlets of these customers is a factor when negotiating annual sales programs.

The products offered to customers in this market include dimensional lumber (both preserved and unpreserved) and various "value-added products," some of which are sold under our trademarks. In addition to our conventional lumber products, we offer a large portfolio of outdoor living products, including wood and wood composite decking and related accessories and decorative lawn and garden products. Products sold to this market include those sold under the following trademarks: ProWood, Deckorators, and UFP-Edge. We also sell engineered wood components to retail lumber yards, which include roof trusses, wall panels and engineered floor systems (see "Construction Market" below).

We are not aware of any competitor that currently manufactures, treats and distributes a full line of both value-added and commodity products on a national basis. We face competition on individual products from several different producers, but

the majority of these competitors tend to be regional in their efforts and/or do not offer a full line of outdoor lumber products. We believe the breadth of our product offering, geographic dispersion, close proximity of our plants to core customers, purchasing and manufacturing expertise, and service capabilities provide competitive advantages in this market.

Industrial Market. We define our industrial market as manufacturers and agricultural customers who use pallets, specialty crates, wooden boxes, and other containers used for packaging, shipping and material handling purposes, as well as various other products, used in a variety of different applications. Many of the products sold to this market may be produced from the by-product of other manufactured products, thereby allowing us to increase our raw material yields while expanding our business. Competition is fragmented and includes virtually every supplier of lumber convenient to the customer. We service this market with our dedicated local sales teams and through national sales support efforts.

Our industrial market also includes the results of operations of idX Holdings, Inc. ("idX"). idX is a designer, manufacturer and installer of highly customized interior fixtures that are used in retail and commercial structures representing several end markets. We acquired idX on September 16, 2016.

Construction Market. Our construction market is made up of customers in three submarkets - manufactured housing, residential construction and commercial construction.

The customers comprising the manufactured housing market are producers of mobile, modular and prefabricated homes and recreational vehicles (RV). Products sold to customers in this market consist primarily of roof trusses, lumber cut and shaped to the customer's specification, plywood, oriented strand board and dimensional lumber, all intended for use in the construction of manufactured housing. Sales are made by personnel located at each regional facility based on customer orders. Our principal competitive advantages include our product knowledge, the strength of our engineering support services, the close proximity of our regional facilities to our customers, our purchasing and manufacturing expertise and our ability to provide national sales programs to certain customers. These factors have enabled us to accumulate significant market share in the products we supply. We also distribute products such as siding, electrical and plumbing products to manufactured housing and RV customers.

The customers comprising the residential construction market are primarily large-volume, multi-tract builders and smaller volume custom builders. We also supply builders engaged in multi-family and commercial construction. In addition, we supply wood forms and related products to set or form concrete for various structures including large parking garages, stadiums and bridges. Generally, terms of sale and pricing are determined based on contracts we entered into with our customers.

We currently supply customers in these markets from manufacturing facilities located in many different states. These facilities manufacture various engineered wood components used to frame residential or light commercial projects, including roof and floor trusses, wall panels, I-joists and lumber packages. Freight costs are a factor in the ability to competitively service this market due to the space requirements of these products on each truckload. We also provide framing services for customers in certain regional markets, in which we erect the wood structure. We believe that providing a comprehensive turn-key package, including installation, provides a competitive advantage.

Competition in this market is primarily fragmented, but we do compete with a small number of national and regional retail contractor yards who also manufacture components and provide framing services, as well as regional manufacturers of components. We believe our primary competitive advantages relate to the engineering and design capabilities of our regional staff, purchasing and manufacturing expertise, product quality, timeliness of delivery, and financial strength.

Suppliers. We are one of the largest domestic buyers of solid sawn softwood lumber from primary producers (lumber mills). We use primarily southern yellow pine in our pressure-treating operations and site-built component plants in the Southeastern United States, which we obtain from mills located throughout the states comprising the Sunbelt. Other species we use include "spruce-pine-fir" from various provinces in Canada; hemlock, douglas fir and cedar from the Pacific Northwest; inland species of pine, plantation grown radiata and southern yellow pines from South America; and European spruce. Our annual purchases of lumber are approximately \$1.7 billion and consist of the following species and their respective percent of total lumber purchases: southern yellow pine (58%), spruce-pine-fir (21%), and douglas fir (4%).

while the remaining 17% of lumber purchases were various other species. Additionally, we purchase approximately \$0.6 billion in plywood, oriented strand board (OSB), and a variety of other wood-based products on an annual basis. There are numerous primary producers for all varieties we use, and we are not dependent on any particular source of supply. Our financial resources and size, in combination with our strong sales network and ability to remanufacture lumber, enable us to purchase a large percentage of a primary producer's output (as opposed to only those dimensions or grades in immediate need), thereby lowering our average cost of raw materials and allowing us to obtain programs such as consigned inventory. We believe this represents a competitive advantage.

Intellectual Property. We own several patents and have several patents pending on technologies related to our business. In addition, we own numerous registered trademarks and claim common law trademark rights to several others. As we develop proprietary brands, we may pursue registration or other formal protection. While we believe our patent and trademark rights are valuable, the loss of a patent or any trademark would not be likely to have a material adverse impact on our competitive position.

Backlog. Due to the nature of our retail and industrial businesses, backlog information is not meaningful. The maximum time between receipt of a firm order and shipment does not usually exceed a few days. Therefore, we would not normally have a backlog of unfilled orders in a material amount. The relationships with our major customers are such that we are either the exclusive supplier of certain products and/or certain geographic areas, or the designated source for a specified portion of the customer's requirements. In such cases, either we are able to forecast the customer's requirements or the customer may provide an estimate of its future needs. In neither case, however, will we receive firm orders until just prior to the anticipated delivery dates for the products in question.

On December 29, 2018 and December 30, 2017, we estimate that backlog orders associated with our customized interior fixture businesses approximated \$75.4 million and \$60.0 million, respectively. With respect to the former, we expect that these orders will be primarily filled within the next fiscal year; however, it is possible that some orders could be canceled.

On December 29, 2018 and December 30, 2017, we estimate that backlog orders associated with our construction businesses approximated \$95.1 million and \$81.7 million, respectively. With respect to the former, we expect that these orders will be primarily filled within the next fiscal year; however, it is possible that some orders could be canceled.

Environmental. Information required for environmental disclosures is incorporated by reference from Note M of the Consolidated Financial Statements presented under Item 8 herein.

Seasonality. Information required for seasonality disclosures is incorporated by reference from Item 1A. Risk Factors under the caption "*Seasonality and weather conditions could adversely affect us.*"

Employees. On December 29, 2018, we had approximately 12,000 employees.

Available Information.

Our Internet address is www.ufpi.com. Through our Internet website under "Financial Information" in the Investor Relations section, we make available free of charge, as soon as reasonably practical after such information has been filed with the SEC, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act. Also available through our Internet website under "Corporate Governance" in the Investor Relations section is our Code of Ethics for Senior Financial Officers.

Reports to Security Holders.

Not applicable.

Enforceability of Civil Liabilities Against Foreign Persons.

Not applicable.

Item 1A. Risk Factors.

We are subject to regional, national and global economic conditions. A decline in economic conditions throughout the United States could reduce demand for our products.

We may be impacted by a decline in the value of the U.S. dollar. We purchase a variety of raw materials and finished goods from sources around the world and export certain products. The impact of a change in U.S. dollar exchange rates would impact our import purchases and export sales, which totaled \$190.8 million and \$147.1 million, respectively, in 2018. In addition, many of our industrial customers export their products.

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 and environmental regulations, weather conditions, economic conditions, and natural disasters, impact the cost of lumber products and our selling prices. While we attempt to minimize our risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect our sales, cost of materials, and gross profits. Our products are generally priced to the customer based on a quoted, fixed selling price or "indexed" to the Lumber Market with a fixed dollar adder to cover conversion costs and profit. The impact on our profitability from changes in lumber prices is discussed in the "Historical Lumber Prices" and "Impact of the Lumber Market on Our Operating Results" captions of our Management's Discussion and Analysis of Financial Condition and Results of Operations section under Item 7 of this Form 10-K. Our lumber costs as a percentage of gross sales were 50.6%, 49.1%, and 48.4% in 2018, 2017, and 2016, respectively.

Our growth may be limited by the markets we serve, including our construction market which is highly cyclical. 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.

A significant portion of our sales are concentrated with one customer. Our sales to The Home Depot comprised 19% of our total sales in 2018 and 2017, and 20% in 2016.

Economic and credit market conditions impact our ability to collect a greater percentage of our receivables. Economic and credit conditions may impact our bad debt expense. We continue to monitor our customers' credit profiles carefully and make changes in our terms when necessary in response to this risk. Bad debt expense as a percentage of sales was 0.03%, 0.03%, and 0.06% in 2018, 2017, and 2016, respectively.

We may be impacted by vertical integration strategies. In certain markets and product lines, our customers or vendors could pursue vertical integration strategies that could have an adverse effect on our sales. We strive to add value and be a low-cost producer while maintaining competitive pricing in each of our markets to mitigate this risk.

We may be impacted by excess capacity among suppliers. There is excess capacity among suppliers of certain products in some of the markets we serve. Our selling prices and gross margins have been and are likely to continue to be impacted by this excess capacity.

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, which restrict our ability to manufacture and market our products, including our treated lumber products, it could adversely affect our sales and profits. Changes in the interpretation of existing laws could also adversely impact our financial results.

The current version of federal health care legislation may significantly increase our costs. The federal health care legislation enacted in 2010 and future regulations called for under the legislation may have a significant cost implication for our company. Our health care costs totaled approximately \$69.2 million, \$58.9 million, and \$52.7 million in 2018, 2017, and 2016, respectively.

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. In addition, the majority of our products sold to the Retail and Construction markets are used or installed in outdoor construction applications; therefore, short-term sales volume, productivity and gross profits can be negatively affected by adverse weather conditions, particularly in our first and fourth quarters.

Inbound and outbound transportation costs represent a significant part of our cost structure. An increase in fuel and other operating expenses will significantly increase our costs. While we attempt to pass these costs along to our customers, there can be no assurance that they would agree to these price increases. Our total inbound and outbound transportation costs were approximately 9.3%, 9.0%, and 9.6% of sales in 2018, 2017, and 2016, respectively.

New alternatives may be developed to replace traditional treated wood products. The manufacturers of wood preservatives continue to develop new preservatives. While we believe treated products are reasonably priced relative to alternative products such as composites or vinyl, new alternatives may impact the sales of treated wood products. In addition, new preservatives could increase our cost of treating products in the future. See Footnote N "Segment Reporting" within the Notes to Consolidated Financial Statements for our sales by product category.

Cybersecurity breaches could interfere with operations. We rely upon information technology systems and network products and the secure operation of these systems and products. Despite security measures, these systems and products may be vulnerable to physical damage, hackers, computer viruses, or breaches due to errors or malfeasance by employees, vendors, or customers. We have experienced such events in the past and, although past events were immaterial, future events may occur and may be material.

We may be impacted by new tariffs and duties on U.S. imports and foreign export sales. Instability of established free trade agreements may lead to raw material and finished goods price volatility. An increase in foreign tariffs on U.S. goods could curtail our export sales to other countries which was approximately \$147.1 million in 2018. Increased tariffs and duties on U.S. imports will increase pricing by adding duty cost, where the duty is sustainable in light of overall unit price, or otherwise constrain supply by eliminating historical production sources by country or commodity type with unsustainable duties. Our purchases that are impacted by foreign tariffs were approximately \$337.9 million in 2018. UFP's U.S. import of Canadian Softwood Lumber was approximately \$283.7 million in 2018, which is the primary imported commodity. In addition, there is a risk that U.S. tariffs on imports and countering tariffs on U.S. exports could trigger broader international trade conflicts that could adversely impact our business.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters building is located in suburban Grand Rapids, Michigan. We currently have approximately 178 facilities and parcels of land located throughout the United States, Canada, Mexico, Europe, Asia, and Australia. Depending upon function and location, these facilities typically utilize office, manufacturing, and indoor and outdoor storage space. Of these facilities, approximately 7 facilities are closed and are currently listed for sale or are being leased.

We own all of our properties, free from any significant mortgage or other encumbrance, except for approximately 84 facilities and parcels of land which are leased. We believe all of these operating facilities are adequate in capacity and condition to service our existing markets.

Item 3. Legal Proceedings.

Information regarding our legal proceedings is set forth in Note M of our Consolidated Financial Statements which are presented under Item 8 of this Form 10-K and are incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

Additional Item: Executive Officers of the Registrant.

The following table lists the names, ages, and positions of our executive officers as of February 1, 2019. Executive officers are elected annually by the Board of Directors at the first meeting of the Board following the annual meeting of shareholders.

Name	Age	Position
Matthew J. Missad	58	Chief Executive Officer
Patrick M. Webster	59	President and Chief Operating Officer
Michael R. Cole	52	Chief Financial Officer and Treasurer
Allen T. Peters	51	President, UFP Western Division
Patrick Benton	49	President, UFP Northern Division
Jonathan West	48	President, UFP Southern Division
Robert D. Coleman	64	Executive Vice President of Manufacturing
C. Scott Greene	62	Executive Vice President of Strategy & Development
Donald L. James	59	Executive Vice President of National Sales
Michael F. Mordell	61	Executive Vice President of International Operations.
Chad C. Uhlig Eastin	47	Executive Vice President of Purchasing

Matthew J. Missad joined us in 1985. In February 1996, Mr. Missad was promoted to Executive Vice President of the Company. On July 13, 2011, Mr. Missad became Chief Executive Officer of the Company.

Patrick M. Webster joined us in 1985. Mr. Webster became Vice President of the Far West Region in 1999, on July 1, 2007, he became President of UFP Western Division, Inc., and on January 1, 2009 became President and Chief Operating Officer of the Company.

Michael R. Cole, CPA, CMA, joined us in 1993. In December 1999, he was promoted to Vice President of Finance. On July 19, 2000, Mr. Cole became Chief Financial Officer of the Company.

Allen T. Peters joined us in 1997. In 2004 he became the General Manager of Operations of our plant in Harrisonville, MO and in 2007 became Regional Vice President of our Gulf Region. On January 1, 2011, Mr. Peters became President of UFP Western Division, Inc.

Patrick M. Benton joined us in 1993. In 2008 he became Operations Vice President of the South Texas Region, and on July 1, 2014, he became Executive Vice President of UFP Eastern Division – North. On February 1, 2017, Mr. Benton became President of the UFP Northern Division.

Jonathan E. West joined us in 1994. In 2007 he became Regional Vice President of the Southeast Region, and on July 1, 2014, he became Executive Vice President of UFP Eastern Division – South. On February 1, 2017, Mr. West became President of the UFP Southern Division.

Robert D. Coleman, joined us in 1979. On January 1, 1999, Mr. Coleman was named the Executive Vice President of Manufacturing of the Company.

C. Scott Greene joined us in 1991. In 2000, Mr. Greene became President of UFP Eastern Division, Inc. On October 1, 2011, Mr. Greene became Executive Vice President of New Business Development and on October 14, 2013, he became Executive Vice President of Marketing. In 2018, Mr. Greene became Executive Vice President of Strategy & Development.

Donald L. James joined us in 1998. On October 1, 2011, Mr. James became Executive Vice President of National Sales. Before this, he was Regional Vice President of operations in UFP Eastern Division, Inc.

Michael F. Mordell joined us in 1993. In 1999 he became Executive Vice President of Purchasing of Universal Forest Products Western Division, Inc. In November 2007, he became General Manager of Operations for our facility in Lafayette, CO, and on January 1, 2010, Mr. Mordell became Executive Vice President of Purchasing. On October 1, 2016, he became Executive Vice President of International Operations.

Chad C. Uhlig Eastin joined us in 1998. In 2007, he became General Manager of Operations of our plant in Chandler, AZ, and in 2014 he became Operations Vice President of our Mountain West Region, and became Regional Vice President of that region in 2015. On October 1, 2016, Mr. Eastin became the Executive Vice President of Purchasing for the Company.

PART II

The following information items in this Part II, which are contained in the 2018 Annual Report, are specifically incorporated by reference into this Form 10-K Report. These portions of the 2018 Annual Report that are specifically incorporated by reference are filed as Exhibit 13 with this Form 10-K Report.

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

(a) The information relating to market, holders and dividends is incorporated by reference from the 2018 Annual Report under the caption "Stock Performance Graph."

There were no sales of unregistered securities during the last three years.

(b) Not applicable.

(c) Issuer purchases of equity securities during the fourth quarter.

<u>Fiscal Month</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
September 30 - November 3, 2018	410,000	28.78	410,000	2,254,539
November 4 - December 1, 2018	244,185	28.54	244,185	2,010,354
December 2 - 29, 2018	150,000	26.77	150,000	1,860,354

(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.

On November 14, 2001 the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2.5 million shares of our common stock. On October 14, 2010, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. The total number of remaining shares that may be repurchased under the program is approximately 1.9 million.

Item 6. Selected Financial Data.

The information required by this Item is incorporated by reference from the 2018 Annual Report under the caption "Selected Financial Data."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by this item is incorporated by reference from the 2018 Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7A. 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.

On December 29, 2018, the estimated fair value of our long-term debt, including the current portion, was \$203.1 million. The estimated fair value is based on rates anticipated to be available to us for debt with similar terms and maturities. The estimated fair value of notes payable included in current liabilities and the revolving credit facility approximated the carrying values as these debt instruments have interest rates that fluctuate with current market conditions.

Expected cash flows over the next five years related to debt instruments are as follows:

(\$US equivalent, in thousands)	2019	2020	2021	2022	2023	Thereafter	Total
Long-term Debt:							
Fixed Rate (\$US)	\$ 81	\$ 81	\$ —	\$ 34,975	\$ —	\$ 114,951	\$ 150,088
Average interest rate	5.00%	5.01%	—	3.89%	—	3.98%	
Variable Rate (\$US)	\$ —	\$ 2,700	\$ —	\$ 3,700	\$ 42,490	\$ 3,300	\$ 52,190
Average interest rate ⁽¹⁾	—	1.63%	—	1.62%	3.36%	1.57%	

(1) Average of rates at December 29, 2018

Item 8. Financial Statements and Supplementary Data.

The information required by this Item is incorporated by reference from the 2018 Annual Report under the following captions:

"Management's Annual Report on Internal Control Over Financial Reporting"

"Report of Independent Registered Public Accounting Firm"

"Report of Independent Registered Public Accounting Firm"

"Consolidated Balance Sheets"

"Consolidated Statements of Earnings and Comprehensive Income"

"Consolidated Statements of Shareholders' Equity"

"Consolidated Statements of Cash Flows"

"Notes to Consolidated Financial Statements"

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

- (1) **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 year ended December 29, 2018 (the "Evaluation Date"), have concluded that, as of such date, our disclosure controls and procedures were effective.
- (2) **Management's Annual Report on Internal Control Over Financial Reporting.** Management's Annual Report on Internal Control Over Financial Reporting is included in the 2018 Annual Report under the caption "Management's Annual Report on Internal Control Over Financial Reporting" and is incorporated herein by reference. Our independent registered public accounting firm's attestation Report on our internal control over financial reporting is also included in the 2018 Annual Report in the caption "Report of Independent Registered Public Accounting Firm On Internal Control over Financial Reporting" and is incorporated herein by reference.
- (3) **Changes in Internal Controls.** During the fourth quarter ended December 29, 2018, 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.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information relating to our directors, compliance with Section 16(a) of the Securities and Exchange Act of 1934 and various corporate governance matters is incorporated by reference from our definitive Proxy Statement for the year ended December 29, 2018 for the 2018 Annual Meeting of Shareholders, as filed with the Commission ("2019 Proxy Statement"), under the captions "Election of Directors," "Corporate Governance and Board Matters," and "Section 16(a) Beneficial Ownership Reporting Compliance." Information relating to executive officers is included in this report in the last Section of Part I under the caption "Additional Item: Executive Officers of the Registrant." Information relating to our code of ethics is included in this report in Part I, Item 1 under the caption "Available Information".

Item 11. Executive Compensation.

Information relating to director and executive compensation is incorporated by reference from the 2019 Proxy Statement under the caption "Executive Compensation." The "Personnel and Compensation Committee Report" included in the 2019 Proxy Statement is incorporated by reference for the purpose of being furnished herein and is not and shall not be deemed to be filed under the Securities Exchange Act of 1934, as amended.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Information relating to security ownership of certain beneficial owners and management is incorporated by reference from our 2019 Proxy Statement under the captions "Ownership of Common Stock" and "Securities Ownership of Management."

Information relating to securities authorized for issuance under equity compensation plans as of December 29, 2018, is as follows:

	Number of shares to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of shares remaining available for future issuance under equity compensation plans [excluding shares reflected in column (a)] (1) (c)
Equity compensation plans approved by security holders	—	\$ —	2,844,038
Equity compensation plans not approved by security holders	none		

(1) The number of shares remaining available for future issuance under equity compensation plans, excluding outstanding options, warrants, or similar rights, as of December 29, 2018, is as follows: 557,872 shares for our Employee Stock Purchase Plan, 273,230 shares for our Directors' Retainer Stock Plan, and 7,942 shares for our Employee Stock Gift Program. In addition, of the remaining 2,004,994 shares available for future issuance under our Long-Term Stock Incentive Plan, those awards may be made in the form of options as well as stock appreciation rights, restricted stock, performance shares, or other stock-based awards.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information relating to certain relationships and related transactions, and director independence is incorporated by reference from the 2019 Proxy Statement under the captions "Election of Directors", "Affirmative Determination Regarding Director Independence and Other Matters" and "Related Party Transactions."

