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

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED). FOR FISCAL YEAR ENDED DECEMBER 28, 1996.

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED). For the transition period from ________________ to ________________.

Commission File No.: 0-22684

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

MICHIGAN	38-1465835
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2801 E. BELTLINE, N.E., GRAND RAPIDS, MICHIGAN	49505
(Address of principal executive offices)	(Zip Code)

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

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

Title of each Class	Name of each exchange on which registered
NONE	______________________________________

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

COMMON STOCK, NO PAR VALUE
(Title of Class)

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: ____X____ No:__________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. [X]

As of March 1, 1997, 17,072,720 shares of the registrant's common stock, no par value, were outstanding. 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 that date was $153,148,948 computed at the closing price of $13.875 on that date.

Documents incorporated by reference:

1. Certain portions of the Company's Proxy Statement and Appendix for its 1997 Annual Meeting of Shareholders are incorporated by reference into Parts II and III of this Report.

Exhibit Index located on page E-1.

ANNUAL REPORT ON FORM 10-K

DECEMBER 28, 1996

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PART I

ITEM 1. BUSINESS.

(A) GENERAL DEVELOPMENT OF BUSINESS.

Universal Forest Products, Inc. ("the Company") was organized as a Michigan corporation in 1955. The Company's business originally consisted of purchasing lumber in carload lots from primary producers and reselling those carloads, mostly to manufacturers of mobile and modular homes, without any intermediate handling. In the early 1970s, the Company developed a "component yard" concept that featured distribution facilities with manufacturing capabilities located adjacent to major railroads in proximity to its clustered manufactured housing customers. Carload shipments of lumber were received at these regional facilities where the material was either broken down and shipped to customers without further processing or manufactured to the customer's specifications before shipment to the customer by truck. Subsequently, the Company began to manufacture roof trusses for its manufactured housing customers. In 1978, the Company entered the wood preservation business by building a facility utilizing a pressure-treatment process for protecting wood from damage by insects, moisture and fungi in outdoor applications. In the late 1980s, the Company began to supply warehouse-format mass merchandisers when those customers became strong retail outlets for the do-it-yourself market.

Effective December 28, 1996, the Company transferred substantially all of its operating assets to the following corporations in exchange for 100% of the common stock of these entities: Universal Forest Products Eastern Company, Inc.; Universal Forest Products Far West Company, Inc.; Universal Forest Products Midwest Company, Inc.; Universal Forest Products Southern Company, Inc.; and Universal Forest Products Southwest Company, Inc.

Immediately following the transfer, certain wholly-owned subsidiaries contributed certain assets, net of liabilities, to various partnership entities. These transactions qualify as part of a tax-free reorganization. Each of the newly formed entities utilizes the trade name Universal Forest Products(R) in its operations. The Company also has operations in Canada and Mexico which are wholly-owned subsidiaries and were not included in the reorganization mentioned above. All references to the "Company" include the Company's subsidiaries and partnerships unless otherwise indicated by the context.

(B) FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS.

The Company's operations comprise a single industry segment - the manufacture, treatment and distribution of lumber products. Accordingly, separate industry segment information is not presented.

(C) NARRATIVE DESCRIPTION OF BUSINESS.

The Company manufactures, treats and distributes lumber products for the do-it-yourself (DIY), manufactured housing, wholesale lumber and industrial markets. The Company's principal products are preservative-treated wood, engineered roof trusses, dimension lumber and value-added lumber products, including lattice, fence panels, deck components and kits for various outdoor products. The Company currently operates 44 manufacturing, treating and distribution facilities throughout North America at sites located in proximity to significant customers, providing the Company a cost effective means of distribution.

DIY MARKET. The customers comprising this market are primarily warehouse-format home improvement retailers, chain lumberyards and contractor oriented wholesalers. The Company is currently selling to more than 1,300 customers in this market. One customer in this market, The Home Depot, Inc., accounted for 15%, 15% and 13% of net sales for fiscal 1996, 1995 and 1994, respectively.