Item 14. Principal Accountant Fees and Services.

Information relating to the types of services rendered by our Independent Registered Public Accounting Firm and the fees paid for these services is incorporated by reference from our 2019 Proxy Statement under the caption "Independent Registered Public Accounting Firm – Disclosure of Fees."

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **1. Financial Statements.** The following are incorporated by reference, under Item 8 of this report, from the 2018 Annual Report:

- Management's Annual Report on Internal Control Over Financial Reporting
- Report of Independent Registered Public Accounting Firm
- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Earnings and Comprehensive Income
- Consolidated Statements of Shareholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules. All schedules required by this Form 10-K Report have been omitted because they were inapplicable, included in the Consolidated Financial Statements or Notes to Consolidated Financial Statements, or otherwise not required under instructions contained in Regulation S-X.

3. Exhibits. Reference is made to the Exhibit Index which is included in this Form 10-K Report.

- (b) Reference is made to the Exhibit Index which is included in this Form 10-K Report.
- (c) Not applicable

EXHIBIT INDEX

Exhibit #	Description
3	Articles of Incorporation and Bylaws. (a) Registrant's Articles of Incorporation were filed as Exhibit 3(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference. (b) Amended Bylaws was filed as Exhibit 3(b) to a Form 10-K, Annual Report for the year-ended December 31, 2016 (Commission file No.: 0-22684) and the same incorporated herein by reference.
4	Instruments Defining the Rights of Security Holders. (a) Specimen form of Stock Certificate for Common Stock was filed as Exhibit 4(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10	Material Contracts. *(a)(6) Form of Conditional Share Grant Agreement utilized under the Company's Long Term Stock Incentive Plan was filed as Exhibit 10(a)(6) to a Form 10-K, Annual Report for the year ended December 25, 2010 (Commission file No.: 0-22684) and the same is incorporated herein by reference. (b) Form of Indemnity Agreement entered into between the Registrant and each of its directors was filed as Exhibit 10(b) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference. *(f) Performance Bonus Plan Summary Plan Description was filed as Exhibit 10(f) to a Form 10-K, Annual Report for the year ended December 25, 2010 (Commission file No.: 0-22684) and the same is incorporated herein by reference. *(g) Universal Forest Products, Inc. Deferred Compensation Plan as amended and restated effective June 1, 2011 was filed as Exhibit 10(g) to a Form 10-K, Annual Report for the year ended December 31, 2011 (Commission file No.: 0-22684) and the same is incorporated herein by reference. *(h) Executive Stock Grant Program was filed as Exhibit 10(h) to a Form 10-K, Annual Report for the year ended December 31, 2011 (Commission file No.: 0-22684) and the same is incorporated herein by reference. (i)(2) Credit Agreement dated November 1, 2018 was filed as Exhibit 10(i)(2) to a Form 8-K Current Report dated November 2, 2018 and the same is incorporated herein by reference. (k)(1) Note Purchase Agreement dated December 17, 2012 was filed as Exhibit 10(k) to a Form 8-K Current Report dated December 17, 2012 (Commission file No.: 0-22684) and the same is incorporated herein by reference. (k)(2) Note Purchase Agreements for Series C and D Senior Notes dated June 14, 2018, is filed herein as Exhibit 10(k)(2). *(l) Universal Forest Products, Inc. Employee Stock Purchase Plan is incorporated by reference from Appendix A to the Company's proxy statement dated and filed with the Commission on March 9, 2018.

- (m) [Universal Forest Products, Inc. Director Retainer Stock Plan was filed as Exhibit 10\(m\) to a Form 10-K, Annual Report for the year ended December 31, 2016 \(Commission file No.: 0-22684\) and the same is incorporated herein by reference.](#)
- (n) [Universal Forest Products, Inc. Amended and Restated Long Term Stock Incentive Plan is incorporated by reference from Appendix B to the Company's proxy statement dated and filed with the Commission on March 9, 2018.](#)
- (o) [Amended and restated agreement and plan of merger by and among Universal Forest Products, Inc., UFP Apple Merger Sub, Inc., idX Holdings, Inc. dated September 7, 2016 and filed as Exhibit 10\(o\) to Form 10-Q, quarter ended September 24, 2016, and the same is incorporated herein by reference.](#)
- 13 [Selected portions of the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2018.](#)
- 14 Code of Ethics for Senior Financial Officers
- (a) [Code of Ethics for Chief Financial Officer was filed as Exhibit 14\(a\) to a Form 10-K, Annual Report for the year ended December 25, 2010 and the same is incorporated herein by reference.](#)
- 21 [Subsidiaries of the Registrant.](#)
- 23 [Consent of Deloitte & Touche LLP.](#)
- 31 Certifications.
- (a) [Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\).](#)
- (b) [Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\).](#)
- 32 Certifications.
- (a) [Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\).](#)
- (b) [Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\).](#)
- 101 Interactive Data File.
- (INS) XBRL Instance Document.
- (SCH) XBRL Schema Document.
- (CAL) XBRL Taxonomy Extension Calculation Linkbase Document.
- (LAB) XBRL Taxonomy Extension Label Linkbase Document.
- (PRE) XBRL Taxonomy Extension Presentation Linkbase Document.
- (DEF) XBRL Taxonomy Extension Definition Linkbase Document.

* Indicates a compensatory arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 27, 2019

UNIVERSAL FOREST PRODUCTS, INC.

By: /s/ Matthew J. Missad
Matthew J. Missad,
Chief Executive Officer and
Principal Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 27th day of February, 2019, by the following persons on behalf of us and in the capacities indicated.

By: /s/ Matthew J. Missad
Matthew J. Missad,
Chief Executive Officer and
Principal Executive Officer

/s/ Michael R. Cole
Michael R. Cole,
Chief Financial Officer,
Principal Financial Officer and
Principal Accounting Officer

Each Director whose signature appears below hereby appoints Matthew J. Missad and Michael R. Cole, and each of them individually, as his or her attorney-in-fact to sign in his or her name and on his or her behalf as a Director, and to file with the Commission any and all amendments to this report on Form 10-K to the same extent and with the same effect as if done personally.

/s/ Joan A. Budden
Joan A. Budden, Director

/s/ William G. Currie
William G. Currie, Director

/s/ John M. Engler
John M. Engler, Director

/s/ Bruce A. Merino
Bruce A. Merino, Director

/s/ Matthew J. Missad
Matthew J. Missad, Director

/s/ Thomas W. Rhodes
Thomas W. Rhodes, Director

/s/ Mary E. Tuuk
Mary E. Tuuk, Director

/s/ Brian C. Walker
Brian C. Walker, Director

/s/ Michael G. Wooldridge
Michael G. Wooldridge, Director

No. C-1

ORIGINAL PRINCIPAL AMOUNT: **\$10,000,000**ORIGINAL ISSUE DATE: **14 June 2018**INTEREST RATE: **4.20%**INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**FINAL MATURITY DATE: **14 June 2028**PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 C#9

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**, or registered assigns, the principal sum of **TEN MILLION DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.20% Series C Senior Notes, due 14 June 2028 of the Company in the original aggregate principal amount of \$40,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.27% Series D Senior Notes, due June 14, 2030 of the Company in the original aggregate principal amount of \$35,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates and certain prepayments are required to be made thereon, all in the events, on the terms and in the manner and amounts as provided in the Note Agreements.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[*Signature Page Follows*]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:



No. C-2

ORIGINAL PRINCIPAL AMOUNT: **\$1,000,000**ORIGINAL ISSUE DATE: **14 June 2018**INTEREST RATE: **4.20%**INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**FINAL MATURITY DATE: **14 June 2028**PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 C#9

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**, or registered assigns, the principal sum of **ONE MILLION DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.20% Series C Senior Notes, due 14 June 2028 of the Company in the original aggregate principal amount of \$40,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.27% Series D Senior Notes, due June 14, 2030 of the Company in the original aggregate principal amount of \$35,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates and certain prepayments are required to be made thereon, all in the events, on the terms and in the manner and amounts as provided in the Note Agreements.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[*Signature Page Follows*]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:

UNIVERSAL FOREST PRODUCTS, INC.

4.20% SENIOR SERIES C NOTE DUE 14 JUNE 2028

No. C-3

ORIGINAL PRINCIPAL AMOUNT: **\$19,000,000**

ORIGINAL ISSUE DATE: **14 June 2018**

INTEREST RATE: **4.20%**

INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**

FINAL MATURITY DATE: **14 June 2028**

PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 C#9

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the "*Company*"), hereby promises to pay to **THE GIBRALTAR LIFE INSURANCE CO., LTD.**, or registered assigns, the principal sum of **NINETEEN MILLION DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. "*Overdue Rate*" shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. "*Business Day*" means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.20% Series C Senior Notes, due 14 June 2028 of the Company in the original aggregate principal amount of \$40,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.27% Series D Senior Notes, due June 14, 2030 of the Company in the original aggregate principal amount of \$35,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the "*Note Agreement*"), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates and certain prepayments are required to be made thereon, all in the events, on the terms and in the manner and amounts as provided in the Note Agreements.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[Signature Page Follows]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:

No. C-4

ORIGINAL PRINCIPAL AMOUNT: **\$5,000,000**ORIGINAL ISSUE DATE: **14 June 2018**INTEREST RATE: **4.20%**INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**FINAL MATURITY DATE: **14 June 2028**PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 C#9

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **MUTUAL OF OMAHA INSURANCE COMPANY**, or registered assigns, the principal sum of **FIVE MILLION DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.20% Series C Senior Notes, due 14 June 2028 of the Company in the original aggregate principal amount of \$40,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.27% Series D Senior Notes, due June 14, 2030 of the Company in the original aggregate principal amount of \$35,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates and certain prepayments are required to be made thereon, all in the events, on the terms and in the manner and amounts as provided in the Note Agreements.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[*Signature Page Follows*]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:

No. C-5

ORIGINAL PRINCIPAL AMOUNT: **\$5,000,000**ORIGINAL ISSUE DATE: **14 June 2018**INTEREST RATE: **4.20%**INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**FINAL MATURITY DATE: **14 June 2028**PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 C#9

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **UNITED OF OMAHA LIFE INSURANCE COMPANY**, or registered assigns, the principal sum of **FIVE MILLION DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.20% Series C Senior Notes, due 14 June 2028 of the Company in the original aggregate principal amount of \$40,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.27% Series D Senior Notes, due June 14, 2030 of the Company in the original aggregate principal amount of \$35,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates and certain prepayments are required to be made thereon, all in the events, on the terms and in the manner and amounts as provided in the Note Agreements.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[*Signature Page Follows*]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:



No. D-1

ORIGINAL PRINCIPAL AMOUNT: **\$1,000,000**ORIGINAL ISSUE DATE: **14 June 2018**INTEREST RATE: **4.27%**INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**FINAL MATURITY DATE: **14 June 2030**PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 D*2

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **PRUDENTIAL LEGACY INSURANCE COMPANY OF NEW JERSEY**, or registered assigns, the principal sum of **ONE MILLION DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.27% Series D Senior Notes, due 14 June 2030 of the Company in the original aggregate principal amount of \$35,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.20% Series C Senior Notes, due June 14, 2028 of the Company in the original aggregate principal amount of \$40,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the "Note Agreement"), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

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The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[Signature Page Follows]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:

UNIVERSAL FOREST PRODUCTS, INC.

4.27% SENIOR SERIES D NOTE DUE 14 JUNE 2030

No. D-2

ORIGINAL PRINCIPAL AMOUNT: **\$8,450,000**

ORIGINAL ISSUE DATE: **14 June 2018**

INTEREST RATE: **4.27%**

INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**

FINAL MATURITY DATE: **14 June 2030**

PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 D*2

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **THE GIBRALTAR LIFE INSURANCE CO., LTD.**, or registered assigns, the principal sum of **EIGHT MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.27% Series D Senior Notes, due 14 June 2030 of the Company in the original aggregate principal amount of \$35,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.20% Series C Senior Notes, due June 14, 2028 of the Company in the original aggregate principal amount of \$40,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

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This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[*Signature Page Follows*]

This Note and said Note Agreement are governed by and construed in accordance with the law of Illinois (excluding any conflicts of law rules which would otherwise cause this note to be construed or enforced in accordance with the laws of any other jurisdiction), including all matters of construction, validity and performance.

Universal Forest Products, Inc.

By: _____
Title:



UNIVERSAL FOREST PRODUCTS, INC.

4.27% SENIOR SERIES D NOTE DUE 14 JUNE 2030

No. D-3

ORIGINAL PRINCIPAL AMOUNT: **\$8,050,000**

ORIGINAL ISSUE DATE: **14 June 2018**

INTEREST RATE: **4.27%**

INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**

FINAL MATURITY DATE: **14 June 2030**

PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 D*2

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **THE PRUDENTIAL LIFE INSURANCE COMPANY, LTD.**, or registered assigns, the principal sum of **EIGHT MILLION FIFTY THOUSAND DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.27% Series D Senior Notes, due 14 June 2030 of the Company in the original aggregate principal amount of \$35,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.20% Series C Senior Notes, due June 14, 2028 of the Company in the original aggregate principal amount of \$40,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

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This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

[*Signature Page Follows*]

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Universal Forest Products, Inc.

By: _____
Title:



UNIVERSAL FOREST PRODUCTS, INC.

4.27% SENIOR SERIES D NOTE DUE 14 JUNE 2030

No. D-4

ORIGINAL PRINCIPAL AMOUNT: **\$17,500,000**

ORIGINAL ISSUE DATE: **14 June 2018**

INTEREST RATE: **4.27%**

INTEREST PAYMENT DATES: **17 June and 17 December of each year, commencing on 17 December 2018**

FINAL MATURITY DATE: **14 June 2030**

PRINCIPAL PREPAYMENT DATES AND AMOUNTS: **None. Bullet due at maturity**

PPN: 913543 D*2

FOR VALUE RECEIVED, the undersigned, Universal Forest Products, Inc., a corporation organized and existing under the laws of the State of Michigan (herein called the “*Company*”), hereby promises to pay to **THE LINCOLN NATIONAL LIFE INSURANCE COMPANY**, or registered assigns, the principal sum of **SEVENTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS** on the Final Maturity Date specified above with interest (computed on the basis of a 360-day year—30-day month) on the unpaid balance thereof at the Interest Rate per annum specified above from the date hereof, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. “*Overdue Rate*” shall mean the lesser of (a) the maximum interest rate permitted by law, and (b) the greater of (i) the Interest Rate specified above plus 2.00% per annum or (b) the rate of interest publicly announced by JPMorgan Chase Bank, National Association, from time to time in New York City as its Prime Rate plus 2.00% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of this Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day. “*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 4.27% Series D Senior Notes, due 14 June 2030 of the Company in the original aggregate principal amount of \$35,000,000, which, together with the 3.89% Series A Senior Notes, due December 17, 2022, of the Company in the original aggregate principal amount

of \$35,000,000, the 3.98% Series B Senior Notes, due December 17, 2024, of the Company in the original aggregate principal amount of \$40,000,000, the 4.20% Series C Senior Notes, due June 14, 2028 of the Company in the original aggregate principal amount of \$40,000,000, and any other Shelf Notes (as defined in the Note Agreement hereafter mentioned), are issued or to be issued under and pursuant to the terms and provisions of the Note Purchase and Private Shelf Agreement, dated as of December 17, 2012 (as amended, the “*Note Agreement*”), between the Company, on the one hand, and PGIM, Inc. (formally known as Prudential Investment Management, Inc.), the Initial Purchasers named in the Purchaser Schedule attached thereto and each Prudential Affiliate which becomes party thereto, on the other hand, and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreement for a statement of such rights and benefits.

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[*Signature Page Follows*]

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Universal Forest Products, Inc.

By: _____
Title:



UNIVERSAL FOREST PRODUCTS, INC.
FINANCIAL INFORMATION

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SELECTED FINANCIAL DATA

(In thousands, except per share and statistics data)

	2018	2017	2016	2015	2014
Consolidated Statement of Earnings Data					
Net sales	\$ 4,489,180	\$ 3,941,182	\$ 3,240,493	\$ 2,887,071	\$ 2,660,329
Gross profit	592,894	542,826	474,590	399,904	325,342
Earnings before income taxes ⁽⁶⁾	197,853	176,007	160,671	131,002	95,713
Net earnings attributable to controlling interest	\$ 148,598	\$ 119,512	\$ 101,179	\$ 80,595	\$ 57,551
Diluted earnings per share	\$ 2.40	\$ 1.94	\$ 1.65	\$ 1.33	\$ 0.95
Dividends per share	\$ 0.360	\$ 0.320	\$ 0.290	\$ 0.273	\$ 0.203
Consolidated Balance Sheet Data					
Working capital ⁽¹⁾	\$ 685,108	\$ 560,241	\$ 484,661	\$ 444,057	\$ 397,546
Total assets	1,647,548	1,464,677	1,292,058	1,107,679	1,023,800
Total debt	202,278	146,003	111,693	85,895	98,645
Shareholders' equity	1,088,684	974,023	860,466	766,409	699,560
Statistics					
Gross profit as a percentage of net sales	13.2 %	13.8 %	14.6 %	13.9 %	12.2 %
Net earnings attributable to controlling interest as a percentage of net sales	3.3 %	3.0 %	3.1 %	2.8 %	2.2 %
Return on beginning equity ⁽²⁾	15.3 %	13.9 %	13.2 %	11.5 %	8.8 %
Current ratio ⁽⁴⁾	3.21	2.85	2.78	3.17	3.27
Debt to equity ratio ⁽⁵⁾	0.19	0.15	0.13	0.11	0.14
Book value per common share ⁽³⁾	\$ 17.88	\$ 15.92	\$ 14.10	\$ 12.68	\$ 11.67

- (1) Current assets less current liabilities.
(2) Net earnings attributable to controlling interest divided by beginning shareholders' equity.
(3) Shareholders' equity divided by common stock outstanding.
(4) Current assets divided by current liabilities.
(5) Total debt divided by shareholders' equity.
(6) 2018 includes an approximately \$7 million gain on the sale of one of our facilities.

Acquisition growth is one of the primary contributing factors to material increases over the period from 2014 to 2018. Refer to Note C under the "Notes to the Consolidated Financial Statements" for further discussion on the Company's business combinations and impact on financials.

**UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Universal Forest Products, Inc. is a holding company with subsidiaries throughout North America, Europe, Asia, and in Australia that supply wood, wood composite and other products to three robust markets: retail, industrial, and construction. The Company is headquartered in Grand Rapids, Mich. For more information about Universal Forest Products, Inc., or its affiliated operations, go to www.ufpi.com.

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates and projections about the markets we serve, the economy and the Company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plans," "projects," "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. The Company does not undertake to update forward-looking statements to reflect facts, circumstances, events, or assumptions that occur after the date the forward-looking statements are made. Actual results could differ materially from those included in such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. Among the factors that could cause actual results to differ materially from forward-looking statements are the following: fluctuations in the price of lumber; adverse or unusual weather conditions; adverse economic conditions in the markets we serve; government regulations, particularly involving environmental and safety regulations; and our ability to make successful business acquisitions. Certain of these risk factors as well as other risk factors and additional information are included in the Company's reports on Form 10-K and 10-Q on file with the Securities and Exchange Commission. We are pleased to present this overview of 2018.

OVERVIEW

Our results for 2018 were impacted by the following:

- Our sales increased almost 14% in 2018 due to a 7% increase in our unit sales and a 7% increase in overall selling prices (see "Historical Lumber Prices"). Our unit sales increased in all three of our markets - retail, industrial, and construction - and were driven by a combination of acquisition and organic growth. Overall, businesses we acquired contributed 3% to our unit sales growth in 2018 (see Note C of the Notes to Consolidated Financial Statements) and we achieved 4% organic unit sales growth.
- The Home Improvement Research Institute reported a 5% increase in home improvement sales in 2018. Comparatively, our unit sales to the retail market increased 4% in 2018, including approximately 2% contributed from acquired businesses.
- Our unit sales to the industrial market increased 10% in 2018. Businesses we acquired contributed 5% to unit sales growth. Comparatively, the *Federal Reserve's Industrial Production* noted that national industrial production increased almost 4% in 2018.
- National housing starts increased approximately 4% in the period from December 2017 through November 2018, compared to the same period of the prior year (our sales trail housing starts by about a month). Comparatively, our unit sales to residential construction customers increased 7% in 2018.
- Production of HUD code manufactured homes were up 5% in the period from January through November 2018, compared to the same period of the prior year. Comparatively, our unit sales to the manufactured housing market increased 4% in 2018.
- Our earnings from operations increased 14.2% to \$207.3 million in 2018 from \$181.5 million in 2017, which includes a pre-tax gain of approximately \$6.7 million as a result of the sale of certain assets including our Medley,

**UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

FL, plant for \$36.0 million in proceeds. Acquired businesses contributed approximately \$1.1 million to earnings from operations for the year. The remaining \$18.0 million, or 9.9%, increase was primarily driven by our strong organic unit sales growth and favorable improvements in sales mix, among other factors.

- Net earnings attributable to controlling interest increased 24% to \$148.6 million due to the factors above along with the reduction in our U.S Federal income tax rate in 2018. Our overall effective rate decreased from 29.5% in 2017 to 23.0% in 2018.
- Our cash flow from operating activities decreased by \$20 million due to an increase in our investment in working capital (See "Liquidity and Capital Resources") and opportunistic purchases of inventory in the second half of 2018.
- We re-invested \$95.9 million in capital expenditures to support and grow our business organically and invested \$54.0 million in acquired businesses.
- We returned \$22.1 million to shareholders through dividends and bought back \$24.6 million of our common stock at an average price of \$28.62 per share.
- Finally, our net debt (debt plus cash overdraft less surplus cash) increased to \$202.3 million, representing a ratio of 0.76x earnings before interest, taxes, depreciation and amortization, which we believe along with other factors, indicates a strong credit profile.

HISTORICAL LUMBER PRICES

The following table presents the Random Lengths framing lumber composite price.

	Random Lengths Composite Average \$/MBF		
	2018	2017	2016
January	\$ 449	\$ 356	\$ 316
February	496	393	310
March	505	401	321
April	496	424	345
May	554	416	356
June	572	399	353
July	525	411	351
August	449	417	367
September	443	416	354
October	375	437	356
November	339	436	346
December	338	433	357
Annual average	\$ 462	\$ 412	\$ 344
Annual percentage change	12.1 %	19.8 %	

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In addition, a Southern Yellow Pine ("SYP") composite price, which we prepare and use, is presented below. Our purchases of this species comprise approximately 58% of total lumber purchases, excluding plywood, for 2018 and 2017.

	Southern Yellow Pine Average \$/MBF		
	2018	2017	2016
January	\$ 418	\$ 397	\$ 358
February	459	420	357
March	480	433	366
April	483	438	389
May	535	416	397
June	562	399	382
July	512	381	380
August	449	383	391
September	440	387	375
October	410	417	385
November	378	412	387
December	377	418	400
Annual average	\$ 459	\$ 408	\$ 381
Annual percentage change	12.5 %	7.1 %	

IMPACT OF THE LUMBER MARKET ON OUR OPERATING RESULTS

We experience significant fluctuations in the cost of commodity lumber products from primary producers ("Lumber Market"). We generally price our products to pass lumber costs through to our customers so that our profitability is based on the value-added manufacturing, distribution, engineering, and other services we provide. As a result, our sales levels (and working capital requirements) are impacted by the lumber costs of our products. Lumber costs were 50.6%, 49.1%, and 48.4% of our gross sales in 2018, 2017, and 2016, respectively.

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

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

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

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trusses sold to the manufactured housing industry. For these products, we estimate the customers' needs and we carry anticipated levels of inventory. Because lumber costs are incurred in advance of final sale prices, subsequent increases or decreases in the market price of lumber impact our profitability. In other words, for these products, our margins are exposed to changes in the trend of lumber prices. We believe our sales of these products are at their highest relative level in our second quarter, primarily due to treated lumber sold to the retail market.

The greatest risk associated with changes in the trend of lumber prices is on the following products:

- Products with significant inventory levels with low turnover rates, whose selling prices are indexed to the Lumber Market. In other words, the longer the period of time these products remain in inventory, the greater the exposure to changes in the price of lumber. This would include treated lumber, which comprises approximately 18% of our total sales. This exposure is less significant with remanufactured lumber, trusses sold to the manufactured housing market, and other similar products, due to our higher rate of inventory turnover of these products. We attempt to mitigate the risk associated with treated lumber through vendor consignment inventory programs. *(Please refer to the "Risk Factors" section of our annual report on form 10-K, filed with the United States Securities and Exchange Commission.)*
- Products with fixed selling prices sold under long-term supply arrangements, particularly those involving multi-family construction projects. We attempt to mitigate this risk through our purchasing practices by locking in costs or including re-pricing triggers if lumber prices change in excess of an agreed upon percentage.

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.

	<u>Period 1</u>	<u>Period 2</u>
Lumber cost	\$ 300	\$ 400
Conversion cost	50	50
= Product cost	350	450
Adder	50	50
= Sell price	\$ 400	\$ 500
Gross margin	12.5 %	10.0 %

As is apparent from the preceding example, the level of lumber prices does not impact our overall profits but does impact our margins. Gross margins and operating margins are negatively impacted during periods of high lumber prices; conversely, we experience margin improvement when lumber prices are relatively low. As a result of this factor, we believe it is useful to compare our change in units shipped with our change in gross profits, operating profits, and selling, general, and administrative expenses as a method of evaluating our profitability and efficiency.

BUSINESS COMBINATIONS AND ASSET PURCHASES

We completed seven business acquisitions during 2018 and four during 2017. The annual historical sales attributable to acquisitions in 2018 and 2017 were approximately \$140 million and \$127 million, respectively. These business combinations were not significant to our operating results individually or in aggregate, and thus pro forma results for 2018 and 2017 are not presented.

See Notes to Consolidated Financial Statements, Note C, "Business Combinations" for additional information.

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RESULTS OF OPERATIONS

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

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	86.8	86.2	85.4
Gross profit	13.2	13.8	14.6
Selling, general, and administrative expenses	8.8	9.1	9.6
Net gain on disposition and impairment of assets	(0.1)	—	—
Earnings from operations	4.6	4.6	5.1
Other expense (income), net	0.2	0.1	0.1
Earnings before income taxes	4.4	4.5	5.0
Income taxes	1.0	1.3	1.7
Net earnings	3.4	3.1	3.3
Less net earnings attributable to noncontrolling interest	(0.1)	(0.1)	(0.1)
Net earnings attributable to controlling interest	3.3 %	3.0 %	3.1 %

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

The following table presents, for the periods indicated, the components of our Consolidated Statements of Earnings as a percentage of sales, adjusted to restate 2017 and 2018 sales and cost of goods sold at lumber prices. The restated sales amounts were calculated by applying unit sales growth from 2017 and 2018 to 2016 sales levels. By eliminating the "pass-through" impact of higher or lower lumber prices on sales and cost of goods sold from year to year, we believe this provides an enhanced view of our change in profitability and costs as a percentage of sales. The amount of the adjustment to 2017 and 2018 sales was also applied to cost of goods sold so that gross profit remains unchanged.

	Adjusted for Lumber Market Volatility		
	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	85.1	85.4	85.4
Gross profit	14.9	14.6	14.6
Selling, general, and administrative expenses	9.9	9.7	9.6
Net gain on disposition and impairment of assets	(0.2)	—	—
Earnings from operations	5.2	4.9	5.1
Other expense (income), net	0.2	0.1	0.1
Earnings before income taxes	5.0	4.7	5.0
Income taxes	1.1	1.4	1.7
Net earnings	3.8	3.3	3.3
Less net earnings attributable to noncontrolling interest	(0.1)	(0.1)	(0.1)
Net earnings attributable to controlling interest	3.7 %	3.2 %	3.1 %

The following table presents, for the periods included, our selling, general, and administrative (SG&A) costs as a percentage of gross profit. Given our strategies to enhance our capabilities and improve our value-added product offering

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and recognizing the higher relative level of SG&A costs these strategies require, we believe this ratio provides an enhanced view of our efficiency in managing these costs.

	SG&A as a Percentage of Gross Profit		
	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Gross profit	592,894	542,826	474,590
Selling, general, and administrative expenses	392,235	362,220	310,152
SG&A as percentage of gross profit	66.2%	66.7%	65.4%

GROSS SALES

We design, manufacture and market wood and wood-alternative products for national home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for residential and commercial construction, specialty wood packaging, components and packing materials for various industries, and customized interior fixtures used in a variety of retail stores, commercial and other structures. Our strategic long-term sales objectives include:

- Maximizing unit sales growth while achieving return on investment goals
- Diversifying our end market sales mix by increasing sales of specialty wood and other packaging to industrial users, increasing our penetration of the concrete forming market, increasing our sales of engineered wood components for custom home, multi-family, military and light commercial construction, increasing our market share with independent retailers, and increasing our sales of customized interior fixtures used in a variety of markets.
- Expanding geographically in our core businesses, domestically and internationally.
- Increasing sales of "value-added" products, which primarily consist of fencing, decking, lattice, and other specialty products sold to the retail market, specialty wood packaging, engineered wood components, customized interior fixtures, and "wood alternative" products. Engineered wood components include roof trusses, wall panels, and floor systems. Wood alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales.

The following table presents, for the periods indicated, our percentage of value-added and commodity-based sales to total sales. Value-added products generally carry higher gross margins than our commodity-based products.

	Value-Added	Commodity-Based
2018	62.5 %	37.5 %
2017	63.3 %	36.7 %
2016	62.6 %	37.4 %

- Developing new products and expanding our product offering. New product sales are presented by market in the table below (in thousands).

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Market Classification	New Product Sales by Market				
	Twelve Months Ended				
	December 29, 2018	% Change	December 30, 2017	% Change	December 31, 2016
Retail	\$ 291,654	20.7	\$ 241,662	26.1	\$ 191,619
Industrial	141,791	25.3	113,120	15.8	97,718
Construction	79,735	17.4	67,929	37.8	49,290
Total New Product Sales	513,180	21.4	422,711	24.8	338,627

Note: Certain prior year product reclassifications resulted in a decrease and increase in new product sales in 2017 and 2016, respectively.

Our goal is for our new product sales to comprise at least 10% of our total sales.

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

Market Classification	Year Ended				
	December 29, 2018	% Change	December 30, 2017	% Change	December 31, 2016
Retail	\$ 1,662,895	11.4	\$ 1,492,552	15.4	\$ 1,293,797
Industrial	1,557,011	16.1	1,341,319	35.8	988,050
Construction	1,345,843	14.8	1,172,332	15.4	1,015,530
Total Gross Sales	4,565,749	14.0	4,006,203	21.5	3,297,377
Sales Allowances	(76,569)	17.8	(65,021)	14.3	(56,884)
Total Net Sales	\$ 4,489,180	13.9	\$ 3,941,182	21.6	\$ 3,240,493

Note: During 2018, certain customers were reclassified to a different market. Prior year information has been restated to reflect these changes.

The following table presents estimates, for the periods indicated, of our percentage change in gross sales which were attributable to changes in overall selling prices versus changes in units shipped.

	% Change		
	in Sales	in Selling Prices	in Units
2018 versus 2017	14.0 %	7.0 %	7.0 %
2017 versus 2016	21.5 %	6.6 %	14.9 %
2016 versus 2015	12.4 %	1.2 %	11.2 %

Retail:

Gross sales to the retail market increased over 11% in 2018 compared to 2017 due to a 4% increase in unit sales and a 7% increase in selling prices. Within this market, sales to our big box customers increased 8% while our sales to other retailers increased 17%. Businesses we acquired contributed 2% to our growth, while new products contributed to our 2% organic unit sales growth. Comparatively, our large retail customers reported year over year store sales growth of approximately 6% during the first nine months of 2018, the latest information available to us. In the third and fourth quarter of 2017, our sales increased due to hurricanes Irma and Harvey.

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Gross sales to the retail market increased over 15% in 2017 compared to 2016 due to a 10% increase in unit sales and a 5% increase in selling prices. Within this market, sales to our big box customers increased 16% while our sales to other retailers increased 14%. Businesses we acquired contributed 7% to our growth, while new products contributed to our 3% organic unit sales growth. Comparatively, our large retail customers reported year over year same store sales growth of approximately 8% during the first nine months of 2017, the latest information available to us.

See Notes to Consolidated Financial Statements, Note C, "Business Combinations" for additional information concerning acquired businesses.

Industrial:

Gross sales to the industrial market increased 16% in 2018 compared to 2017, resulting from a 10% increase in overall unit sales and a 6% increase in selling prices. Businesses we acquired contributed 5% to our growth in unit sales. Our organic unit sales growth of 5% was primarily achieved through share gains including adding 200 new customers during the year and increasing the number of locations we serve of existing customers by 346.

Gross sales to the industrial market increased 36% in 2017 compared to 2016, resulting from a 30% increase in overall unit sales and a 6% increase in selling prices. Businesses we acquired contributed 25% to our growth in unit sales. Our organic unit sales growth of 5% was primarily achieved through share gains including adding 390 new customers during the year and increasing the number of locations we serve existing customers by 142.

See Notes to Consolidated Financial Statements, Note C, "Business Combinations" for additional information concerning acquired businesses.

Construction:

Gross sales to the construction market increased almost 15% in 2018 compared to 2017, due to a unit sales increase of 7% and an 8% increase in selling prices. Unit sales increased due to a 7% increase in units shipped to residential construction customers, a 4% increase in shipments to manufactured housing customers, and a 14% increase in unit sales to commercial construction customers. Businesses we acquired in 2018 contributed 4% to our commercial construction unit sales growth. Comparatively, the *Mortgage Bankers Association of America* reported year over year national housing starts increased 4%, the *United States Census Bureau* reported commercial construction market increased 6% and the *National Association of Home Builders* reported industry production of HUD-code homes increased almost 5%.

Gross sales to the construction market increased almost 16% in 2017 compared to 2016, due to a unit sales increase of 7% and a 9% increase in selling prices. Unit sales increased due to a 7% increase in units shipped to residential construction customers and a 9% increase in shipments to manufactured housing customers while unit sales to commercial construction customers remained flat. Businesses we acquired in 2017 contributed 1% to unit sales growth. Comparatively, the *Mortgage Bankers Association of America* reported year over year national housing starts increased 4%, the *United States Census Bureau* reported commercial construction market increased 3% and the *National Association of Home Builders* reported industry production of HUD-code homes increased over 15%.

COST OF GOODS SOLD AND GROSS PROFIT

Our gross profit percentage decreased from 13.8% in 2017 to 13.2% in 2018 due, in part, to the high level of lumber prices in 2018. This is evident when comparing our increase in gross profits with our increase in units shipped. Our gross profit

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dollars increased by over \$50 million, or 9.2%, which exceeds our 6.8% increase in unit sales. Our profitability in 2018 was impacted by the following factors:

- An \$8 million, or 5%, increase in our gross profit on sales to the retail market, primarily driven by a 4% increase in unit sales.
- A \$27 million, or 13%, increase in our gross profit on sales to the industrial market, primarily driven by a 10% increase in unit sales as well as favorable changes in product mix and a decline in lumber prices in the last six months of 2018. Most products sold to this market have fixed selling prices for a period of time.
- A \$24 million, or 15%, increase in gross profit on sales to the construction market, primarily driven by unit growth and a decline in lumber prices in the last six months of 2018. Acquired businesses contributed \$1 million of this gross profit increase.
- The remaining \$9 million decrease in our gross profit was due to a variety of factors including unfavorable labor and overhead cost variances in certain areas of our business and an increase in customer rebates compared to 2017.

Our gross profit percentage decreased from 14.6% in 2016 to 13.8% in 2017 due, in part, to the high level of lumber prices. This is evident when comparing our increase in gross profits with our increase in units shipped. Our gross profit dollars increased by over \$68 million, or 14%, which is slightly below our 15% increase in unit sales. Our profitability in 2017 was impacted by the following factors:

- An \$8 million, or 5%, increase in our gross profit on sales to the retail market, was primarily driven by a 10% increase in unit sales to that market. Businesses we acquired in 2017 contributed \$1.6 million of our gross profit increase. Our increase in gross profit was less than our increase in unit sales as a result of adverse changes in lumber prices, particularly in the second quarter which is our primary selling season, and the acquisition of Robbins in the first quarter of 2017, which primarily sells lower margin treated lumber products.
- Our 30% growth in unit sales to the industrial market resulted in a \$34 million, or 20%, increase in our gross profit, which was due primarily to businesses we acquired in 2017 and 2016. Our increase in gross profit was less than our increase in unit sales primarily due to the impact of higher lumber prices on our products sold with fixed selling prices during part of the year.
- Almost \$13 million, or 9%, of our gross profit improvement was primarily due to 7% unit sales growth on sales to the construction market. Our gross profit increase exceeded our increase in unit sales primarily due to leveraging our fixed manufacturing costs, which helped offset the impact of higher lumber prices on products sold with fixed selling prices during part of the year and higher labor rates and benefit costs.
- The remaining \$13 million increase in our gross profit was due to a variety of factors including favorable labor and overhead cost variances in certain areas of our business, increases in vendor rebates, and a decrease in customer rebates compared to 2016.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses increased by approximately \$30.0 million, or 8.3%, in 2018 compared to 2017, while we reported a 7% increase in unit sales. Acquired businesses contributed \$8.3 million to our increase. The remaining increase in SG&A was primarily due to an \$11.4 million increase in compensation and benefit costs resulting from annual raises, healthcare cost increases, and hiring additional personnel to support sales growth, and

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a \$6.1 million increase in sales and other incentive compensation. Finally, our annual bonus expense increased by \$4 million to almost \$48 million in 2018 compared to last year. Our annual bonus expense is tied to operating profits and return on investment.

Selling, general and administrative ("SG&A") expenses increased by approximately \$52.1 million, or 16.7%, in 2017 compared to 2016, while we reported a 15% increase in unit sales. Acquired businesses contributed \$41.0 million to our increase. The remaining increase in SG&A was primarily due to an \$11.1 million increase in compensation and related costs resulting from annual raises, greater benefit costs, and hiring additional personnel to support sales growth. Finally, our annual bonus expense was almost \$44 million compared to \$45 million in 2016. This decrease, in spite of an increase in profits, was due to a decline in our return on investment, a key performance metric for determining the annual bonus amount.

INTEREST, NET

Net interest costs were higher in 2018 compared to 2017, due to a higher outstanding balance on our revolving line of credit throughout 2018, an increase in variable borrowing rates, and issuance of additional long-term Senior Notes under our shelf facility at an average rate of 4.23%.

Net interest costs were higher in 2017 compared to 2016, due to a higher outstanding balance on our revolving line of credit throughout 2017 as well as an increase in the borrowing rate on our revolving credit facility which is tied to LIBOR.

INCOME TAXES

Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes, permanent tax differences, and the impact of the Tax Act in the U.S. Our effective tax rate decreased to 23.0% in 2018 compared to 29.5% in 2017. The decrease in the 2018 effective tax rate was primarily due to the impact of the Tax Act, which reduced the statutory federal income tax rate from 35% to 21%.

Our effective tax rate decreased to 29.5% in 2017 compared to 34.3% in 2016. The decrease in the 2017 tax rate was primarily due to the impact of the Tax Act, which resulted in a \$6.4 million reduction in our net deferred tax liability at the end of December 2017. The remaining decrease was due to increases in tax credits and permanent tax differences.

SEGMENT REPORTING

The following tables present, for the periods indicated, our net sales and earnings from operations by reportable segment (in thousands).

	Net Sales				
	December 29, 2018	December 30, 2017	December 31, 2016	% Change 2018 vs 2017	% Change 2017 vs 2016
	North	\$ 1,279,459	\$ 1,133,656	\$ 1,000,426	12.9 %
South	1,024,747	837,370	711,862	22.4	17.6
West	1,599,274	1,417,924	1,251,093	12.8	13.3
All Other	585,700	552,232	277,112	6.1	99.3
Total	\$ 4,489,180	\$ 3,941,182	\$ 3,240,493	13.9 %	21.6 %

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	Earnings from Operations				
	December 29,	December 30,	December 31,	% Change	% Change
	2018	2017	2016	2018 vs	2017 vs 2016
North	\$ 66,239	\$ 61,326	\$ 59,408	8.0 %	3.2 %
South	60,049	46,646	47,146	28.7	(1.1)
West	103,357	82,465	76,875	25.3	7.3
All Other	6,779	17,296	16,639	(60.8)	3.9
Corporate ¹	(29,161)	(26,264)	(35,630)	(11.0)	26.3
Total	\$ 207,263	\$ 181,469	\$ 164,438	14.2 %	10.4 %

1. Corporate primarily represents over (under) allocated administrative costs and certain incentive compensation expense.

North

Market Classification	Net Sales of North Segment by Market				
	Twelve Months Ended				
	December 29,	December 30,	December 31,	% Change	% Change
	2018	2017	2016	2018 vs 2017	2017 vs 2016
Retail	\$ 541,798	\$ 489,269	\$ 465,601	10.7 %	5.1 %
Industrial	213,178	157,633	115,867	35.2	36.0
Construction	550,630	510,144	438,968	7.9	16.2
Total Gross Sales	1,305,606	1,157,046	1,020,436	12.8 %	13.4 %
Sales Allowances	(26,147)	(23,390)	(20,010)	(11.8)	(16.9)
Total Net Sales	\$ 1,279,459	\$ 1,133,656	\$ 1,000,426	12.9 %	13.3 %

Net sales attributable to the North reportable segment increased by \$145.8 million, or 12.9%, in 2018, due primarily to the following factors:

- Acquired operations contributed almost \$27 million and \$6 million to our growth in sales to the industrial and construction markets, respectively.
- Higher lumber prices resulted in an increase in our selling prices.
- Organic unit sales growth primarily to the retail and industrial markets.

Earnings from operations for the North reportable segment increased in 2018 by \$4.9 million, or 8.0%, due to an increase in gross profit of \$7.9 million, offset by a \$3.0 million increase in SG&A expenses compared to last year. Acquired operations contributed \$1.6 million to the North's operating profits in 2018. Gross profits and SG&A were impacted by the same factors discussed under "Cost of Goods Sold and Gross Profit" and "Selling, General, and Administrative Expenses."

Net sales attributable to the North reportable segment increased by \$133 million, or 13.3%, in 2017, due primarily to the following factors:

- Acquired operations contributed over \$29 million to our growth in sales to the industrial market.
- Higher lumber prices resulted in an increase in our selling prices.