National customers in this market are serviced by the Company's sales staff in each region and are assisted by personnel from the Company's headquarters. Generally, terms of sale are established for annual periods, and orders are thereafter placed with the Company's regional facilities in accordance with the pre-established terms. Depending upon market size, these regional facilities employ three to ten salespeople who focus on their respective regional markets.

The Company currently supplies customers in this market from 31 of its locations. These regional facilities are able to supply customers with mixed truckloads of products which can be delivered to customers with rapid turnaround from order receipt to delivery by the Company's captive fleet of trucks. Freight costs are a factor in the ability to competitively service this market, especially with treated wood products because of their heavier weight. The proximity of the Company's regional facilities to the various outlets of these customers is a significant advantage when negotiating master supply agreements.

The products offered to customers in this market include dimension lumber (both treated and untreated) and various value-added products sold under the Company's trademarks. Treated lumber is sold under the Company's PRO-WOOD(R) trademark. Value-added products, described in the following paragraph, may be preserved by pressure-treatment, unpreserved and/or painted.

Products in the Deck Necessities(R) group consist of decking, balusters, spindles, decorative posts, handrails, stair risers, stringers and treads. The Fence Fundamentals(TM) group of products includes various styles of fences, such as solid, picket and shadowbox, as well as gates, posts and other components. Products in the Outdoor Essentials(TM) group consist of various home and garden items, including kits for picnic tables and mailbox posts, and landscape timbers. Large volumes of lattice are sold by the Company under its Lattice Basics(TM) trademark for use as skirting on decks, trellises and various outdoor home improvement projects. The Storage Solutions(TM) product line consists primarily of building frames and trusses, and an outdoor ready-to assemble storage structure sold under the YardLine(R) trademark.

The Company knows of no competitor that currently manufactures, treats and distributes a full line of both proprietary and commodity products on a national basis. The Company faces competition on individual products from several different producers, but these competitors tend to be regional in their marketing efforts and/or do not offer a full line of outdoor lumber products. The

Company believes that the breadth of its product offering and the flexibility and geographic dispersal of its regional facilities provide significant competitive advantages in this market.

MANUFACTURED HOUSING MARKET. The customers comprising the manufactured housing market are producers of mobile, modular and prefabricated homes and recreational vehicles. The Company is currently selling to over 200 customers in this market.

Products sold by the Company to customers in this market consist primarily of roof and floor trusses, lumber cut and shaped to the customer's specification, plywood, particle board, and dimension lumber, all intended for use in the construction of manufactured housing. The Company is the largest manufacturer of roof trusses for manufactured housing in North America. Sales are made by personnel located at each regional facility. The Company's engineering and support staff of approximately 14 persons acts as a sales support resource to assist the customer with truss designs, obtaining various building code approvals for the designs, and aiding in the development of new products and manufacturing processes.

While no competitor operates in as widely dispersed geographic area as the Company, it does face vigorous competition from suppliers in all geographic regions. The Company estimates that it produces approximately 70% of the HUD Code roof trusses supplied to this market based on data published by the Manufactured Housing Institute. The Company's principal competitive advantages are its product knowledge, the capacity to supply all of the customer's lumber requirements, the ability to deliver engineering support services, the proximity of its regional facilities to core customers and its ability to provide national sales programs to certain customers. In addition, the Company's financial resources enable it to carry a sufficient inventory of raw materials to minimize turnaround time from receipt of an order to delivery of the product. The Company's financial resources, in combination with its ability to regrade and reshape lumber, enable it to purchase a large percentage of a primary producer's output of a particular category (as opposed to only those dimensions in immediate need), thereby lowering its average cost of raw materials.

WHOLESALE LUMBER MARKET. The wholesale lumber market is comprised of lumber wholesalers who resell to retail outlets or other end users. A large part of the Company's activity in this market consists of the purchase and resale of lumber in carload and truckload quantities, generally without any handling or processing by the Company. To a lesser extent, the Company also sells its preservative-treated and value-added products into this market. There are numerous competitors in this market and competition is intense. The Company's market share is very small and not expected to increase.