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- Organic unit sales growth to the industrial and construction markets was offset slightly by a decrease in unit sales to the retail market due to a decline in demand from certain customers.

Earnings from operations for the North reportable segment increased in 2017 by \$1.9 million, or 3.2%, due to an increase in gross profit of \$9.2 million, offset by a \$7.3 million increase in SG&A expenses compared to last year. Acquired operations contributed \$1.5 million to the North's operating profits in 2017. Gross profits and SG&A were impacted by the same factors discussed under "Cost of Goods Sold and Gross Profit" and "Selling, General, and Administrative Expenses."

South

Market Classification	Net Sales of South Segment by Market				
	Twelve Months Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	% Change 2018 vs 2017	% Change 2017 vs 2016
Retail	\$ 441,050	\$ 388,273	\$ 317,003	13.6 %	22.5 %
Industrial	392,971	276,848	251,475	41.9	10.1
Construction	211,792	191,139	157,612	10.8	21.3
Total Gross Sales	1,045,813	856,260	726,090	22.1 %	17.9 %
Sales Allowances	(21,066)	(18,890)	(14,228)	(11.5)	(32.8)
Total Net Sales	\$ 1,024,747	\$ 837,370	\$ 711,862	22.4 %	17.6 %

Net sales attributable to the South reportable segment increased by \$187 million, or 22.4%, in 2018, primarily due to the following factors:

- Acquired operations contributed \$33 million and \$40 million to our retail and industrial markets, respectively.
- Higher lumber prices increased our selling prices.
- Strong organic unit sales growth, particularly to the industrial market.

Earnings from operations for the South reportable segment increased in 2018 by \$13.4 million, or 28.7%, which includes a \$6.7 million gain from the sale of our Medley, Florida, plant and an increase in gross profit of \$8.9 million, which was offset by a \$2.2 million increase in SG&A expenses compared to last year. Acquired operations had a \$0.3 million operating loss in 2018.

Net sales attributable to the South reportable segment increased by \$125 million, or 17.6%, in 2017, primarily due to the following factors:

- Acquired operations contributed \$88.4 million, \$5.0 million, and \$6.1 million to our retail, industrial, and construction markets, respectively.
- Higher lumber prices increased our selling prices.
- Organic unit sales growth to the construction and industrial markets was offset by a decline in unit sales to the retail market as a result of transferring our import and export business to our International segment and

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management team. Our International segment was formed, among other reasons, to gain efficiencies by consolidating our international business into one unit.

Earnings from operations for the South reportable segment decreased in 2017 by \$0.5 million, or 1.1%, as the increase in gross profit of \$3.9 million was more than offset by a \$4.4 million increase in SG&A expenses compared to last year. Acquired operations contributed \$3.5 million to our operating profits in 2017. Our decline in profitability was due to customer attrition in our East Central and Southeast regions.

West

<u>Market Classification</u>	<u>Net Sales of West Segment by Market</u>				
	<u>Twelve Months Ended</u>				
	<u>December 29, 2018</u>	<u>December 30, 2017</u>	<u>December 31, 2016</u>	<u>% Change 2018 vs 2017</u>	<u>% Change 2017 vs 2016</u>
Retail	\$ 479,494	\$ 438,967	\$ 383,899	9.2 %	14.3 %
Industrial	559,277	525,946	464,686	6.3	13.2
Construction	582,761	470,346	418,946	23.9	12.3
Total Gross Sales	1,621,532	1,435,259	1,267,531	13.0 %	13.2 %
Sales Allowances	(22,258)	(17,335)	(16,438)	28.4	5.5
Total Net Sales	<u>\$ 1,599,274</u>	<u>\$ 1,417,924</u>	<u>\$ 1,251,093</u>	12.8 %	13.3 %

Net sales of the West reportable segment increased by \$181 million, or 12.8%, in 2018, primarily due to the following factors:

- Higher lumber prices increased our selling prices.
- Organic unit sales growth to the retail and construction markets.

Earnings from operations for the West reportable segment increased in 2018 by \$20.9 million, or 25.3%, due to an increase in gross profit of \$26.3 million, offset by a \$5.4 million increase in SG&A expenses compared to last year due to the same factors discussed under "Cost of Goods Sold and Gross Profit" and "Selling, General, and Administrative Expenses."

Net sales of the West reportable segment increased by \$167 million, or 13.3%, in 2017, primarily due to the following factors:

- Acquired operations contributed \$4.9 million, \$3.2 million, and \$6.8 million to our retail, industrial, and construction markets, respectively.
- Higher lumber prices increased our selling prices.
- Organic unit sales growth in each of our markets due to the factors discussed under "Gross Sales".

Earnings from operations for the West reportable segment increased in 2017 by \$5.6 million, or 7.3%, due to an increase in gross profit of \$12.1 million, offset by a \$6.5 million increase in SG&A expenses compared to last year due to the same factors discussed under "Cost of Goods Sold and Gross Profit" and "Selling, General, and Administrative Expenses."

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All Other

Market Classification	Net Sales of All Other Segment by Market				
	Twelve Months Ended				
	December 29, 2018	December 30, 2017	December 31, 2016	% Change 2018 vs 2017	% Change 2017 vs 2016
Retail	\$ 200,554	\$ 176,043	\$ 127,294	13.9	38.3
Industrial	391,585	380,892	156,022	2.8	144.1
Construction	659	289	3	128.0	9,533.3
Total Gross Sales	592,798	557,224	283,319	6.4	96.7
Sales Allowances	(7,098)	(4,992)	(6,207)	42.2	(19.6)
Total Net Sales	\$ 585,700	\$ 552,232	\$ 277,112	6.1	99.3

Note that prior years have been restated to reflect the reclassification of captive insurance external revenue from the sales allowances line item into the industrial market. We believe these amounts to be immaterial to the financial statements.

Our All Other reportable segment consists of our Alternative Materials, International, idX, and certain other segments which are not significant.

Net sales of all other segments increased \$33.5 million, or 6.1%, in 2018 primarily due to:

- Acquired operations contributed \$2 million to our sales growth to the industrial market.
- Our increase in sales to the retail and industrial markets was primarily due to an increase in our import and export business within the international segment.

Earnings from operations for the All Other reportable segment decreased in 2018 by \$10.5 million, or 60.8%, due to a decrease in gross profit of \$5.2 million and a \$5.3 million increase in SG&A expenses compared to last year. The decrease in earnings from operations was primarily due to our idX operations, as a result of increased costs related to a facility relocation and unfavorable labor and overhead cost variances due in part to new business and related inefficiencies.

Net sales of all other segments increased \$275.1 million, or 99.3%, in 2017 primarily due to:

- Acquired operations, including idX, contributed \$196 million to our sales growth to the industrial market. Additionally, the Mexico reporting unit of our international segment increased its sales to the industrial market.
- Our increase in sales to the retail market was due to the transfer of our import and export business into our international segment.

Earnings from operations for the All Other reportable segment increased in 2017 by \$0.7 million, or 3.9%, due to an increase in gross profit of \$46.5 million, offset by a \$45.8 million increase in SG&A expenses compared to last year. Acquired operations increased earnings from operations by \$1.7 million in 2017.

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OFF-BALANCE SHEET COMMITMENTS AND CONTRACTUAL OBLIGATIONS

We have no significant off-balance sheet commitments other than operating leases. The following table summarizes our contractual obligations as of December 29, 2018 (in thousands).

Contractual Obligation	Payments Due by Period				Total
	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years	
Long-term debt and capital lease obligations	\$ 81	\$ 2,780	\$ 81,161	\$ 118,256	\$ 202,278
Estimated interest on long-term debt and capital lease obligations	7,717	15,163	13,825	19,155	55,860
Operating leases	17,242	21,753	14,728	22,498	76,221
Capital project purchase obligations	14,316	—	—	—	14,316
Total	\$ 39,356	\$ 39,696	\$ 109,714	\$ 159,909	\$ 348,675

As of December 29, 2018, we also had \$30.3 million in outstanding letters of credit issued during the normal course of business, as required by some vendor contracts.

LIQUIDITY AND CAPITAL RESOURCES

The table below presents, for the periods indicated, a summary of our cash flow statement (in thousands):

	December 29, 2018	December 30, 2017	December 31, 2016
Cash from operating activities	116,685	136,583	172,520
Cash used in investing activities	(121,232)	(137,659)	(227,657)
Cash from (used in) financing activities	4,393	(5,247)	3,211
Effect of exchange rate changes on cash	(464)	650	(1,927)
Net change in cash and cash equivalents	(618)	(5,673)	(53,853)
Cash, cash equivalents, and restricted cash, beginning of year	28,816	34,489	88,342
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 28,198</u>	<u>\$ 28,816</u>	<u>\$ 34,489</u>

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 manage our capital structure by attempting to maintain a targeted ratio of debt to equity and debt to earnings before interest, taxes, depreciation and amortization. We believe these financial ratios are among many other 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 due to our primary selling season which occurs during the period from March to August. Consequently, our working capital increases during our first and second quarters resulting in negative or modest cash flows from operations during those periods. Conversely, we experience a substantial decrease in working capital once we move beyond our peak selling season which typically results in significant cash flows from operations in our third and fourth quarters.

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Due to the seasonality of our business and the effects of the Lumber Market, we believe our cash cycle (days of sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital management. As indicated in the table below, our cash cycle increased to 54 days in 2018 from 52 days in 2017.

	Twelve Months Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Days of sales outstanding	32	31	31
Days supply of inventory	43	41	38
Days payables outstanding	(21)	(20)	(21)
Days in cash cycle	54	52	48

The increase in our days' supply of inventory from 2016 to 2017 was due to idX as its business requires a higher investment in inventory due to the long project lead time of its customers. The increase in our days' supply of inventory from 2017 to 2018 was primarily due to opportunistic lumber purchases in the second half of 2018.

Our cash flows from operating activities in 2018 was \$116.7 million, which was comprised of net earnings of \$152.4 million and \$61.1 million of non-cash expenses, offset by a \$96.8 million increase in working capital since the end of December 2017. Comparatively, cash generated from operating activities was approximately \$136.6 million in 2017, which was comprised of net earnings of \$124.0 million, \$47.7 million of non-cash expenses, and an \$35.1 million increase in working capital since the end of 2016. The increase in working capital is primarily due to planned increases in inventory.

Our cash used in investing activities during 2018 was \$121.2 million, which was comprised primarily of purchases of property, plant, and equipment totaling \$95.9 million and business acquisitions totaling \$54.0 million, offset by the sale of property, plant, and equipment totaling \$38.4 million, including the sale of our Medley, FL, plant for \$36 million. The increase in our capital expenditures in 2018 is primarily due to the additional requirements of our recently acquired operations and an increase in our "expansionary and efficiency" capital expenditures tied to initiatives including new products, value-added product capacity expansion, automation, and the purchase of certain real estate related to geographical expansion. Outstanding purchase commitments on existing capital projects totaled approximately \$14.3 million on December 29, 2018. The sale and purchase of investments totaling \$3.7 million and \$13.3 million, respectively, are due to investment activity in our captive insurance subsidiary.

In 2017, investments in business acquisitions and purchases of property, plant, and equipment were \$60.6 million and \$71.1 million, respectively. Outstanding purchase commitments on existing capital projects totaled approximately \$7.7 million on December 30, 2017.

Cash flows from financing activities primarily consisted of the issuance of \$75 million in Senior Notes under our shelf facility (See Notes to Consolidated Financial Statements "Debt"), offset by net repayments under our revolving credit facility of approximately \$16.1 million, \$22.1 million in dividend payments, and \$24.6 million in repurchases of our common stock. We paid semi-annual dividends in June and December at a rate of \$0.18 per share. Repurchases of our common stock were at an average price of \$28.62 per share. Comparatively in 2017, cash flows from financing activities primarily consisted of net borrowings under our revolving credit facility of approximately \$35.6 million, offset by \$19.6 million in dividend payments and almost \$13 million of stock repurchases at an average price of \$29.11 per share.

On November 1, 2018, we entered into a five-year, \$375 million unsecured revolving credit facility with a syndicate of U.S. and Canadian banks led by JPMorgan Chase Bank, N.A., as administrative agent and Wells Fargo Bank, N.A., as syndication agent. The facilities include up to \$40 million which may be advanced in the form of letters of credit, and up to \$100 million (U.S. dollar equivalent) which may be advanced in Canadian dollars, Australian dollars, pounds Sterling,

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Euros and such other foreign currencies as may subsequently be agreed upon among the parties. This facility replaced our \$295 million unsecured revolving credit facility.

On December 29, 2018, we had \$42.5 million outstanding on our \$375 million revolving credit facility. The revolving credit facility also supports letters of credit totaling approximately \$9.8 million on December 29, 2018. As a result, we have approximately \$323 million in remaining availability on our revolver. Additionally, we have \$150 million in availability under a "shelf agreement" for long term debt with a current lender. Financial covenants on the unsecured revolving credit facility and unsecured notes include minimum interest tests and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were in compliance with all our covenant requirements on December 29, 2018.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

See Notes to Consolidated Financial Statements, Note M, "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. Following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

ACCOUNTS RECEIVABLE ALLOWANCES

We record provisions against gross revenues for estimated returns and cash discounts in the period when the related revenue is recorded. These estimates are based on factors that include, but are not limited to, historical discounts taken, analysis of credit memorandums activity, and customer demand. We also evaluate the allowance for uncollectible accounts receivable and discounts based on historical collection experience and specific identification of other potential problems, including the economic climate. Actual collections can differ, requiring adjustments to the allowances.

LONG-LIVED ASSETS AND GOODWILL

We evaluate long-lived assets for indicators of impairment when events or circumstances indicate that this risk may be present. Our judgments regarding the existence of impairment are based on market conditions, operational performance and estimated future cash flows. As a result of favorable factors in each of these areas combined with substantial excess equity value over carrying value from the prior year analysis, management has determined that the carryforward method is appropriate to use with the exception of the idX reporting unit where a more in-depth analysis was completed. The discounted cash flow analysis, from prior years, uses the following assumption: a business is worth today what it can generate in future cash flows; cash received today is worth more than an equal amount of cash received in the future; and future cash flows can be reasonably estimated. The discounted cash flow analysis is based on the present value of projected cash flows and residual values.

As our annual testing date of October 1, 2018, based on the carryforward method and the analysis, the fair values would exceed the carrying values for each of the Company's reporting units.

If the carrying value of a long-lived asset is considered impaired, a level two analysis will be conducted and an impairment charge is recorded to adjust the asset to its fair value. Changes in forecasted operations and changes in discount rates can materially affect these estimates. In addition, we test goodwill annually for impairment or more frequently if changes in

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circumstances or the occurrence of other events suggest impairments exist. The test for impairment requires us to make several estimates about fair value, most of which are based on projected future cash flows and market valuation multiples. Changes in these estimates may result in the recognition of an impairment loss.

INSURANCE RESERVES

We are primarily self-insured for certain employee health benefits, and have self-funded retentions for general liability, automobile liability, property and workers' compensation. We are fully self-insured for environmental liabilities. The general liability, automobile liability, property, workers' compensation, and certain environmental liabilities are managed through a wholly-owned insurance company, the related assets and liabilities of which are included in the consolidated financial statements as of December 29, 2018. Our accounting policies with respect to the reserves are as follows:

- General liability, automobile, and workers' compensation reserves are accrued based on third party actuarial valuations of the expected future liabilities.
- Health benefits are self-insured up to our pre-determined stop loss limits. These reserves, including incurred but not reported claims, are based on internal computations. These computations consider our historical claims experience, independent statistics, and trends.
- The environmental reserve is based on known remediation activities at certain wood preservation facilities and the potential for undetected environmental matters at other sites. The reserve for known activities is based on expected future costs and is computed by in-house experts responsible for managing our monitoring and remediation activities.

In addition to providing coverage for the Company, our wholly-owned insurance company, Ardellis Insurance Ltd., provides Excess Loss Insurance (primarily medical and prescription drug) to certain third parties. As of December 29, 2018, there were 39 such contracts in place. Reserves associated with these contracts were \$4.9 million at December 29, 2018 and \$3.4 million at December 30, 2017, and are accrued based on third party actuarial valuations of the expected future liabilities.

On April 14, 2017 the U.S. Branch of Ardellis Insurance Ltd. was granted its Certificate of Authority to transact property and casualty insurance lines as an admitted carrier in the State of Michigan.

INCOME TAXES

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred income tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

Tax laws are complex and subject to different interpretations by taxpayers and respective government taxing authorities, which results in judgment in determining our tax expense and in evaluating our tax positions. Our tax positions are reviewed quarterly and adjusted as new information becomes available.

REVENUE RECOGNITION

Revenue for product sales is recognized at the time the performance obligation is satisfied, which is primarily when the goods are delivered to the carrier, Free On Board (FOB) shipping point. Generally, title passes at the time of shipment. In

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certain circumstances, the customer takes title when the shipment arrives at the destination. However, our shipping process is typically completed the same day.

Performance on construction contracts is reflected in operations using percentage-of-completion accounting, under either the 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 per the contract. Revisions in earnings estimates on the construction contracts are recorded in the accounting period in which the basis for such revisions becomes known. Projected losses on individual contracts are charged to operations in their entirety when such losses become apparent.

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

FORWARD OUTLOOK

GOALS

The Company's goal is to achieve long-term sales growth that exceeds positive U.S. GDP growth by 4 percent to 6 percent.

Our general long-term objectives also include:

- Achieving sales growth primarily through new product introduction, international business expansion, and gaining additional market share, particularly in our core retail, industrial and commercial construction markets;
- Identifying new growth opportunities in businesses with adjacencies to our core businesses, primarily through strategic business acquisitions;
- Increasing our profitability through cost reductions, productivity improvements as volume improves, and a more favorable mix of value-added products; and
- Earning a return on invested capital in excess of our weighted average cost of capital.

RETAIL MARKET

The Home Improvement Research Institute ("HIRI") anticipates growth in home improvement spending and has forecasted a 3.5% compounded annual growth rate through 2022.

We continue to compete for market share for certain retail customers and face intense pricing pressure from other suppliers to this market.

Our long-term goal is to achieve sales growth by:

- Increasing our market share of value-added products, including our Deckorators product line.

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- Developing new, value-added products, such as our Eovations product line.
- Adding new products and customers through strategic business acquisitions or alliances.
- Increasing our emphasis on product innovation and product differentiation in order to counter commoditization trends and influences.

INDUSTRIAL MARKET

Our goal is to increase our sales of wood, wood alternative, and other packaging products to a wide variety of industrial and OEM users. We believe the vast amount of hardwood and softwood lumber consumed for industrial applications, combined with the highly fragmented nature of this market, provides us with growth opportunities as a result of our competitive advantages in manufacturing, purchasing, and material utilization. In addition, purchasers of packaging products increasingly desire to reduce the number of suppliers they buy from, which provides an opportunity to gain market share due to our geographic footprint. We plan to continue to obtain market share by expanding our manufacturing capacity capabilities and product offerings and increasing the size of our dedicated industrial design and sales personnel. We also plan to pursue strategic acquisition opportunities.

CONSTRUCTION MARKET

The *National Association of Home Builders* forecasts a 14% increase in manufactured home shipments in 2019 followed by an 8% increase in 2020. We currently supply approximately 40% of the trusses used in manufactured housing and we will strive to maintain our market share of trusses produced for this market.

The *Mortgage Bankers Association of America* forecasts a 2% increase in national housing starts to an estimated 1.3 million starts in 2019. The *National Association of Home Builders* forecasts starts of 1.3 million, a 1% increase from 2018. We believe we are well-positioned to capture our share of any increase that may occur in housing starts in the regions we operate. However, due to our conservative approach to adding capacity to serve this market and focus on managing potential channel conflicts with certain customers, our growth may trail the market in future years.

GROSS PROFIT

We believe the following factors may impact our gross profits and margins in the future:

- End market demand and our ability to grow and leverage fixed costs.
- Our ability to maintain market share and gross margins on products sold to our largest customers. We believe our level of service, geographic diversity, and quality of products provides an added value to our customers. However, if our customers are unwilling to pay for these advantages, our sales and gross margins may be reduced. Excess capacity exists for suppliers in certain of our markets. As a result, we may experience pricing pressure in the future.
- Sales mix of value-added and commodity products.
- Fluctuations in the relative level of the Lumber Market and the trend in the market place of lumber. (See "Impact of the Lumber Market on our Operating Results.")
- Fuel and transportation costs.

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- Rising labor and benefit costs.
- Our ability to continue to achieve productivity improvements as our unit sales increase and planned cost reductions through our continuous improvement, automation, and other initiatives.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

In recent years, selling, general and administrative (SG&A) expenses have increased as we have added personnel needed to take advantage of growth opportunities and execute our initiatives designed to increase our sales of new products and improve our sales mix of value-added products. We anticipate our trend of increases in these costs will continue in 2019; however, our objective is to reduce these costs on a per unit basis and as a percentage of gross profits as we grow as a result of fixed costs and through the improved productivity of our people. In addition, bonus and other incentive expenses for all salaried and sales employees is based on our profitability and the effective management of our assets and will continue to fluctuate based on our results.

On a long-term basis, we expect that our SG&A expenses will primarily be impacted by:

- Our growth in sales to the industrial market and the construction market. Our sales to these markets require a higher ratio of SG&A costs due, in part, to product design and engineering requirements.
- Sales of new products which generally require higher development, marketing, advertising, and other selling costs.
- Our incentive compensation programs which are tied to gross profits, pre-bonus earnings from operations and return on investment.
- Our growth and success in achieving continuous improvement objectives designed to improve our productivity and leveraging our fixed costs.

LIQUIDITY AND CAPITAL RESOURCES

Our cash cycle will continue to be impacted in the future by our mix of sales by market. Sales to the residential and commercial construction and industrial markets require a greater investment in working capital (inventory and accounts receivable) than our sales to the retail and manufactured housing markets. Additionally, our investment in trade receivables and inventory will continue to be impacted by the level of lumber prices.

Additionally, management expects to spend approximately \$95 million on capital expenditures, incur depreciation of approximately \$60 million, and incur amortization and other non-cash expenses of approximately \$12 million in 2019.

On December 29, 2018, we had outstanding purchase commitments on capital projects of approximately \$14 million. We intend to fund capital expenditures and purchase commitments through our operating cash flows and availability under our revolving credit facility which is considered sufficient to meet these commitments and working capital needs.

We have no present plan to change our dividend policy, which was recently increased by 6% to a semi-annual rate of \$0.18 per share. Our dividend rates are reviewed and approved at our April and October board meetings and payments are made in June and December of each year.

We have a share repurchase program approved by our Board of Directors, and as of December 29, 2018, we have authorization to buy back approximately 1.9 million shares. In the past, we have repurchased shares in order to offset the

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effect of issuances resulting from our employee benefit plans and at opportune times when our stock price falls to predetermined levels.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Universal Forest Products, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to us and the Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

We assessed the effectiveness of our internal control over financial reporting as of December 29, 2018, based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO"). Based on that evaluation, management has concluded that as of December 29, 2018, our internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which follows our report.

Universal Forest Products, Inc.

February 27, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Universal Forest Products, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Universal Forest Products, Inc. and subsidiaries (the “Company”) as of December 29, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 29, 2018, of the Company and our report dated February 27, 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Grand Rapids, Michigan
February 27, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Universal Forest Products, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries (the "Company") as of December 29, 2018 and December 30, 2017, the related consolidated statements of earnings and comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended December 29, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Grand Rapids, Michigan
February 27, 2019

We have served as the Company's auditor since 2014.

**UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	December 29, 2018	December 30, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 27,316	\$ 28,339
Investments	14,755	11,269
Restricted cash	882	477
Accounts receivable, net	343,450	327,751
Inventories:		
Raw materials	271,871	234,354
Finished goods	284,349	225,954
Total inventories	556,220	460,308
Refundable income taxes	14,130	7,228
Other current assets	38,525	28,115
TOTAL CURRENT ASSETS	995,278	863,487
DEFERRED INCOME TAXES	2,668	1,865
RESTRICTED INVESTMENTS	13,267	8,359
OTHER ASSETS	8,662	7,368
GOODWILL	224,117	212,644
INDEFINITE-LIVED INTANGIBLE ASSETS	7,360	7,415
OTHER INTANGIBLE ASSETS, NET	41,486	34,910
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	120,324	134,916
Building and improvements	239,906	213,384
Machinery and equipment	419,115	372,628
Furniture and fixtures	16,960	25,251
Construction in progress	18,340	16,922
PROPERTY, PLANT AND EQUIPMENT, GROSS	814,645	763,101
Less accumulated depreciation and amortization	(459,935)	(434,472)
PROPERTY, PLANT AND EQUIPMENT, NET	354,710	328,629
TOTAL ASSETS	\$ 1,647,548	\$ 1,464,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Cash overdraft	\$ 27,367	\$ 25,851
Accounts payable	136,901	140,106
Accrued liabilities:		
Compensation and benefits	104,109	97,556
Other	41,645	38,404
Current portion of long-term debt	148	1,329
TOTAL CURRENT LIABILITIES	310,170	303,246
LONG-TERM DEBT	202,130	144,674
DEFERRED INCOME TAXES	15,687	14,079
OTHER LIABILITIES	30,877	28,655
TOTAL LIABILITIES	558,864	490,654
SHAREHOLDERS' EQUITY:		
Controlling interest shareholders' equity:		
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none	\$ —	\$ —
Common stock, \$1 par value; shares authorized 80,000,000; issued and outstanding, 60,883,749 and 61,191,888	60,884	61,192
Additional paid-in capital	178,540	161,928
Retained earnings	839,917	736,212
Accumulated other comprehensive income	(5,938)	144
Total controlling interest shareholders' equity	1,073,403	959,476
Noncontrolling interest	15,281	14,547
TOTAL SHAREHOLDERS' EQUITY	1,088,684	974,023
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,647,548	\$ 1,464,677

See notes to consolidated financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands, except per share data)

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
NET SALES	\$ 4,489,180	\$ 3,941,182	\$ 3,240,493
COST OF GOODS SOLD	3,896,286	3,398,356	2,765,903
GROSS PROFIT	592,894	542,826	474,590
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	392,235	362,220	310,152
NET (GAIN) ON DISPOSITION OF ASSETS	(6,604)	(863)	—
EARNINGS FROM OPERATIONS	207,263	181,469	164,438
INTEREST EXPENSE	8,893	6,218	4,575
INTEREST INCOME	(1,371)	(731)	(541)
UNREALIZED LOSS (GAIN) ON INVESTMENTS AND OTHER	1,888	(25)	(267)
	9,410	5,462	3,767
EARNINGS BEFORE INCOME TAXES	197,853	176,007	160,671
INCOME TAXES	45,441	51,967	55,174
NET EARNINGS	152,412	124,040	105,497
LESS NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(3,814)	(4,528)	(4,318)
NET EARNINGS ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 148,598	\$ 119,512	\$ 101,179
EARNINGS PER SHARE - BASIC	\$ 2.41	\$ 1.95	\$ 1.66
EARNINGS PER SHARE - DILUTED	\$ 2.40	\$ 1.94	\$ 1.65
OTHER COMPREHENSIVE INCOME:			
NET EARNINGS	152,412	124,040	105,497
OTHER COMPREHENSIVE GAIN (LOSS)	(5,076)	6,130	(2,703)
COMPREHENSIVE INCOME	147,336	130,170	102,794
LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(3,873)	(4,884)	(2,660)
COMPREHENSIVE INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 143,463	\$ 125,286	\$ 100,134

See notes to consolidated financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share and per share data)

	Controlling Interest Shareholders' Equity					Total
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Noncontrolling Interest	
Balance at December 26, 2015	\$ 60,425	\$ 131,279	\$ 565,636	\$ (4,585)	\$ 13,654	\$ 766,409
Net earnings			101,179		4,318	105,497
Foreign currency translation adjustment				(1,316)	(1,658)	(2,974)
Unrealized gain (loss) on investment				271		271
Noncontrolling interest associated with business acquisitions					—	—
Distributions to noncontrolling interest					(3,280)	(3,280)
Net purchase and dissolution of noncontrolling interest		856			(1,748)	(892)
Cash dividends - \$0.140 & \$0.150 per share - semiannually			(17,680)			(17,680)
Issuance of 20,439 shares under employee stock plans	21	515				536
Issuance of 407,271 shares under stock grant programs	407	4,890				5,297
Issuance of 173,370 shares under deferred compensation plans	173	(173)				—
Repurchase of 13,613 shares	—					—
Tax benefits from non-qualified stock options exercised						—
Expense associated with share-based compensation arrangements		2,208				2,208
Accrued expense under deferred compensation plans		5,074				5,074
Balance at December 31, 2016	\$ 61,026	\$ 144,649	\$ 649,135	\$ (5,630)	\$ 11,286	\$ 860,466
Net earnings			119,512		4,528	124,040
Foreign currency translation adjustment				5,070	356	5,426
Unrealized gain (loss) on investment & foreign currency				704		704
Distributions to noncontrolling interest					(4,032)	(4,032)
Additional purchases of noncontrolling interest					2,409	2,409
Net purchase and dissolution of noncontrolling interest					—	—
Cash dividends - \$0.150 & \$0.170 per share - semiannually			(19,607)			(19,607)
Issuance of 23,691 shares under employee stock plans	24	637				661
Issuance of 428,622 shares under stock grant programs	429	5,769				6,198
Issuance of 159,108 shares under deferred compensation plans	159	(159)				—
Repurchase of 445,740 shares	(446)		(12,828)			(12,977)
Expense associated with share-based compensation arrangements		3,618				3,618
Accrued expense under deferred compensation plans		7,117				7,117
Balance at December 30, 2017	\$ 61,192	\$ 161,928	\$ 736,212	\$ 144	\$ 14,547	\$ 974,023
Net earnings			148,598		3,814	152,412
Foreign currency translation adjustment				(4,973)	59	(4,914)
Unrealized gain (loss) on investment & foreign currency			947	(1,109)		(162)
Distributions to noncontrolling interest					(3,139)	(3,139)
Cash dividends - \$0.180 per share - semiannually			(22,072)			(22,072)
Issuance of 37,794 shares under employee stock purchase plans	38	988				1,026
Issuance of 348,208 shares under stock grant programs	348	4,827				5,175
Issuance of 166,528 shares under deferred compensation plans	167	(167)				—
Repurchase of 860,669 shares	(861)		(23,768)			(24,629)
Expense associated with share-based compensation arrangements		3,379				3,379
Accrued expense under deferred compensation plans		7,585				7,585
Balance at December 29, 2018	\$ 60,884	\$ 178,540	\$ 839,917	\$ (5,938)	\$ 15,281	\$ 1,088,684

See notes to consolidated financial statements

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 152,412	\$ 124,040	\$ 105,497
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	54,949	48,536	40,823
Amortization of intangibles	6,393	4,860	2,795
Expense associated with share-based and grant compensation arrangements	3,574	3,805	2,335
Deferred income taxes (credits)	857	(8,629)	2,464
Unrealized loss (gain) on investments and other	1,888	(25)	(267)
Net (gain) on disposition of assets	(6,604)	(863)	—
Changes in:			
Accounts receivable	(8,512)	(30,787)	(5,119)
Inventories	(84,304)	(49,262)	(3,245)
Accounts payable and cash overdraft	(5,213)	21,159	11,259
Accrued liabilities and other	1,245	23,749	15,978
NET CASH FROM OPERATING ACTIVITIES	116,685	136,583	172,520
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(95,862)	(71,116)	(53,762)
Proceeds from sale of property, plant and equipment	38,373	2,919	3,126
Acquisitions, net of cash received	(54,017)	(60,587)	(80,077)
Repayments of debt of acquiree	—	—	(92,830)
Purchase and dissolution of remaining noncontrolling interest in subsidiary	—	—	(892)
Advances of notes receivable	(434)	(234)	(6,012)
Collections on notes receivable	768	1,509	7,899
Purchases of investments	(13,338)	(13,518)	(5,666)
Proceeds from sale of investments	3,678	5,103	2,568
Other	(400)	(1,735)	(2,011)
NET CASH USED IN INVESTING ACTIVITIES	(121,232)	(137,659)	(227,657)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving credit facilities	732,370	758,287	131,002
Repayments under revolving credit facilities	(748,496)	(722,725)	(107,294)
Borrowings of debt	927	8,525	—
Repayment of debt	(5,540)	(13,347)	—
Issuance of long-term debt	75,000	—	—
Proceeds from issuance of common stock	1,026	660	536
Dividends paid to shareholders	(22,072)	(19,607)	(17,680)
Distributions to noncontrolling interest	(3,139)	(4,032)	(3,280)
Repurchase of common stock	(24,629)	(12,977)	—
Other	(1,054)	(31)	(73)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,393	(5,247)	3,211
Effect of exchange rate changes on cash	(464)	650	(1,927)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(18)	(5,673)	(53,853)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	28,816	34,489	88,342
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$ 28,198	\$ 28,816	\$ 34,489
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:			
Cash and cash equivalents, beginning of period	\$ 28,339	\$ 34,091	\$ 87,756
Restricted cash, beginning of period	477	398	586
Cash, cash equivalents, and restricted cash, beginning of period	\$ 28,816	\$ 34,489	\$ 88,342
Cash and cash equivalents, end of period	\$ 27,316	\$ 28,339	\$ 34,091
Restricted cash, end of period	882	477	398
Cash, cash equivalents, and restricted cash, end of period	\$ 28,198	\$ 28,816	\$ 34,489
SUPPLEMENTAL INFORMATION:			
Interest paid	\$ 8,860	\$ 6,020	\$ 4,550
Income taxes paid	51,578	56,663	57,311
NON-CASH FINANCING ACTIVITIES:			
Common stock issued under deferred compensation plans	\$ 5,837	\$ 5,116	\$ 4,353

See notes to consolidated financial statements

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

We design, manufacture and market wood and wood-alternative products for large home centers and other retailers; structural lumber, engineered wood components, framing services, and other products for the construction market; specialty wood packaging, components, packing materials, and other wood-based products for various industries; and design, manufacture, and install customized interior fixtures used in retail and commercial structures for various markets.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries and partnerships. In addition, we consolidate any entity which we own 50% or more and exercise control. Intercompany transactions and balances have been eliminated.

NONCONTROLLING INTEREST IN SUBSIDIARIES

Noncontrolling interest in results of operations of consolidated subsidiaries represents the noncontrolling shareholders' share of the income or loss of various consolidated subsidiaries. The noncontrolling interest reflects the original investment by these noncontrolling shareholders combined with their proportional share of the earnings or losses of these subsidiaries, net of distributions paid.

FISCAL YEAR

Our fiscal year is a 52 or 53 week period, ending on the last Saturday of December. Unless otherwise stated, references to 2018, 2017, and 2016 relate to the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively. Fiscal year 2016 was comprised of 53 weeks, which contributed an additional \$60 million in sales in 2016 compared to fiscal years 2018 and 2017, which were comprised of 52 weeks.

FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

We follow ASC Topic 820, *Fair Value Measurements and Disclosures*, which provides a consistent definition of fair value, focuses on exit price, prioritizes the use of market-based inputs over entity-specific inputs for measuring fair value and establishes a three-tier hierarchy for fair value measurements. This topic requires fair value measurements to be classified and disclosed in one of the following three categories:

- Level 1 — Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 — Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. Financial instrument values are determined using prices for recently traded financial instruments with similar underlying terms and direct or indirect observational inputs, such as interest rates and yield curves at commonly quoted intervals.
- Level 3 — Financial instruments not actively traded on a market exchange and there is little, if any, market activity. Values are determined using significant unobservable inputs or valuation techniques.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly-liquid investments purchased with an original maturity of three months or less.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-18, "Statement of Cash Flows (Topic 230)" (ASU 2016-18). Under ASU 2016-18, an entity will be required to explain changes in the statement of cash flows during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update should be applied using retrospective transition method to each period presented. Companies are required to adopt the new standard for fiscal years beginning after December 15, 2017. Early adoption of ASU 2016-18 is permitted, including adoption in an interim period. The Company has early adopted this standard during the first quarter of 2017.

INVESTMENTS

Investments are deemed to be "available for sale" and are, accordingly, carried at fair value being the quoted market value.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which amends ASC 825-10, Financial Instruments – Overall, this ASU changes the treatment for available-for-sale equity investments by recognizing unrealized fair value changes directly in net income and no longer in other comprehensive income. For public entities, the amendment is effective for fiscal years beginning after December 15, 2017. The ASU was adopted during fiscal 2018 with a cumulative-effect adjustment to retained earnings of \$0.9 million at the beginning of 2018. The available-for-sale equity securities balance at December 29, 2018 is \$10.7 million, which resulted in an unrealized loss recorded as a non-operating expense of \$1.9 million.

ACCOUNTS RECEIVABLE AND ALLOWANCES

We perform periodic credit evaluations of our customers and generally do not require collateral. Accounts receivable are due under a range of terms we offer to our customers. Discounts are offered, in most instances, as an incentive for early payment.

We base our allowances related to receivables on historical credit and collections experience, and the specific identification of other potential problems, including the general economic climate. Actual collections can differ, requiring adjustments to the allowances. Individual accounts receivable balances are evaluated on a monthly basis, and those balances considered uncollectible are charged to the allowance.

The following table presents the activity in our accounts receivable allowances (in thousands):

	<u>Beginning Balance</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions*</u>	<u>Ending Balance</u>
Year Ended December 29, 2018:				
Allowance for possible losses on accounts receivable	\$ 2,424	\$ 38,963	\$ (38,786)	\$ 2,601
Year Ended December 30, 2017:				
Allowance for possible losses on accounts receivable	\$ 2,845	\$ 28,102	\$ (28,523)	\$ 2,424
Year Ended December 31, 2016:				
Allowance for possible losses on accounts receivable	\$ 2,672	\$ 28,405	\$ (28,232)	\$ 2,845

* Includes accounts charged off, discounts given to customers and actual customer returns and allowances.

We record estimated sales returns, discounts, and other applicable adjustments as a reduction of net sales in the same period revenue is recognized.

Accounts receivable retainage amounts related to long term construction contracts totaled \$5.5 million and \$4.8 million as of December 29, 2018 and December 30, 2017, respectively. All amounts are expected to be collected within 18 months. Concentration of accounts receivable related to our largest customer totaled \$44.5 million and \$55.9 million as of December 29, 2018 and December 30, 2017, respectively.

INVENTORIES

Inventories are stated at the lower of cost or market. The cost of inventories includes raw materials, direct labor, and manufacturing overhead. Cost is determined on a weighted average basis. Raw materials consist primarily of unfinished wood products expected to be manufactured or treated prior to sale, while finished goods represent various manufactured and treated wood products ready for sale. We have inventory on consignment at customer locations valued at \$16.8 million as of December 29, 2018 and \$14.8 million as of December 30, 2017.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost. Expenditures for renewals and betterments are capitalized, and maintenance and repairs are expensed as incurred. Amortization of assets held under capital leases is included in depreciation and amortized over the shorter of the estimated useful life of the asset or the lease term. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	5 to 15 years
Buildings and improvements	10 to 32 years
Machinery, equipment and office furniture	2 to 8 years

LONG-LIVED ASSETS

In accordance with ASC 360, *Property, Plant, and Equipment* ("ASC 360"), when an indicator of potential impairment exists, we evaluate the recoverability of our long-lived assets by determining whether unamortized balances could be recovered through undiscounted future operating cash flows over the remaining lives of the assets. If the sum of the expected future cash flows was less than the carrying value of the assets, an impairment loss would be recognized for the excess of the carrying value over the fair value.

LEASES

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, "Leases (Topic 842)" (ASU 2016-02). Under ASU 2016-02, an entity will be required to recognize assets and liabilities for the rights and obligations created by leases on the entity's balance sheet for both finance and operating leases. For leases with a term of 12 months or less, an entity can elect to not recognize lease assets and lease liabilities and expense the lease over a straight-line basis for the term of the lease. ASU 2016-02 will require new disclosures that depict the amount, timing, and uncertainty of cash flows pertaining to an entity's leases. Companies are required to adopt the new standard for annual and interim periods beginning after December 15, 2018. Early adoption of ASU 2016-02 is permitted. The FASB has decided to amend certain aspects of its new leasing standard in an attempt to provide a relief from implementation costs. Specifically, entities may elect not to restate their comparative periods in the period of adoption when transitioning to the new standard. The Company will elect practical expedients permitted under the transition guidance within the new standard, which among other things, allows the carryforward of historical lease classification, lease and related non-lease components accounted as a single component, and hindsight practical expedient to determine the reasonably certain lease term for existing leases. As required by the standard, the Company expects to make additional disclosures related to the nature and type of leases, practical expedients applied, and adoption method in the first quarter of 2019 fiscal year. The Company expects \$60-80 million impact on our consolidated balance sheets and no material impact on our consolidated income statement.

GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment tests at least annually in accordance with ASC 350, Intangibles-Goodwill and Other. We review the carrying amounts of goodwill and other non-amortizable intangibles by reporting unit to determine if such assets may be impaired. As the carrying amount of these assets are recoverable based upon a discounted cash flow and market approach analysis, no impairment was recognized.

Our annual testing date for evaluating goodwill and indefinite-lived intangible asset impairment is the first day of the Company's fourth fiscal quarter for all reporting units. Additionally, the Company reviews various triggering events throughout the year to ensure that a mid-year impairment analysis is not required.

FOREIGN CURRENCY

Our foreign operations use the local currency as their functional currency. Accordingly, assets and liabilities are translated at exchange rates as of the balance sheet date and revenues and expenses are translated using weighted average rates, with translation adjustments included as a separate component of shareholders' equity. Gains and losses arising from re-measuring foreign currency transactions are included in earnings.

INSURANCE RESERVES

Our wholly-owned insurance company, Ardellis Insurance Ltd. ("Ardellis"), was incorporated on April 21, 2001 under the laws of Bermuda and is licensed as a Class 3A insurer under the Insurance Act 1978 of Bermuda. On April 14, 2017 the U.S. Branch of Ardellis Insurance Ltd. was granted its Certificate of Authority to transact property and casualty insurance lines as an admitted carrier in the State of Michigan.

We are primarily self-insured for certain employee health benefits, and have self-funded retentions for general liability, automobile liability, property and workers' compensation. We are fully self-insured for environmental liabilities. The general liability, automobile liability, property, workers' compensation, and certain environmental liabilities are managed through Ardellis; the related assets and liabilities of which are included in the consolidated financial statements as of December 29, 2018 and December 30, 2017. Our policy is to accrue amounts equal to actuarially determined or internally computed liabilities. The actuarial and internal valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical cost trends, and changes in claims experience could cause these estimates to change in the future.