INDUSTRIAL MARKET. The Company defines its industrial market as industrial manufacturers who use lumber for packaging, shipping and material handling purposes, such as users of pallets, crates and crating stock. The Company has increased its emphasis on this market in recent years. Competition is fragmented and includes virtually every supplier of lumber convenient to the customer. The Company intends to continue to service this market with its regional sales personnel and to emphasize service and reliability as competitive strengths. It also plans to increase its penetration into this market through strategic acquisitions.

WOOD PRESERVATION TREATMENT. The Company is the largest producer of preservative-treated lumber in the nation based on data published by the American Wood Preservers Institute. The Company operates treatment facilities in thirteen different states, with capacity to process over 1.03 billion board feet annually.

The process for preserving wood utilized by the Company involves the application of a Chromated Copper Arsenate (CCA) solution under pressure. This process originated in India approximately sixty years ago as a means for protecting timbers utilized in the construction of mine shafts and tunnels. The basic process is no longer protected by any U.S. patent, and is widely used by numerous producers of treated lumber. The process consists of mixing the chemicals with water and impregnating the wood by alternating vacuum and pressure in specially designed pressure chambers. Thereafter, the CCA becomes a permanent component of the wood. The preservative in the wood acts as both an insecticide and a fungicide, thereby effectively eliminating the two principal causes of wood deterioration that exist in North America. The preservative in water solution is a toxic substance. The Company has developed and implemented numerous refinements to the basic CCA treatment process, some of which the Company considers trade secrets. The Company considers its process to be "state of the art." There is no water disposal problem resulting from the process since the water evaporates from the lumber and the CCA remains fixed in the wood.

In order to alleviate environmental concerns, in the mid-1980's the Company began installing monitoring wells at all of its treating facilities where groundwater contamination was a potential problem. Quality assurance personnel from the Company's headquarters perform audits, including soil and groundwater sampling at least semi-annually to assure that the treating process is being performed in accordance with the Company's stringent standards for both environmental safety and product quality.

At the time the monitoring wells were installed at the Company's Granger, Indiana facility in 1986, chromium was discovered in the groundwater in excess of the EPA limit for drinking water at one end of the Company's property. Subsequent testing also revealed surface water and soil contamination in excess of EPA limits in three other areas of the plant. In 1991, the Company discovered chromium in the groundwater in excess of the EPA drinking water limit in connection with the replacement of a treating facility previously purchased in Union City, Georgia. Each of the groundwater problems mentioned above is being corrected through a groundwater recovery program in which large volumes of groundwater are pumped from the wells for use in the Company's treatment process. In addition, at the Granger, Indiana facility, the Company has implemented an in-situ remediation process whereby contaminated groundwater is pumped from the wells and reinjected with chemicals added which remove the contaminants. Monitoring wells at each of the sites continue to show improvement, and the Company expects its remediation programs will bring groundwater and soil quality to within applicable regulatory limits in the foreseeable future.

Based on the acquisition agreements between the Company and Chesapeake Corporation, the environmental conditions existing at the Company's Elizabeth City, NC, Stockertown, PA, and North East, MD sites are the responsibility of the Company. Environmental conditions consist of soil and/or groundwater contamination of CCA components. Based on the results of the final baseline environmental reports and the research of its consultants, the Company believed the reduction in its capital lease obligation offset the estimated environmental liability it assumed as a result of the agreement with Chesapeake.

Except for the situations described above, the Company is not aware of any material environmental problems affecting its properties. As to the problem situations described above, the Company does not believe that aggregate costs of remediation will have a material adverse impact on the Company's financial condition, results of operations or liquidity.

SEASONAL INFLUENCES. The Company's manufactured housing business is affected by seasonal influences in the northern states during the winter months when installation is difficult.

The activities in the DIY market have substantial seasonal impacts on the Company. The demand for many of the Company's DIY products is highest during the period of April to August. Accordingly, the Company's sales to the DIY market tend to be greater during the Company's second and third quarters. Historically, the Company built its inventory of finished goods throughout the winter and spring to support this sales peak. Restraints on production capacity made this a necessary practice which potentially exposed the Company to greater adverse effects of changes in economic and industry trends. Since 1995, the Company has utilized inventory management initiatives and supply programs with vendors to reduce its exposure to adverse changes in the commodity lumber market, and decrease demands on cash resources.