In addition to providing coverage for the Company, Ardellis provides Excess Loss Insurance (primarily medical and prescription drug) to certain third parties. As of December 29, 2018, Ardellis had 39 such contracts in place. Reserves associated with these contracts were \$4.9 million at December 29, 2018 and \$3.4 million at December 30, 2017, and are accrued based on third party actuarial valuations of the expected future liabilities.

INCOME TAXES

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred income tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

REVENUE RECOGNITION

On May 28, 2014, the FASB issued ASU No. 2014-09 (Accounting Standard Codification 606), Revenue from Contracts with Customers. Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services

are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The Company has adopted the requirements of the new standard as of January 1, 2018, and utilized the modified retrospective method of transition which was applied to all contracts.

The Company completed the new revenue recognition standard assessment and determined that there was no material impact to our consolidated financial statements, aside from additional required disclosures, thus no needed adjustment to the opening retained earnings for the annual reporting period.

Within the three markets (retail, industrial, and construction) that the Company operates, there are a variety of written and oral contracts that are utilized to generate revenue from the sale of wood, wood composite and other products. The transaction price is stated at the purchase order level, which includes shipping and/or freight costs and any applicable governmental authority taxes. The majority of our contracts have a single performance obligation concentrated around the delivery of goods to the carrier, Free On Board (FOB) shipping point. Therefore, revenue is recognized when this performance obligation is satisfied. Generally, title and control passes at the time of shipment. In certain circumstances, the customer takes title when the shipment arrives at the destination. However, our shipping process is typically completed the same day.

Certain customer products that we provide require installation by the Company or a 3rd party. Installation revenue is recognized upon completion, which is typically 2-3 days after receipt. If it is determined to utilize a 3rd party for installation, the party will act as an agent to the Company until completion of the installation. Installation revenue represents an immaterial share of the Company's total sales.

The Company utilizes rebates, credits, discounts and/or cash-based incentives with certain customers which are accounted for as variable consideration. We estimate these amounts based on historical and anticipated customer sales and reduce recognized revenues accordingly. We believe that there will not be significant changes to our estimates of variable consideration. Our estimates of variable consideration are considered not constrained as the likelihood and magnitude of a significant reversal are not probable. The allocation of these costs are applied at the invoice level and recognized in conjunction with revenue. Additionally, the volume returns and refunds are estimated on a historical and expected basis which is a reduction of revenue recognized.

Earnings on construction contracts are reflected in operations using over time accounting, under either cost to cost or units of delivery methods, depending on the nature of the business at individual operations, which is in accordance with ASC 606 as revenue is recognized when certain performance obligations are performed. Under over time accounting 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 over time accounting using the units of delivery method, revenues and related earnings on construction contracts are measured by the relationships of actual units produced related to the total number of units. Revisions in earnings estimates on the construction contracts are recorded in the accounting period in which the basis for such revisions becomes known. Projected losses on individual contracts are charged to operations in their entirety when such losses become apparent.

Our construction contracts are generally entered into with a fixed price and completion of the projects and performance obligations can range from 6 to 18 months in duration. Therefore, our operating results are impacted by, among many other things, labor rates and commodity costs. Invoices are issued routinely throughout the projects' life and payments are primarily due 45-60 days after invoice date. During the year, we update our estimated costs to complete our projects using current labor and commodity costs and recognize losses to the extent that they exist.

The following table presents our gross revenues disaggregated by revenue source:

(in thousands) Market Classification	December 29, 2018	December 30, 2017	% Change
FOB Shipping Point Revenue	\$ 4,440,098	\$ 3,867,781	14.8%
Construction Contract Revenue	125,651	138,422	-9.2%
Total Gross Sales	4,565,749	4,006,203	14.0%
Sales Allowances	(76,569)	(65,021)	17.8%
Total Net Sales	\$ 4,489,180	\$ 3,941,182	13.9%

In 2018, \$77.8 million and \$47.8 million of our construction contract revenue was attributable to our North and West segments, respectively. Construction contract revenue is primarily made up of site-built and framing customers.

The following table presents the balances of percentage-of-completion accounts on December 29, 2018 and December 30, 2017 which are included in other current assets and other accrued liabilities, respectively (in thousands):

	December 29, 2018	December 30, 2017
Cost and Earnings in Excess of Billings	\$ 6,945	\$ 5,005
Billings in Excess of Cost and Earnings	3,245	4,435

SHIPPING AND HANDLING OF PRODUCT

Shipping and handling costs that are charged to and reimbursed by the customer are recognized as revenue. Costs incurred related to the shipment and handling of products are classified in cost of goods sold.

EARNINGS PER SHARE

The computation of earnings per share ("EPS") is as follows (in thousands), which incorporate the retroactive effect of the Company's 3 for 1 stock split:

	December 29, 2018	December 30, 2017	December 31, 2016
Numerator:			
Net earnings attributable to controlling interest	\$ 148,598	\$ 119,512	\$ 101,179
Adjustment for earnings allocated to non-vested restricted common stock	(3,396)	(2,225)	(1,595)
Net earnings for calculating EPS	\$ 145,202	\$ 117,287	\$ 99,584
Denominator:			
Weighted average shares outstanding	61,762	61,416	61,089
Adjustment for non-vested restricted common stock	(1,411)	(1,143)	(963)
Shares for calculating basic EPS	60,351	60,273	60,126
Effect of dilutive restricted common stock	82	90	99
Shares for calculating diluted EPS	60,433	60,363	60,225
Net earnings per share:			
Basic	\$ 2.41	\$ 1.95	\$ 1.66
Diluted	\$ 2.40	\$ 1.94	\$ 1.65

No options were excluded from the computation of diluted EPS for 2018, 2017, or 2016.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. We believe our estimates to be reasonable; however, actual results could differ from these estimates.

B. FAIR VALUE

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

(in thousands)	December 29, 2018				December 30, 2017		
	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Total
Money market funds	\$ 56	\$ 5,267	\$ —	\$ 5,323	\$ 64	\$ 3,071	\$ 3,135
Fixed income funds	3,387	9,738	—	13,125	1,182	6,974	8,156
Equity securities	7,262	—	—	7,262	10,710	—	10,710
Hedge funds	—	—	1,756	1,756	—	—	—
Mutual funds:							
Domestic stock funds	2,846	—	—	2,846	367	—	367
International stock funds	937	—	—	937	91	—	91
Target funds	237	—	—	237	270	—	270
Bond funds	796	—	—	796	209	—	209
Alternative funds	1,318	—	—	1,318	—	—	—
Total mutual funds	6,134	—	—	6,134	937	—	937
Total	\$ 16,839	\$ 15,005	1,756	\$ 33,600	\$ 12,893	\$ 10,045	\$ 22,938
Assets at fair value	\$ 16,839	\$ 15,005	1,756	\$ 33,600	\$ 12,893	\$ 10,045	\$ 22,938

We maintain money market, mutual funds, bonds, and/or stocks in our non-qualified deferred compensation plan and our wholly owned licensed captive insurance company. These funds are valued at prices quoted in an active exchange market and are included in "Cash and Cash Equivalents", "Investments", and "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.

The valuations of the Level 2 assets or liabilities rely on quoted prices in markets that are not active or observable inputs over the full term of the asset or liability.

During 2018, we purchased a private real estate income trust which will be valued as a Level 3 asset. We did not maintain any Level 3 assets or liabilities at December 30, 2017.

In 2017, our wholly-owned captive, Ardellis Insurance Ltd. ("Ardellis") transferred fixed income securities to a newly formed collateral trust account in line with regulatory requirements in the State of Michigan to allow Ardellis to act as an admitted carrier in the State. These funds are intended to safeguard the insureds of the Michigan Branch of Ardellis. The funds are classified as "Restricted Investments".

In accordance with our investment policy, our wholly-owned company, Ardellis Insurance Ltd. ("Ardellis"), maintains an investment portfolio, totaling \$27.4 million as of December 29, 2018, consisting of mutual funds, domestic and international stocks, and fixed income bonds.

Ardellis' available for sale investment portfolio consists of the following:

	December 29, 2018			December 30, 2017		
	Cost	Unrealized Gain/(Loss)	Fair Value	Cost	Unrealized Gain/(Loss)	Fair Value
Fixed Income	\$ 13,301	\$ (176)	\$ 13,125	\$ 8,170	\$ (14)	\$ 8,156
Equity	7,141	121	7,262	9,185	1,524	10,709
Mutual Funds	5,815	(567)	5,248	—	—	—
Hedge Funds	1,722	34	1,756	—	—	—
Total	\$ 27,979	\$ (588)	\$ 27,391	\$ 17,355	\$ 1,510	\$ 18,865

Our fixed income investments consist of a blend of US Government and Agency bonds and investment grade corporate bonds with varying maturities. Our equity investments consist of small, mid, and large cap growth and value funds, as well as international equity. Our hedge funds consist of the private real estate income trust which is valued as a Level 3 asset. The net pre-tax unrealized loss was \$0.5 million. Carrying amounts above are recorded in the investments and restricted investments line items within the balance sheet as of December 29, 2018.

C. BUSINESS COMBINATIONS

We completed the following business combinations in fiscal 2018 and 2017, which were accounted for using the purchase method (in thousands).

Company Name	Acquisition Date	Purchase Price	Intangible Assets	Net Tangible Assets	Operating Segment
Pak-Rite, LTD ("Pak-Rite")	October 22, 2018	\$15,115 cash paid for 100% asset purchase	\$ 8,592	\$ 6,523	North
	A designer and manufacturer of packaging for high-value products, such as medical, aerospace and automation equipment. Pak-Rite had annual sales of approximately \$15 million. The acquisition of Pak-Rite allows us to grow our portfolio of packaging products and our presence in this region.				
The Pallet Place, LLC ("Pallet Place")	July 31, 2018	\$1,016 cash paid for 100% asset purchase	\$ 250	\$ 766	West
	A manufacturer and distributor of total packaging solutions in timber, crates, skids, and pallets. Pallet Place had annual sales of approximately \$5 million. The acquisition of Pallet Place allows us to increase our industrial business and creates operating leverage by consolidating with another regional operation.				
North American Container Corporation ("NACC")	June 1, 2018	\$23,866 cash paid for 100% asset purchase	\$ 12,497	\$ 11,369	South
	A manufacturer of structural packaging products, including steel, corrugated and hardwood packaging. NACC had annual sales of approximately \$71 million. The acquisition of NACC allows us to enhance our presence in this region, expand our product offering, and serve customers more cost effectively.				

Company Name	Acquisition Date	Purchase Price	Intangible Assets	Net Tangible Assets	Operating Segment
Fontana Wood Products ("Fontana")	April 9, 2018	\$3,890 cash paid for 100% asset purchase	\$ 2,235	\$ 1,655	West
	A manufacturer and distributor of lumber and trusses in the Southern California region. Fontana had annual sales of approximately \$12 million. The acquisition of Fontana allows us to expand our manufactured housing business and creates operating leverage by consolidating with another regional operation.				
Expert Packaging ("Expert")	April 3, 2018	\$1,347 cash paid for 100% asset purchase	\$ 1,287	\$ 60	All Other
	A manufacturer and distributor of total packaging solutions in timber, crates, pallets, and skids. Expert had annual sales of approximately \$3.6 million. The acquisition of Expert allows us to make progress on our goal of becoming a global provider of packaging solutions.				
Spinner Wood Products, LLC ("Spinner")	January 23, 2018	\$2,942 cash paid for 100% asset purchase	\$ 850	\$ 2,092	West
	A manufacturer and distributor of agricultural bin and various industrial packaging. Spinner had annual sales of approximately \$8 million. The acquisition of Spinner allows us to expand our industrial packaging product offering and creates operating leverage by consolidating with other regional operations.				
Great Northern Lumber, LLC	January 15, 2018	\$5,784 cash paid for 100% asset purchase	\$ 50	\$ 5,734	North
	A manufacturer of industrial products as well as serving the concrete forming market in the Chicago area. Great Northern Lumber had annual sales of approximately \$25 million. The acquisition of Great Northern Lumber enables us to expand our concrete forming product offering and regional coverage.				
Silverwater Box	October 16, 2017	\$931 cash paid for 100% asset purchase	\$ 909	\$ 22	All Other
	A manufacturer and distributor of total packaging solutions in timber, plastic, steel, fiberglass, and cardboard. Silverwater Box has annual sales of approximately \$2.8 million. The acquisition of Silverwater Box allows us to make progress on our goal of becoming a global provider of packaging solutions.				
Go Boy Pallets, LLC ("Go Boy")	May 26, 2017	\$5,042 cash paid for 100% asset purchase	\$ 4,880	\$ 162	South
	A manufacturer and distributor of industrial pallets and packaging in Georgia and North Carolina. Go Boy has annual sales of approximately \$8 million. The acquisition of Go Boy enabled us to expand our industrial packaging product offering and lumber sourcing in this region.				
Robbins Manufacturing Co. ("Robbins")	March 6, 2017	\$31,818 cash paid for 100% asset purchase	\$ 7,653	\$ 24,165	South
	A manufacturer of treated wood products with facilities in Florida, Georgia, and North Carolina. Robbins has annual sales of approximately \$86 million. The acquisition of Robbins allowed us to expand our presence in this region and serve customers more cost effectively.				
Quality Hardwood Sales, LLC ("Quality")	March 6, 2017	\$22,789 cash paid for 100% asset purchase	\$ 14,341	\$ 8,448	North
	A manufacturer and supplier of hardwood products, including components of cabinets used in homes and recreational vehicles. Quality has annual sales of approximately \$30 million. The acquisition of Quality enabled us to expand our product offering to include hardwood-based products.				

The intangible assets for each acquisition were finalized and allocated to their respective identifiable intangible asset and goodwill accounts during 2018, except for our NACC and Pak-Rite acquisitions. In aggregate, acquisitions not consolidated with other operations contributed approximately \$110.1 million in revenue and a \$1.1 million in operating profit during 2018.

At December 29, 2018, the amounts assigned to major intangible classes for the business combinations mentioned above are as follows (in thousands):

	Non-Compete Agreements	Customer Relationships	Tradenname	Goodwill	Goodwill - Tax Deductible
Pak-Rite	\$ —	\$ 4,300 *	\$ —	\$ 4,292 *	\$ 8,592
Pallet Place	—	250	—	—	250
NACC	—	3,500 *	—	8,997 *	12,497
Fontana	—	2,235	—	—	2,235
Expert Packaging	221	809	257	—	—
Spinner	850	—	—	—	850
Great Northern Lumber	50	—	—	—	50
Silverwater Box	—	—	—	909	—
Go Boy	225	4,655	—	—	4,880
Robbins	560	3,530	450	3,113	7,653
Quality	830	5,720	400	7,391	14,341

*(estimate)

The business combinations mentioned above were not significant to our operating results individually or in aggregate, and thus pro forma results for 2018 and 2017 are not presented.

D. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the net carrying amount of goodwill by reporting segment for the years ended December 29, 2018 and December 30, 2017, are as follows (in thousands):

	North	South	West	All Other	Total
Balance as of December 31, 2016	43,386	43,625	87,730	23,794	198,535
2017 Acquisitions	7,391	3,113	—	909	11,413
Foreign Exchange, Net	350	—	—	2,346	2,696
Balance as of December 30, 2017	51,127	46,738	87,730	27,049	212,644
2018 Acquisitions	4,292	8,996	—	—	13,288
Foreign Exchange, Net	(365)	—	—	(1,450)	(1,815)
Balance as of December 29, 2018	\$ 55,054	\$ 55,734	\$ 87,730	\$ 25,599	\$ 224,117

Indefinite-lived intangible assets totaled \$7.4 million as of December 29, 2018 and December 30, 2017 related to the idX, International, and Consumer Products reporting units which is included in the All Other reportable segment.

The following amounts were included in other amortizable intangible assets, net as of December 29, 2018 and December 30, 2017 (in thousands):

	2018		2017	
	Assets	Accumulated Amortization	Assets	Accumulated Amortization
Non-compete agreements	\$ 10,232	\$ (5,517)	\$ 9,841	\$ (4,208)
Customer relationships	40,307	(6,843)	31,630	(5,986)
Licensing agreements	4,589	(3,909)	4,589	(3,450)
Patents	792	(284)	792	(254)
Tradename	2,879	(760)	2,420	(464)
Total	\$ 58,799	\$ (17,313)	\$ 49,272	\$ (14,362)

Amortization is computed principally by the straight-line method over the estimated useful lives of the intangible assets as follows:

Intangible Asset Type	Estimated Useful Life	Weighted Average Amortization Period
Non-compete agreements	3 to 15 years	6.8 years
Customer relationship	5 to 15 years	11.4 years
Licensing agreements	10 years	10 years
Tradename (amortizable)	5 to 15 years	11.7 years

Amortization expense of intangibles totaled \$6.4 million, \$4.9 million and \$2.8 million in 2018, 2017 and 2016, respectively. The estimated amortization expense for intangibles for each of the five succeeding fiscal years is as follows (in thousands):

2019	\$ 6,908
2020	5,802
2021	5,503
2022	5,119
2023	3,800
Thereafter	14,354
Total	\$ 41,486

E. DEBT

On June 14, 2018, we entered into an unsecured Note Purchase Agreement (the "Agreement") under which we issued our 4.20% Series 2018 C Senior Notes, due June 14, 2028, in the aggregate principal amount of \$40 million and our 4.27% Series 2018 D Senior Notes, due June 14, 2030, in the aggregate principal amount of \$35 million. Proceeds from the sale of the Series C Senior Notes and Series D Senior Notes were used to pay down our revolving credit facility.

On December 17, 2012, we entered into an unsecured Note Purchase Agreement (the "Agreement") under which we issued our 3.89% Series 2012 A Senior Notes, due December 17, 2022, in the aggregate principal amount of \$35 million and our 3.98% Series 2012 B Senior Notes, due December 17, 2024, in the aggregate principal amount of \$40 million. Proceeds from the sale of the Series A Senior Notes and Series B Senior Notes were used to repay amounts due on our existing Series 2002-A Senior Notes, Tranche B totaling \$40 million and our revolving credit facility.

On November 1, 2018, we entered into a five-year, \$375 million unsecured revolving credit facility with a syndicate of U.S. banks led by JPMorgan Chase Bank, N.A., as administrative agent and Wells Fargo Bank, N.A., as syndication agent. The facilities include up to \$40 million which may be advanced in the form of letters of credit, and up to \$100 million (U.S. dollar equivalent) which may be advanced in Canadian dollars, Australian dollars, pounds Sterling, Euros and such other foreign currencies as may subsequently be agreed upon among the parties. This facility replaced our \$295 million unsecured revolving credit facility. Cash borrowings are charged interest based upon an index selected by

the Company, plus a margin that is determined based upon the index selected and upon the financial performance of the Company and certain of its subsidiaries. The Company is charged a facility fee on the entire amount of the lending commitment, at a per annum rate ranging from 12.5 to 30.0 basis points, also determined based upon the Company's performance. The facility fee is payable quarterly in arrears.

Outstanding letters of credit extended on our behalf on December 29, 2018 and December 30, 2017 aggregated \$30.3 million and \$26.5 million; respectively, which includes approximately \$9.8 million related to industrial development revenue bonds. The Company had an outstanding balance of \$42.5 million and \$59.4 million on its revolver at December 29, 2018, and December 30, 2017, respectively. After considering letters of credit, the Company had \$322.7 million and \$225.7 million in remaining availability on its revolver on December 29, 2018, and December 30, 2017, respectively. Additionally, we have \$150 million in availability under a "shelf agreement" for long term debt with a current lender. Letters of credit have one year terms and include an automatic renewal clause. The letters of credit related to industrial development revenue bonds are charged an annual interest rate of 112.5 basis points, based upon our financial performance. The letters of credit related to workers' compensation are charged an annual interest rate of 75 basis points.

Long-term debt obligations are summarized as follows on December 29, 2018 and December 31, 2017 (amounts in thousands):

	2018	2017
Series 2018 Senior Notes C, due on June 14, 2028, interest payable semi-annually at 4.20%	\$ 40,000	\$ —
Series 2018 Senior Notes D, due on June 14, 2030, interest payable semi-annually at 4.27%	35,000	—
Series 2012 Senior Notes Tranche A, due on December 17, 2022, interest payable semi-annually at 3.89%	35,000	35,000
Series 2012 Senior Notes Tranche B, due on December 17, 2024, interest payable semi-annually at 3.98%	40,000	40,000
Revolving credit facility totaling \$375 million due on November 1, 2023, interest payable monthly at a floating rate (3.39% on December 29, 2018 and 2.41% on December 30, 2017)	42,490	59,422
Series 1999 Industrial Development Revenue Bonds, due on August 1, 2029, interest payable monthly at a floating rate (1.94% on December 29, 2018 and 1.08% on December 30, 2017)	3,300	3,300
Series 2000 Industrial Development Revenue Bonds, due on October 1, 2020, interest payable monthly at a floating rate (2.00% on December 29, 2018 and 1.14% on December 30, 2017)	2,700	2,700
Series 2002 Industrial Development Revenue Bonds, due on December 1, 2022, interest payable monthly at a floating rate (1.99% on December 29, 2018 and 1.13% on December 30, 2017)	3,700	3,700
Capital leases and foreign affiliate debt	311	2,058
	<u>202,501</u>	<u>146,180</u>
Less current portion	(148)	(1,329)
Less debt issuance costs	(223)	(177)
Long-term portion	<u>\$ 202,130</u>	<u>\$ 144,674</u>

Financial covenants on the unsecured revolving credit facility and unsecured notes include 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 among other industry standard covenants. We were within all of our lending requirements on December 29, 2018 and December 30, 2017.

On December 29, 2018, the principal maturities of long-term debt and capital lease obligations are as follows (in thousands):

2019	\$ 148
2020	2,834
2021	29
2022	38,700
2023	42,490
Thereafter	118,300
Total	\$ 202,501

On December 29, 2018, the estimated fair value of our long-term debt, including the current portion, was \$203.1 million, which was \$0.6 million more than the carrying value. The estimated fair value is based on rates anticipated to be available to us for debt with similar terms and maturities. We consider the valuations of our long-term debt, including the current portion, to be Level 2 liabilities which rely on quoted prices in markets that are not active or observable inputs over the full term of the liability.

F. LEASES

We lease certain real estate under operating lease agreements with original terms ranging from one to ten years. We are required to pay real estate taxes and other occupancy costs under these leases. Certain leases carry renewal options of five to fifteen years. We also lease motor vehicles, equipment, and an aircraft under operating lease agreements for periods of one to ten years. Future minimum payments under non-cancelable operating leases on December 29, 2018 are as follows (in thousands):

	Operating Leases
2019	\$ 17,242
2020	11,969
2021	9,784
2022	8,346
2023	6,382
Thereafter	22,498
Total minimum lease payments	\$ 76,221

Rent expense was approximately \$25.0 million, \$22.3 million, and \$10.5 million in 2018, 2017, and 2016, respectively.

G. DEFERRED COMPENSATION

We have a program whereby certain executives irrevocably elected to defer receipt of certain compensation in 1985 through 1988. Deferred compensation payments to these executives will commence upon their retirement. We purchased life insurance on these executives, payable to us in amounts which, if assumptions made as to mortality experience, policy dividends, and other factors are realized, will accumulate cash values adequate to reimburse us for all payments for insurance and deferred compensation obligations. In the event cash values are not sufficient to fund such obligations, the program allows us to reduce benefit payments to such amounts as may be funded by accumulated cash values. The deferred compensation liabilities and related cash surrender value of life insurance policies totaled \$2.0 million on December 29, 2018 and December 30, 2017, and are included in "Other Liabilities" and "Other Assets," respectively.

We also maintain a non-qualified deferred compensation plan (the "Plan") for the benefit of senior management employees who may elect to defer a portion of their annual bonus payments and salaries. The Plan provides investment options similar to our 401(k) plan, including our stock. The investment in our stock is funded by the issuance of shares to a Rabbi trust, and may only be distributed in kind. Assets held by the Plan totaled approximately \$1.0 million on December 29, 2018 and December 30, 2017, and are included in "Other Assets." Related liabilities totaled \$27.8 million

and \$22.6 million on December 29, 2018 and December 30, 2017, respectively, and are included in "Other Liabilities" and "Shareholders' Equity." Assets associated with the Plan are recorded at fair market value. The related liabilities are recorded at fair market value, with the exception of obligations associated with investments in our stock which are recorded at the market value on the date of deferral.

H. COMMON STOCK

We maintain and administer our shareholder approved Employee Stock Purchase Plan ("Stock Purchase Plan"). The Stock Purchase Plan allows eligible employees to purchase shares of our stock at a share price equal to 85% of fair market value on the purchase date. We have expensed the fair value of the compensation associated with these awards, which approximates the discount. The amount of expense is nominal.

We maintain and administer our shareholder approved Directors' Retainer Stock Plan ("Stock Retainer Plan"). The Stock Retainer Plan allows eligible members of the Board of Directors to defer the cash portion of their retainer and committee fees and receive shares of our stock at the time of or following their retirement, disability or death. The number of shares to be received is equal to the amount of the cash portion of their retainer and committee fees deferred multiplied by 110%, divided by the fair market value of a share of our stock at the time of deferral. The number of shares is increased by the amount of dividends paid on the Company's common stock. We recognized expense for this plan of \$1.7 million in 2018, \$1.7 million in 2017, and \$0.7 million in 2016. Effective January 1, 2017, this plan was amended to allow directors to defer payment of the annual retainer paid in the form of our common stock.

Finally, we maintain and administer our shareholder approved Long Term Stock Incentive Plan (the "LTSIP"). The LTSIP provides for the grant of stock options, stock appreciation rights, restricted stock, performance shares and other stock-based awards.

On October 18, 2017, the Board of Directors approved a three-for-one split of the Company's outstanding shares of common stock effected as a stock dividend. On November 14, 2017, shareholders of record as of October 31, 2017, received two additional shares for each share held on the record date.

There is no unrecognized compensation expense remaining for stock options in 2018, 2017, and 2016.

Below is a summary of common stock issuances for 2018 and 2017:

	<u>December 29, 2018</u>	
	<u>Common Stock</u>	<u>Average Share Price</u>
<u>Share Issuance Activity</u>		
Shares issued under the employee stock purchase plan	38	\$ 35.58
Shares issued under the employee stock gift program	3	33.56
Shares issued under the director retainer stock program	101	17.17
Shares issued under the long term stock incentive plan	164	35.16
Shares issued under the executive stock match grants	94	32.94
Forfeitures	<u>(14)</u>	-
Total shares issued under stock grant programs	348	\$ 29.37
Shares issued under the deferred compensation plans	167	\$ 36.98

	December 30, 2017	
	Common Stock	Average Share Price
Share Issuance Activity		
Shares issued under the employee stock purchase plan	24	\$ 32.80
Shares issued under the employee stock gift program	3	31.92
Shares issued under the director retainer stock program	62	19.02
Shares issued under the long term stock incentive plan	240	31.81
Shares issued under the executive stock match grants	129	32.03
Forfeitures	(5)	-
Total shares issued under stock grant programs	429	\$ 30.06
Shares issued under the deferred compensation plans	159	\$ 32.16

A summary of the nonvested restricted stock awards granted under the LTSIP is as follows:

	Restricted Awards	Weighted-Average Grant Date Fair Value	Unrecognized Compensation Expense (in millions)	Weighted-Average Period to Recognize Expense
Nonvested at December 26, 2015	623,748	13.66	5.2	2.53 years
Granted	350,892	23.96		
Vested	(180,465)	15.66		
Forfeited	(2,643)	21.45		
Nonvested at December 31, 2016	791,532	19.32	4.8	1.51 years
Granted	388,248	32.03		
Vested	(141,111)	12.71		
Forfeited	(5,043)	30.14		
Nonvested at December 30, 2017	1,033,626	24.24	7.1	1.31 years
Granted	247,068	36.52		
Vested	(107,865)	18.11		
Forfeited	(12,750)	24.19		
Nonvested at December 29, 2018	1,160,079	\$ 23.32	\$ 7.6	1.12 years

Under the Stock Purchase Plan and LTSIP, we recognized share-based compensation expense of \$3.6 million, \$3.6 million, and \$2.2 million and the related total income tax benefits of \$0.7 million, \$1.0 million, and \$1.1 million in 2018, 2017 and 2016, respectively.

In 2018, 2017 and 2016, cash received from share issuances under our plans was \$1.0 million, \$0.7 million and \$0.5 million, respectively.

On November 14, 2001, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2.5 million shares of our common stock. On October 14, 2010, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. We repurchased 860,669 and 445,740 shares under this program in 2018 and 2017, respectively. As of December 29, 2018, the cumulative total authorized shares available for repurchase is approximately 1.9 million shares.

I. **RETIREMENT PLANS**

We have a profit sharing and 401(k) plan for the benefit of substantially all of our employees, excluding the employees of certain wholly-owned subsidiaries. Amounts contributed to the plan are made at the discretion of the Board

of Directors. We matched 25% of employee contributions in 2018, 2017, and 2016, on a discretionary basis, totaling \$3.4 million, \$4.8 million, and \$4.4 million respectively. The basis for matching contributions may not exceed the lesser of 6% of the employee's annual compensation or the IRS limitation.

On July 14, 2011, the compensation committee of the board of directors approved a retirement plan for certain officers of the Company (who have at least 20 years of service with the Company and at least 10 years of service as an officer) whereby we will pay, upon retirement, benefits totaling 150% of the officer's highest base salary in the three years immediately preceding separation from service plus health care benefits for a specified period of time if certain eligibility requirements are met. Approximately \$9.1 million and \$7.8 million are accrued in "Other Liabilities" for this plan at December 29, 2018 and December 30, 2017, respectively.

J. INCOME TAXES

Income tax provisions for the years ended December 29, 2018, December 30, 2017, and December 31, 2016 are summarized as follows (in thousands):

	2018	2017	2016
Currently Payable:			
Federal	\$ 31,492	\$ 44,413	\$ 42,397
State and local	7,544	8,579	6,341
Foreign	5,527	6,240	6,143
	<u>44,563</u>	<u>59,232</u>	<u>54,881</u>
Net Deferred:			
Federal	2,965	(7,681)	(455)
State and local	(522)	(864)	438
Foreign	(1,565)	1,280	310
	<u>878</u>	<u>(7,265)</u>	<u>293</u>
	<u>\$ 45,441</u>	<u>\$ 51,967</u>	<u>\$ 55,174</u>

The components of earnings before income taxes consist of the following:

	2018	2017	2016
U.S.	\$ 180,261	\$ 151,395	\$ 140,106
Foreign	17,592	24,612	20,565
Total	<u>\$ 197,853</u>	<u>\$ 176,007</u>	<u>\$ 160,671</u>

The effective income tax rates are different from the statutory federal income tax rates for the following reasons:

	2018	2017	2016
Statutory federal income tax rate	21.0 %	35.0 %	35.0 %
State and local taxes (net of federal benefits)	3.8	3.0	3.1
Effect of noncontrolling owned interest in earnings of partnerships	(0.1)	(0.2)	(0.2)
Manufacturing deduction	n/a	(2.5)	(2.4)
Tax credits, including foreign tax credit	(1.6)	(2.0)	(1.4)
Change in uncertain tax positions reserve	0.1	0.4	0.4
Other permanent differences	0.6	(0.1)	0.1
Other, net	(0.7)	(0.6)	(0.3)
Impact of Tax Act and reduction of corporate tax rate	(0.1)	(3.5)	—
Effective income tax rate	<u>23.0 %</u>	<u>29.5 %</u>	<u>34.3 %</u>

Temporary differences which give rise to deferred income tax assets and (liabilities) on December 29, 2018 and December 30, 2017 are as follows (in thousands):

	2018	2017
Employee benefits	\$ 20,914	\$ 17,048
Net operating loss carryforwards	6,520	8,592
Foreign subsidiary capital loss carryforward	504	546
Other tax credits	586	709
Inventory	1,090	358
Reserves on receivables	802	714
Accrued expenses	1,593	2,060
Other, net	2,785	1,879
Gross deferred income tax assets	34,794	31,906
Valuation allowance	(2,707)	(4,706)
Deferred income tax assets	32,087	27,200
Depreciation	(24,881)	(19,992)
Intangibles	(20,225)	(19,422)
Other, net	—	—
Deferred income tax liabilities	(45,106)	(39,414)
Net deferred income tax liability	\$ (13,019)	\$ (12,214)

As of December 29, 2018, the company had federal, state and foreign net operating loss carryforwards of \$6.5 million and state tax credit carryforwards of \$0.4 million, which will expire at various dates.

The NOL and credit carryforwards expire as follows:

	Net Operating Losses			Tax Credits	
	U.S.	State	Foreign	U.S.	State
2018 – 2022	\$ —	\$ 165	\$ 347	\$ —	\$ 381
2023 - 2027	—	526	635	—	—
2028 - 2032	2,859	672	114	—	—
2033 - 2037	41	812	—	—	—
Thereafter	—	293	56	—	—
Total	\$ 2,900	\$ 2,468	\$ 1,152	\$ —	\$ 381

As of December 29, 2018, we believe that it is more likely than not that the benefit from certain state and foreign NOL carryforwards as well as certain state tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance against various NOL and tax credit carryforwards. Furthermore, there is a valuation allowance of \$0.5 million against a capital loss carryforward we have for a wholly-owned subsidiary, UFP Canada, Inc. Based upon the business activity and the nature of the assets of this subsidiary, our ability to realize a future benefit from this carryforward is doubtful. The capital loss has an unlimited carryforward and therefore will not expire unless there is a change in control of the subsidiary.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that affected 2017, including, but not limited to, (1) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years and (2) bonus depreciation that will allow for full expensing of qualified property.

The Tax Act also established new tax laws that will affect 2018, including, but not limited to, (1) reduction of the U.S. federal corporate tax rate; (2) elimination of the corporate alternative minimum tax (AMT); (3) the creation of the base erosion anti-abuse tax (BEAT), a new minimum tax; (4) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries; (5) a new provision designed to tax global intangible low-taxed income (GILTI), which allows

for the possibility of using foreign tax credits (FTCs) and a deduction of up to 50 percent to offset the income tax liability (subject to some limitations); (6) a new limitation on deductible interest expense; (7) the repeal of the domestic production activity deduction; (8) limitations on the deductibility of certain executive compensation; (9) limitations on the use of FTCs to reduce the U.S. income tax liability; and (10) limitations on net operating losses (NOLs) generated after December 31, 2017, to 80 percent of taxable income.

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with our initial analysis of the impact of the Tax Act, we recorded a provisional discrete net tax benefit of \$6.1 million in the period ending December 30, 2017 which consisted primarily of (1) a net benefit for the corporate rate reduction of \$8.2 million; (2) a net expenses for the write-down of deferred tax assets for stock based compensation that will no longer be deductible for \$1.9 million; and (3) a net expense for the transition tax of \$0.2 million. We completed our accounting for the income tax effects of the Tax Act in 2018 and have recognized an additional measurement-period adjustment of a net tax benefit of \$0.3 million in the period ending December 29, 2018. The adjusted total impact of the Tax Act is now \$6.4 million which consists of the following: (1) the net benefit for the corporate rate reduction remained the same at \$8.2 million; (2) a net expense for the write-down of the deferred tax assets for stock based compensation was reduced by \$0.1 million to \$1.8 million, and (3) the net expense for the transition tax was eliminated and reduced by \$0.2 million. The effect of the measurement-period adjustment on the 2018 effective tax rate was a reduction of approximately 0.1 percent.

Global intangible low taxed income (GILTI): The Tax Act created a new requirement that certain income (i.e., GILTI) earned by controlled foreign corporations (CFCs) must be included currently in the gross income of the CFCs' U.S. shareholder. GILTI is the excess of the shareholder's "net CFC tested income" over the net deemed tangible income return, which is currently defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of net CFC-tested income.

In our evaluation of this provision of the Tax Act and the application of ASC 740, we elected under U.S. GAAP, to make the accounting policy of treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") as opposed to factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). For the year ended December 29, 2018, we determined that no GILTI tax inclusion was applicable.

K. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

ASC 740, *Income Taxes* ("ASC 740") clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, and disclosure requirements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2018	2017	2016
Gross unrecognized tax benefits beginning of year	\$ 4,000	\$ 3,381	\$ 2,209
Increase in tax positions for prior years	(366)	4	243
Increase in tax positions due to acquisitions	—	—	362
Increase in tax positions for current year	1,326	1,107	905
Settlements with taxing authorities	—	(2)	(32)
Lapse in statute of limitations	(582)	(490)	(306)
Gross unrecognized tax benefits end of year	<u>\$ 4,378</u>	<u>\$ 4,000</u>	<u>\$ 3,381</u>

Our effective tax rate would have been affected by the unrecognized tax benefits had this amount been recognized as a reduction to income tax expense.

We recognized interest and penalties for unrecognized tax benefits in our provision for income taxes. The liability for unrecognized tax benefits included accrued interest and penalties of \$0.5 million, \$0.7 million, and \$0.6 million at December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

We file income tax returns in the United States and in various state, local and foreign jurisdictions. The federal and a majority of state and foreign jurisdictions are no longer subject to income tax examinations for years before 2015. A number of routine state and local examinations are currently ongoing. Due to the potential for resolution of state examinations, and the expiration of various statutes of limitation, and new positions that may be taken, it is reasonably possible that the amounts of unrecognized tax benefits could change in the next twelve months is \$0.8 million.

L. 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 wood preservation facilities in Stockertown, PA; Elizabeth City, NC; and Auburndale, FL. In addition, a reserve was established for our facility in Thornton, CA to remove certain lead containing materials which existed on the property at the time of purchase.

On a consolidated basis, we have reserved approximately \$2.1 million and \$3.0 million on December 29, 2018 and December 30, 2017, respectively, representing the estimated costs to complete future remediation efforts. These amounts have not been reduced by an insurance receivable.

Many of our wood treating operations utilize "Subpart W" drip pads, defined as hazardous waste management units by the Environmental Protection Agency. The rules regulating drip pads require that a 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 \$0.1 million. As a result, this amount is recorded in other long-term liabilities on December 29, 2018.

In addition, on December 29, 2018, 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 December 29, 2018, we had outstanding purchase commitments on commenced capital projects of approximately \$14.3 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.

As part of our operations, 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 project 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 December 29, 2018, we had approximately \$21.1 million in outstanding payment and performance bonds for open projects. We had approximately \$1.0 million in payment and performance bonds outstanding for completed projects which are still under warranty.

On December 29, 2018 we had outstanding letters of credit totaling \$30.3 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 \$20.5 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 industrial development revenue bonds that have been issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately \$9.8 million related to our outstanding industrial development revenue bonds. These letters of credit have varying terms but may be renewed at the option of the issuing banks.

Certain wholly owned domestic subsidiaries have guaranteed the indebtedness of Universal Forest Products, Inc. in certain debt agreements, including the Series 2012 Senior Notes, the Series 2018 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 2018 which would require us to recognize a liability on our balance sheet.

M. 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.

The Company operates manufacturing, treating and distribution facilities throughout North America, Europe, Asia and Australia, but primarily in the United States. The Company manages the operations of its individual locations primarily through a geographic reporting structure under which each location is included in a region and regions are included in our North, South, West, and International divisions. The exceptions to this geographic reporting and management structure are (a) the Company’s Alternative Materials Division, which offers a portfolio of non-wood products and distributes those products nation-wide and is accounted for as a reporting unit within the All Other segment, (b) the Company’s distribution unit (referred to as UFPD) which distributes a variety of products to the manufactured housing industry and is accounted for as a reporting unit within the North segment, and (c) idX division, which designs, manufactures, and installs customized interior fixtures and is accounted for within the All Other segment.

With respect to the facilities in the north, south, and west segments, these facilities generally supply the three markets the Company serves nationally - Retail, Industrial, and Construction. Also, substantially all of our facilities support customers in the immediate geographical region surrounding the facility. One customer, The Home Depot, accounted for approximately 19% of our total sales in fiscal 2018 and 2017, and 20% in 2016.

Our Alternative Materials, International, and idX divisions have been included in the "All Other" column of the table below. The "Corporate" column includes unallocated administrative costs and certain incentive compensation expense.

	2018					
	North	South	West	All Other	Corporate	Total
Net sales to outside customers	\$1,279,459	\$1,024,747	\$1,599,274	\$585,700	\$ —	\$4,489,180
Intersegment net sales	56,682	76,297	56,004	235,905	—	424,888
Interest expense (income)	58	(6)	197	(1,486)	10,130	8,893
Amortization expense	830	1,292	1,998	2,273	—	6,393
Depreciation expense	12,062	8,244	14,836	10,341	9,466	54,949
Segment earnings from operations	66,239	60,049	103,357	6,779	(29,161)	207,263
Segment assets	386,483	266,503	496,939	395,727	101,896	1,647,548
Capital expenditures	17,820	9,185	26,024	39,168	3,665	95,862

	2017					
	North	South	West	All Other	Corporate	Total
Net sales to outside customers	\$ 1,133,656	\$ 837,370	\$ 1,417,924	\$ 552,232	\$ —	\$ 3,941,182
Intersegment net sales	67,161	74,566	83,245	167,568	—	392,540
Interest expense	4	160	293	(473)	6,234	6,218
Amortization expense	559	607	1,723	1,971	—	4,860
Depreciation expense	10,511	6,880	14,116	8,586	8,443	48,536
Segment earnings from operations	61,326	46,646	82,465	17,296	(26,264)	181,469
Segment assets	351,270	240,661	462,311	356,264	54,171	1,464,677
Capital expenditures	23,026	12,286	23,212	9,865	2,727	71,116

	2016					
	North	South	West	All Other	Corporate	Total
Net sales to outside customers	\$ 1,000,426	\$ 711,862	\$ 1,251,093	\$ 277,112	\$ —	\$ 3,240,493
Intersegment net sales	57,770	38,641	88,311	19,322	—	204,044
Interest expense	1	307	387	143	3,737	4,575
Amortization expense	115	—	1,858	822	—	2,795
Depreciation expense	8,948	6,190	13,326	4,531	7,828	40,823
Segment earnings from operations	59,408	47,146	76,875	16,639	(35,630)	164,438
Segment assets	302,009	192,085	438,674	313,304	45,986	1,292,058
Capital expenditures	10,902	5,571	19,648	6,037	11,604	53,762

Information regarding principal geographic areas was as follows (in thousands):

	2018		2017		2016	
	Net Sales	Long-Lived Tangible Assets	Net Sales	Long-Lived Tangible Assets	Net Sales	Long-Lived Tangible Assets
United States	\$ 4,382,356	\$ 342,326	\$ 3,821,366	\$ 313,976	\$ 3,162,331	\$ 280,362
Foreign	106,824	34,312	119,816	30,380	78,162	26,106
Total	\$ 4,489,180	\$ 376,638	\$ 3,941,182	\$ 344,356	\$ 3,240,493	\$ 306,468

Sales generated in Canada and Mexico are primarily to customers in the United States of America.