Normal fluctuations in wood prices generally do not have a material impact on the Company. To the extent the Company obtains forecasts for future delivery, it contracts for the purchase of lumber and includes the carrying cost in its pricing to its customers. In most other situations, the Company's price to the customer is indexed to the market price for lumber or the customer's price is determined when the cost of lumber is known.

SUPPLIERS. The Company uses primarily southern yellow pine in its pressure treating operations, which it obtains from primary producers located through the states comprising the sun belt. Lumber for all other purposes, in addition to southern yellow pine, consists primarily of "spruce-pine-fir," from Ontario, Quebec, British Columbia, and Alberta, Canada; hemlock, Douglas fir and cedar from the Pacific Northwest (Oregon, Washington, and British Columbia); inland species of Ponderosa pine; and Brazilian pine. There are numerous primary producers for all varieties used by the Company, and the Company is not dependent on any particular source of supply.

INTELLECTUAL PROPERTY. The Company owns a patent relating to automated equipment for the manufacture of lattice and a tie-down strap patent related to truss components. In addition, the Company owns five registered trademarks: PRO-WOOD(R) relating to the Company's preservative-treated wood products; Deck Necessities(R) relating to the Company's deck component products; YardLine(R) relating to outdoor ready to assemble storage structures; the name Universal Forest Products(R); and a pine tree logo. The Company has applied for two additional registered trademarks related to its ProLok(TM) and Advanced Vinyl Systems(TM) products. In addition, the Company claims common law trademark rights to several other trademarks of lesser importance. While the Company believes its patent and trademark rights are valuable, the loss of its patent or any trademark would not have a material adverse impact on the competitive position of the Company.

RESEARCH AND DEVELOPMENT. Research and development efforts by the Company in connection with the development of new products fall into four categories: engineering and testing of new truss designs; design and development of wood treatment systems; design and development of machinery and tooling of various wood shaping devices; and product development for new products intended for use by contractors, DIY consumers, and manufactured housing customers. Although important to the Company's competitive strengths and growth, the dollar amount of research and development expenditures have not been material to the Company in recent years.

EMPLOYEES. At March 1, 1997, the Company employed approximately 2,700 persons. No Company employees are represented by a labor union, the Company has never experienced a work stoppage due to a labor dispute, and the Company believes its relations with its employees are good.

BACKLOG. Due to the nature of the Company's business, backlog information is not meaningful. The maximum time between receipt of a firm order and shipment does not usually exceed a few days. Therefore, the Company would not normally have a backlog of unfilled orders in a material amount. The Company's relationships with its major customers are such that the Company is 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 the Company is able to forecast the customer's requirements or the customer will provide the Company with an estimate of its future needs. In neither case, however, will the Company receive firm orders until just prior to the anticipated delivery dates for the products in question.

(D) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES.

The dominant portion of the Company's operations and sales occur in the United States. Accordingly, separate financial information about foreign and domestic operations and export sales is not presented.

ITEM 2. PROPERTIES.

The Company's headquarters are located on a ten acre site adjacent to a main thoroughfare in suburban Grand Rapids, Michigan. The headquarters building consists of several one and two story structures of wood construction containing approximately 49,000 square feet of office space.

The Company currently has 44 facilities at 39 locations. These facilities are located in twenty U.S. states, one Canadian province, and one Mexican state, and are involved in either the manufacture, preservative treatment, or distribution of lumber products, or a combination of these activities. These facilities are generally of steel frame and aluminum construction and situated on fenced sites ranging in size from seven acres to thirty acres. Depending upon function and location, these facilities typically utilize office space between 1,500 and 5,000 square feet, manufacturing space between 10,000 and 50,000 square feet, treating space between 25,000 and 300,000 square feet, and covered storage ranging from 10,000 to 100,000 square feet.

The Company owns all of its properties, free from any significant mortgage or other encumbrance, except for nine regional facilities which are leased. The Company believes that all of these operating facilities are adequate in capacity and condition to service existing customer locations.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not involved in any pending legal proceedings other than routine litigation incidental to the ordinary conduct of its business, none of which would result in a material impact on the Company, individually or in the aggregate, in the event of an adverse outcome.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1996.

ADDITIONAL ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT. The following table lists the names, ages and positions of all of the Company's executive officers as of March 1, 1997. 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
Peter F. Secchia	59	Chairman of the Board, Universal Forest Products, Inc.
William G. Currie	49	Chief Executive Officer and President, Universal Forest Products, Inc.
Donald L. Harris	49	President, Universal Forest Products Eastern Company, Inc.
James H. Ward	53	President, Universal Forest Products Southern Company, Inc.
Michael B. Glenn	45	President, Universal Forest Products Southwest Company, Inc.
Robert K. Hill	49	Executive Vice President, Universal Forest Products Far West Company, Inc.
Robert D. Coleman	42	Executive Vice President, Universal Forest Products Midwest Company, Inc.
Matthew J. Missad	36	Exec. Vice Pres. Operations Services & Secty., Universal Forest Products, Inc.
Elizabeth A. Bowman	34	Exec. Vice Pres. Finance and Admin. & Treas., Universal Forest Products, Inc.
Eric S. Maxey	38	Vice Pres. of Admin. & Principal Acctg. Officer, Universal Forest Products, Inc.

Peter F. Secchia, Chairman of the Board of Directors, began his service with the Company in 1962 and has been a director of the Company since 1967. Mr. Secchia served as President, Chief Executive Officer, and Chairman of the Company from 1971 until 1989, when he was appointed U.S. Ambassador to Italy. Mr. Secchia completed his tenure as Ambassador on January 20, 1993, when he rejoined the Company as Chairman of the Board.

William G. Currie, the Chief Executive Officer and President of the Company, joined the Company in 1971. From 1983 to 1990, Mr. Currie was President of Universal Forest Products, Inc. and he was the President and Chief Executive Officer of The Universal Companies, Inc. from 1989 until the merger to form the Company in 1993.

Donald L. Harris has been with the Company since 1972, and was the Senior Vice President of the Company's Eastern operations since 1986. Effective with the December 28, 1996 reorganization, Mr. Harris became the President of Universal Forest Products Eastern Company, Inc.

James H. Ward joined the Company in 1972 as a regional salesman. From 1979 to 1987, he served as Vice President of the Company's Southern operations, and was elected to Senior Vice President in June of 1987. Effective with the December 28, 1996 reorganization, Mr. Ward became the President of Universal Forest Products Southern Company, Inc.

Michael B. Glenn has been employed by the Company since 1974. In June of 1989, Mr. Glenn was elected Senior Vice President of the Company's Southwest operations. From September 1983 to June 1989, Mr. Glenn was Vice President of those operations. Effective with the December 28, 1996 reorganization, Mr. Glenn became the President of Universal Forest Products Southwest Company, Inc.

Robert K. Hill has been with the Company since 1986. In March of 1993, he was elected Senior Vice President of the Company's Far West operations. From 1989 to 1993, he served as Vice President of those operations, from 1988 to 1989 he was General Manager of Operations, and from 1986 to 1988 he served the Company as a sales manager. Effective with the December 28, 1996 reorganization, Mr. Hill became the Executive Vice President of Universal Forest Products Far West Company, Inc.

Robert D. Coleman, an employee of the Company since 1979, served as Senior Vice President of the Company's Midwest operations since September 1, 1993. From 1986 to 1993 he served as Vice President of the Company's Atlantic Division. Effective with the December 28, 1996 reorganization, Mr. Coleman became the Executive Vice President of Universal Forest Products Midwest Company, Inc.

Matthew J. Missad has been employed by the Company since 1985. Mr. Missad has served as Secretary since December 1, 1987, and Vice President Corporate Compliance since August 1989. In February 1996, Mr. Missad was promoted to Executive Vice President of Operations Services.

Elizabeth A. Bowman, CPA, joined the Company in July of 1993 as Vice President of Finance and Treasurer. From 1990 to 1993, Ms. Bowman served as Vice President of Operations of The Waypointe Companies, Inc., a company involved in construction, engineering, software design, and marketing. From 1986 to 1990, Ms. Bowman served as Controller of Riebel Development Corporation, a real estate development company. In February 1996, Ms. Bowman was promoted to Executive Vice President of Finance and Administration.