The following table presents, for the periods indicated, our gross sales (in thousands) by major product classification.

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Value-Added Sales			
Trusses – residential, modular and manufactured housing	\$ 421,996	\$ 368,591	\$ 334,956
Fencing	179,037	187,905	176,668
Decking and railing – composite, wood and other	271,499	244,910	200,004
Turn-key framing and installed sales	151,260	149,520	141,474
Industrial packaging and components	581,622	471,262	391,610
Engineered wood products (eg. LVL; i-joist)	83,212	76,507	76,503
In-store fixtures	252,341	260,174	87,262
Manufactured brite and other lumber	102,333	78,638	68,517
Wall panels	69,889	61,226	53,279
Outdoor DIY products (eg. stakes; landscape ties)	124,907	110,327	106,284
Construction and building materials (eg. door packages; drywall)	305,374	265,048	204,732
Lattice – plastic and wood	48,614	48,736	50,556
Manufactured brite and other panels	97,314	75,742	60,753
Siding, trim and moulding	98,370	85,016	66,048
Hardware	24,662	21,218	20,713
Manufactured treated lumber	20,889	17,584	17,412
Other	21,342	12,604	10,967
Total Value-Added Sales	\$ 2,854,661	\$ 2,535,008	\$ 2,067,738
Commodity-Based Sales			
Non-manufactured brite and other lumber	718,456	576,374	469,042
Non-manufactured treated lumber	647,222	575,505	479,333
Non-manufactured brite and other panels	285,888	271,310	238,806
Non-manufactured treated panels	39,768	34,970	30,374
Other	19,754	13,036	12,084
Total Commodity-Based Sales	\$ 1,711,088	\$ 1,471,195	\$ 1,229,639
Total Gross Sales	\$ 4,565,749	\$ 4,006,203	\$ 3,297,377
Sales allowances	(76,569)	(65,021)	(56,884)
Total Net Sales	\$ 4,489,180	\$ 3,941,182	\$ 3,240,493

N. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected financial information for all of the quarters, consisting of 13 and 14 weeks during the years ended December 29, 2018 and December 30, 2017, respectively, (in thousands, except per share data):

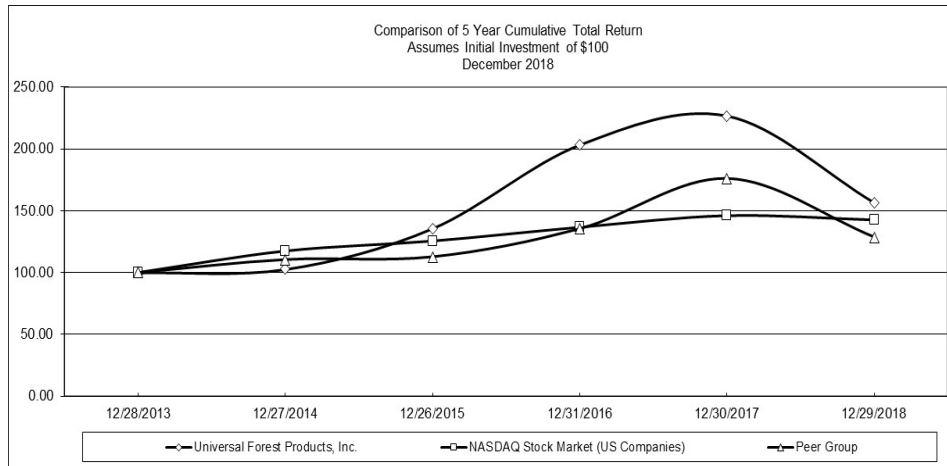
	First		Second		Third		Fourth	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales	\$ 993,857	\$ 846,130	\$ 1,294,440	\$ 1,072,375	\$ 1,212,702	\$ 1,056,586	\$ 988,179	\$ 966,091
Gross profit	130,889	120,740	165,689	148,240	158,673	144,687	137,643	129,159
Net earnings	33,582	21,634	45,130	34,574	42,068	34,669	31,633	33,162
Net earnings attributable to controlling interest	32,833	21,062	44,044	33,642	41,219	33,693	30,502	31,115
Basic earnings per share	0.53	0.34	0.71	0.55	0.67	0.55	0.50	0.51
Diluted earnings per share	0.53	0.34	0.71	0.55	0.66	0.55	0.50	0.51

MARKET INFORMATION FOR OUR COMMON STOCK

Our common stock trades on The Nasdaq Stock Market (“NASDAQ”) under the symbol UFPI.

STOCK PERFORMANCE GRAPH

The following graph depicts the cumulative total return on our common stock compared to the cumulative total return on the indices for The Nasdaq Stock Market (all U.S. companies) and an industry peer group we selected. The graph assumes an investment of \$100 on December 28, 2013, and reinvestment of dividends in all cases.



The companies included in our self-determined industry peer group are as follows:

- | | |
|-------------------------------|-------------------------------------|
| American Woodmark Corporation | Louisiana-Pacific Corporation |
| Bemis Company, Inc. | Masco Corporation |
| BlueLinx Holdings, Inc. | NCI Building Systems, Inc. |
| BMC Stock Holdings, Inc. | Simpson Manufacturing Company, Inc. |
| Boise Cascade, LLC | Sonoco Products Company |
| Builders FirstSource, Inc. | Trex Company, Inc. |
| Gibraltar Industries, Inc. | Westrock Company |
| Greif Bros. Corporation | |

The returns of each company included in the self-determined peer group are weighted according to each respective company's stock market capitalization at the beginning of each period presented in the graph above. In determining the members of our peer group, we considered companies who selected UFPI as a member of their peer group, and looked for similarly sized companies or companies that are a good fit with the markets we serve.

Directors and Executive Officers

BOARD OF DIRECTORS

William G. Currie
Chairman of the Board
Universal Forest Products, Inc.

Matthew J. Missad
Chief Executive Officer
Universal Forest Products, Inc.

John M. Engler

Thomas W. Rhodes
President and Chief Executive Officer
TWR Enterprises, Inc.

Bruce A. Merino

Mary E. Tuuk
President and Chief Executive Officer
Grand Rapids Symphony

Brian C. Walker
Partner-Strategic Leadership
Huron Capital

Michael G. Wooldridge
Partner
Varnum, LLP

Joan A. Budden
President
Priority Health

EXECUTIVE OFFICERS

Matthew J. Missad
Chief Executive Officer

Patrick M. Webster
President and Chief Operating Officer

Michael R. Cole
Chief Financial Officer and Treasurer

Allen T. Peters
President
UFP Western Division

Patrick Benton
President
UFP Northern Division

Jonathan West
President
UFP Southern Division

Robert D. Coleman
Executive Vice President
Manufacturing

C. Scott Greene
Executive Vice President
Strategy & Development

Donald L. James
Executive Vice President
National Sales

Michael F. Mordell
Executive Vice President
International Operations

Chad C. Uhlig Eastin
Executive Vice President
Purchasing

Shareholder Information

ANNUAL MEETING

The annual meeting of Universal Forest Products, Inc. will be held at 8:30 a.m. on April 24, 2019, at 2880 East Beltline Lane NE, Grand Rapids, MI 49525.

SHAREHOLDER INFORMATION

Shares of the Company's stock are traded under the symbol UFPI on the NASDAQ Stock Market. The Company's 10-K report, filed with the Securities and Exchange Commission, will be provided free of charge to any shareholder upon written request. For more information contact:

Investor Relations Department
Universal Forest Products, Inc.
2801 East Beltline NE
Grand Rapids, MI 49525
Telephone: (616) 364-6161
Web: www.ufpi.com

SECURITIES COUNSEL

Varnum, LLP
Grand Rapids, MI

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
Grand Rapids, MI

TRANSFER AGENT/SHAREHOLDER INQUIRIES

American Stock Transfer & Trust Company serves as the transfer agent for the Corporation. Inquiries relating to stock transfers, changes of ownership, lost or stolen stock certificates, changes of address, and dividend payments should be addressed to:

American Stock Transfer & Trust Co.
6201 15th Ave
Brooklyn, NY 11219
Telephone: (800) 937-5449

UNIVERSAL FOREST PRODUCTS®, INC., CORPORATE HEADQUARTERS

2801 East Beltline NE
Grand Rapids, MI 49525
Telephone: (616) 364-6161
Facsimile: (616) 364-5558

UNIVERSAL FOREST PRODUCTS®, INC., AND ITS AFFILIATES

Locations:

Adairsville, GA	Newnan, GA	Freewater, OR
Ashburn, GA	Ooltewah, TN	Gainesville, GA
Atco, NJ	Parker, PA	Gilmer, TX
Auburn , NY	Pearisburg, VA	Grand Haven, MI
Auburndale, FL	Peru, IL	Grand Rapids, MI
Belchertown, MA	Prairie Du Chien, WI	Greene, ME
Belle Glade, FL	Ranson, WV	Hawkins County, TN
Berlin, NJ	Riverside, CA	Hendersonville, NC
Blanchester, OH	Rowesville, SC	Jeffersonville, IN
Blue Island, IL	Saginaw, TX	Kansas City, MO
Bomaderry, Australia	Saint Bernard De Lacolle, Quebec	Kearneysville, WV
Burlington, NC	Salisbury, NC	Kyle, TX
Cameron, SC	San Antonio, TX	Lockhart, FL
Cedar Hill, TX	Santee, SC	Maricopa County, AZ
Chaffee, NY	Sauk Rapids, MN	Marietta, GA
Chandler, AZ	Schertz, TX	Martin, TN
Chesapeake, VA	Selma, AL	Mayville, WI
Clinton, NC	Shawnee, OK	Mcminnville, OR
Conway, SC	Sidney , NY	Medley, FL
Dayton, OH	Silsbee, TX	Mexico City, MX
Eatonon, GA	Snohomish, WA	Morristown, TN
Edwardsburg, MI	Stanfield , NC	Moultrie, GA
Elizabeth City, NC	Stockertown, PA	Nampa, ID
Elkhart, IN	Thornton, CA	Nappanee, IN
Fernley, NV	Union City, GA	Naugatuck, CT
Folkston, GA	Warrens, WI	New Delhi, India
Franklinton, NC	Washington, NC	New Hartford, NY
Fredericksburg, VA	Waterbury, CT	New York, NY
Gilmer, TX	Wenatchee, WA	Ontario, CA
Gordon, PA	White Bear Lake, MN	Orangeburg, SC
Grand Rapids, MI	White Pigeon, MI	Parker, PA
Grandview, TX	Windsor, CO	Pitts, GA
Granger, IN	Woodburn, OR	Plainville, MA
Haleyville, AL	Yakima, WA	Poulsbo, WA
Hamilton, OH	Aiea, HI	Prairie Du Chien, WI
Harrisonville, MO	Athens, OR	Puerto Rico
Highland Square, NY	Auburndale, FL	Puyallup, WA
Hillsboro, TX	Aurora, CO	Rockwell, NC
Huntsville, TX	Bangalore, India	Salina, KS
Janesville, WI	Barnesville, GA	San Antonio, TX
Jefferson, GA	Biscoe, NC	Shanghai, China
Kearneysville, WV	Boise , ID	Sharon, TN
Kyle, TX	Bridgeton, MO	Shawnee, OK
Lafayette, CO	Chandler, AZ	South Marston Swindon, Wiltshire
Lansing, MI	Chicago, IL	Spring Lake, MI
Lawrenceburg, TN	Chino, CA	St Bernard De Lacolle, Quebec
Liberty, NC	Columbia, MD	Stevens Point, WI
Locust, NC	Comal County, TX	Tampa, FL
Lodi, OH	Condord, ON	Thomaston, GA
Magna, UT	Cordele, GA	Tokyo, Japan
Mcintyre, GA	Dallas, TX	Vesper, WI
Mcminnville, OR	Delano, PA	White Bear Lake, MN
Milwaukee, WI	Eagan, MN	Wilcox County, GA
Minneota, MN	Earth City, MO	Windsor, CO
Morristown, TN	Edina, MN	Wintrop, ME
Moultrie, GA	Elkhart, IN	Woodburn, OR
Naches, WA	Elkwood, VA	Wujiang City , Jiangsu Province
New London, NC	Emlenton, PA	Yeerongpilly, Australia
New Waverly, TX	Erskine Park, Australia	
New Windsor, MD	Fort Worth, TX	

LIST OF REGISTRANT'S SUBSIDIARIES AND AFFILIATES

11032 Tidewater Trail, LLC	Delaware	UFP Gear, LLC	Michigan
234 Springs Rd., LLC	Delaware	UFP Global Holdings Limited	United Kingdom
2875 Needmore Rd. LLC	Delaware	UFP Gordon, LLC	Michigan
621 Hall St., LLC	Delaware	UFP Grandview, LLC	Michigan
Aljoma Holding Company, LLC	Michigan	UFP Granger, LLC	Michigan
Aljoma Lumber, Inc.	Florida	UFP Great Lakes, LLC	Michigan
Ardellis Insurance Ltd.	Bermuda	UFP Gulf, LLC	Michigan
CA Truss, Inc.	Michigan	UFP Haleyville, LLC	Michigan
Caliper Building Systems, LLC	Michigan	UFP Hamilton, LLC	Michigan
Eovations, LLC	Michigan	UFP Harrisonville, LLC	Michigan
Gulf Coast Components, LLC	Michigan	UFP Hillsboro, LLC	Michigan
Horizon Terra, Incorporated	Indiana	UFP International Employment Services, LLC	Michigan
Idaho Western, Inc.	Idaho	UFP International, LLC	Michigan
idX (China) Display System Co., Ltd.	China	UFP Janesville, LLC	Michigan
idX (India) Display Private Ltd.	India	UFP Kyle, LLC	Michigan
idX Asia Fixtures Limited	Hong Kong	UFP Lafayette, LLC	Michigan
idX Asia Trading Limited	Hong Kong	UFP Lansing, LLC	Michigan
idX Chicago, LLC	Delaware	UFP Magna, LLC	Michigan
idX Corporation	Delaware	UFP McMinnville, LLC	Michigan
idX Corporation London Limited	England and Wales Ltd. Corp.	UFP Mexico Embalaje y Distribution, S. de R.L. de C. V.	Mexico
idX Dallas, LLC	Delaware	UFP Mexico Investment, LLC	Michigan
idX Dayton, LLC	Delaware	UFP Mid-Atlantic, LLC	Michigan
idX Holdings, Inc.	Delaware	UFP Minneota, LLC	Michigan
idX Impressions, LLC	Delaware	UFP Morristown, LLC	Michigan
idX Los Angeles, LLC	Delaware	UFP Moultrie, LLC	Michigan
idX Mexico, S. de R.L. de C.V.	Mexico	UFP Mountain West, LLC	Michigan
idX Shanghai Trading Company, Ltd.	China	UFP Nappanee, LLC	Michigan
Integra International Pty Ltd	Australia	UFP National Enterprises II, Inc.	Michigan
Integra Packaging Pty Ltd	Australia	UFP New London, LLC	Michigan
Landura, LLC	Texas	UFP New Waverly, LLC	Michigan
Maine Ornamental, LLC	Michigan	UFP New Windsor, LLC	Michigan
Metaworld Technologies, LLC	Michigan	UFP New York, LLC	Michigan
Mid-Atlantic Framing, LLC	Michigan	UFP North Atlantic, LLC	Michigan
North Atlantic Framing, LLC	Michigan	UFP Northeast, LLC	Michigan
Pacific Coast Showcase, Inc.	Washington	UFP Orlando, LLC	Michigan
Pinelli Universal TKT, S de R.L. de C.V.	Mexico	UFP Parker, LLC	Michigan
Pinelli Universal, S de R.L. de C.V.	Mexico	UFP Purchasing, Inc.	Michigan
PR Distribution, LLC	Puerto Rico	UFP Ranson, LLC	Michigan
Shawnlee Construction, L.L.C.	Michigan	UFP Real Estate, LLC	Michigan
Shepardville Construction, LLC	Michigan	UFP Riverside, LLC	Michigan
Store Fixtures Canada Holdings, Inc.	Delaware	UFP Rockwell, LLC	Michigan
The UBEECO Group Pty Ltd	Australia	UFP Saginaw, LLC	Michigan
TKT Real State, S. de R.L. de C.V.	Mexico	UFP Salisbury, LLC	Michigan
Tresstar, LLC	Michigan	UFP San Antonio, LLC	Michigan
Triangle Systems, Inc.	New York	UFP Sauk Rapids, LLC	Michigan
U.F.P. Mexico Holdings, S. de R.L. de CV	Mexico	UFP Schertz, LLC	Michigan
UFP Albuquerque, LLC	Michigan	UFP Shawnee, LLC	Michigan
UFP Altoona, LLC	Michigan	UFP Southeast, LLC	Michigan
UFP Ashburn, LLC	Michigan	UFP Southwest, LLC	Michigan
UFP Atlantic Division, LLC	Michigan	UFP Stockertown, LLC	Michigan
UFP Atlantic, LLC	Michigan	UFP Tampa, LLC	Michigan
UFP Auburndale, LLC	Michigan	UFP Thomaston, LLC	Michigan

UFP Aurora, LLC	Michigan	UFP Thornton, LLC	Michigan
UFP Australia Pty Ltd	Australia	UFP Transportation, Inc.	Michigan
UFP Australia Real Estate Pty Ltd	Australia	UFP Union City, LLC	Michigan
UFP Barnesville, LLC	Michigan	UFP Ventures II, Inc.	Michigan
UFP Belchertown, LLC	Michigan	UFP Warranty Corporation	Michigan
UFP Berlin, LLC	Michigan	UFP Warrens, LLC	Michigan
UFP Biscoe, LLC	Michigan	UFP Washington, LLC	Michigan
UFP Blanchester, LLC	Michigan	UFP Western Division, Inc.	Michigan
UFP Caldwell, LLC	Michigan	UFP White Bear Lake, LLC	Michigan
UFP Canada, Inc.	Canada	UFP Windsor, LLC	Michigan
UFP Central Plains, LLC	Michigan	UFP Woodburn, LLC	Michigan
UFP Chandler, LLC	Michigan	United Lumber & Reman, LLC	Alabama
UFP Chicago, LLC	Michigan	Universal Consumer Products, Inc.	Michigan
UFP Dallas, LLC	Michigan	Universal Forest Products RMS, LLC	Michigan
UFP Distribution, LLC	Michigan	Universal Forest Products Texas LLC	Michigan
UFP Eagan, LLC	Michigan	Universal Forest Products, Inc.	Michigan
UFP East Central, LLC	Michigan	Universal Showcase ULC	Alberta
UFP Eastern Division, Inc.	Michigan	Upshur Forest Products, LLC	Michigan
UFP Eatonton, LLC	Michigan	Western Building Professionals of California II Limited Partnership	Michigan
UFP Elizabeth City, LLC	Michigan	Western Building Professionals of California, Inc.	Michigan
UFP Elkwood, LLC	Michigan	Western Building Professionals, LLC	Michigan
UFP Far West, LLC	Michigan	Yard & Home, LLC	Michigan
UFP Folkston, LLC	Michigan	Pinelli Lumber, Inc.	Texas
UFP Franklinton, LLC	Michigan	TIBASA Universal Forest Products S. de R.L. de C.V.	Mexico
UFP Gainesville, LLC	Michigan	idX Amsterdam B.V.	Amsterdam

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Nos. 33-81128, 333-60630, 333-150345, 333-156596, and 33-84632 on Form S-8 of our reports dated February 27, 2019, relating to the consolidated financial statements of Universal Forest Products, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 29, 2018.

/s/ Deloitte & Touche LLP

Grand Rapids, Michigan

February 27, 2019

Universal Forest Products, Inc.

Certification

I, Matthew J. Missad, certify that:

1. I have reviewed this report on Form 10-K of Universal Forest Products, Inc.;
2. Based on my knowledge, this 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 registrant's Board of Directors (or persons performing the equivalent functions):
 - 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: February 27, 2019

/s/ Matthew J. Missad

Matthew J. Missad
Chief Executive Officer and
Principal Executive Officer

Universal Forest Products, Inc.

Certification

I, Michael R. Cole, certify that:

1. I have reviewed this report on Form 10-K of Universal Forest Products, Inc.;
2. Based on my knowledge, this 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 registrant's Board of Directors (or persons performing the equivalent functions):
 - 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: February 27, 2019

/s/ Michael R. Cole
Michael R. Cole
Chief Financial Officer,
Principal Financial Officer and
Principal Accounting 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, Matthew J. Missad, 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 report on Form 10-K for the year ended December 29, 2018, 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 report on Form 10-K for the period ended December 29, 2018 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: February 27, 2019

By: /s/ Matthew J. Missad
Matthew J. Missad
Its: Chief Executive Officer and
Principal Executive Officer

The signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Universal Forest Products, Inc. and will be retained by Universal Forest Products, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**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 report on Form 10-K for the period ended December 29, 2018, 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 report on Form 10-K for the period ended December 29, 2018 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: February 27, 2019

By: /s/ Michael R. Cole
Michael R. Cole
Its: Chief Financial Officer,
Principal Financial Officer and
Principal Accounting Officer

The signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Universal Forest Products, Inc. and will be retained by Universal Forest Products, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