Eric S. Maxey, an employee of the Company since 1981, has served as Vice President of Administration since 1992. Prior to that time and since 1984, he served as Controller.

PART II

The Registrant's Appendix to its definitive Proxy Statement for the 1997 Annual Meeting of Shareholders is filed as Exhibit 13 with this Form 10-K Report. The following information items in this Part II, which are contained in the Appendix on the pages noted, are specifically incorporated by reference into this Form 10-K Report.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

The information required by this Item is incorporated by reference from page B-26 of the Appendix to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders, under the caption "Price Range of Common Stock and Dividends."

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this Item is incorporated by reference from page B-1 of the Appendix to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders, 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 pages B-2 through B-10 of the Appendix to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this Item is incorporated by reference from pages B-11 through B-25 of the Appendix to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information relating to executive officers is included in this report in the last section of Part I under the caption "Executive Officers of the Registrant." Information relating to directors and compliance with Section 16(a) of the Securities and Exchange Act of 1934 is incorporated by reference to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders, as filed with the Commission, under the captions "Board of Directors" and "Compliance with Reporting Requirements."

ITEM 11. EXECUTIVE COMPENSATION.

Information relating to executive compensation is incorporated by reference to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders under the caption "Executive Compensation," excluding information under the captions "Compensation Committee Report" and "Stock Performance Graph."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information relating to security ownership of certain beneficial owners and management is incorporated by reference to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders under the captions "Ownership of Common Stock" and "Securities Ownership of Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

Information relating to certain relationships and related party transactions is incorporated by reference to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders under the caption "Election of Directors."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements. The following Independent Auditors' Report and Consolidated Financial Statements are incorporated by reference, under Item 8 of this report, from the Appendix to the Company's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders, filed as Exhibit 13 hereto:

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 found on pages E-1 through E-5 of this Form 10-K Report.

(b) No reports on Form 8-K were filed in 1996.

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: March 26, 1997 UNIVERSAL FOREST PRODUCTS, INC.

By: /s/ PETER F. SECCHIA

PETER F. SECCHIA, CHAIRMAN OF THE BOARD

and

/s/ WILLIAM G. CURRIE

WILLIAM G. CURRIE, PRESIDENT AND CHIEF EXECUTIVE OFFICER

and

/s/ ELIZABETH A. BOWMAN

ELIZABETH A. BOWMAN, EXECUTIVE VICE PRESIDENT OF FINANCE AND ADMINISTRATION (PRINCIPAL FINANCIAL OFFICER)

and

/s/ ERIC S. MAXEY

ERIC S. MAXEY, PRINCIPAL ACCOUNTING OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 26th day of March, 1997, by the following persons on behalf of the Company and in the capacities indicated.

Each Director of the Company whose signature appears below hereby appoints Matthew J. Missad and Elizabeth A. Bowman, and each of them individually, as his attorney-in-fact to sign in his name and on his behalf as a Director of the Company, 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/ PETER F. SECCHIA	/s/ JOHN W. GARSIDE
PETER F. SECCHIA, DIRECTOR	JOHN W. GARSIDE, DIRECTOR
/s/ WILLIAM G. CURRIE	/s/ PHILIP M. NOVELL
WILLIAM G. CURRIE, DIRECTOR	PHILIP M. NOVELL, DIRECTOR
/s/ RICHARD M. DEVOS	/s/ LOUIS A. SMITH
RICHARD M. DEVOS, DIRECTOR	LOUIS A. SMITH, DIRECTOR
/s/ JOHN C. CANEPA	
JOHN C. CANEPA, DIRECTOR	

EXHIBIT NO.	DESCRIPTION
2	An Agreement to acquire the Wood Treating Operations of Chesapeake Corporation was filed as Exhibit 2 to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
2(a)	A Lease Termination Agreement with Chesapeake Corporation dated July 20, 1995 was filed as Exhibit 2(a) to a Form 10-Q Quarterly Report for the quarter period ended July 1, 1995, and the same is incorporated herein by reference.
3(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.
3(b)	Registrant's Bylaws were filed as Exhibit 3(b) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
4(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.
4(b)(1)	Loan Agreement with Old Kent Bank and Trust Company dated April 18, 1988 was filed as Exhibit 4(b)(1) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
4(b)(2)	Business Loan Agreement with Michigan National Bank dated August 17, 1988, as amended was filed as Exhibit 4(b)(2) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
4(b)(3)	Series A, Senior Unsecured Note Agreement dated May 5, 1994, was filed as Exhibit 4(b)(3) to a Form 10-Q Quarterly Report for the quarter period ended March 26, 1994, and the same is incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION
10(a)	Redemption Agreement with Peter F. Secchia, dated August 26, 1993, was filed as Exhibit 10(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(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.
10(c)(1)	Lease guarantee dated April 26, 1978, given by Registrant on behalf of Universal Restaurants, Inc. to Hol-Steak, Inc. was filed as Exhibit 10(c)(1) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(c)(2)	Lease guarantee, dated March 10, 1978, given by Registrant on behalf of Universal Restaurants, Inc. to Jackson Properties was filed as Exhibit 10(c)(2) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(c)(3)	Lease guarantee, dated November 15, 1977, by Registrant on behalf of Great Lakes Steak Company of Ann Arbor, Inc. to William C. and Sally A. Martin was filed as Exhibit 10(c)(3) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(c)(4)	Lease guarantee, dated March 10, 1978, by Registrant on behalf of Universal Restaurants, Inc. to Forbes/Cohen Properties was filed as Exhibit 10(c)(4) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.

[CAPTION]

EXHIBIT NO.	DESCRIPTION
10(c)(5)	Lease guarantee, dated April 26, 1978, by Registrant on behalf of Universal Restaurants, Inc. to Dorr D. and Nettie R. Granger was filed as Exhibit 10(c)(5) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(d)(1)	Lease between Registrant and its Employee Profit Sharing and Retirement Trust Fund as lessor regarding Registrant's Shakopee, Minnesota facility was filed as Exhibit 10(d)(1) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(d)(2)	Lease between Registrant and McIntosh Lumber Co. as lessor regarding Registrant's Huntington Beach, California facility was filed as Exhibit 10(d)(2) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(d)(3)	Sublease between Registrant and the Community Development Authority of the City of Moreno Valley regarding Registrant's Moreno Valley, California facility, with main lease attached was filed as Exhibit 10(d)(3) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(d)(4)	Lease between Registrant and Germania-Sykes as lessor regarding land adjacent to Registrant's Moreno Valley facility was filed as Exhibit 10(d)(4) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(d)(5)	Lease between Registrant and Niagara Industrial Mall, Inc. as lessor regarding Registrant's Niagara, Ontario facility, as amended was filed as Exhibit 10(d)(5) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION
*10(e)(1)	Form of Executive Stock Option Agreement was filed as Exhibit 10(e)(1) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
*10(e)(2)	Form of Officers' Stock Option Agreement was filed as Exhibit 10(e)(2) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
*10(f)	Salaried Employee Bonus Plan was filed as Exhibit 10(f) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(g)(1)	Term Loan Agreement between Registrant and NBD Bank, N.A. dated December 1, 1992, was filed as Exhibit 10(g)(1) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(g)(2)	Promissory Note with Old Kent Bank and Trust Company, dated September 1, 1993, was filed as Exhibit 10(g)(2) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(g)(3)	Installment Business Loan Note with NBD Bank, N.A. dated December 1, 1992, was filed as Exhibit 10(g)(3) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(g)(4)	Business Loan Agreement with Michigan National Bank executed April 14, 1987, was filed as Exhibit 10(g)(4) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10(g)(5)	Promissory Note with NBD Bank, N.A., dated January 20, 1994, was filed as Exhibit 10(g)(5) to a Form 10-K Annual Report for the year ended December 25, 1993, and the same is incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION
10(g)(6)	Promissory Note with Old Kent Bank and Trust Company, dated January 24, 1994, was filed as Exhibit 10(g)(6) to a Form 10-K Annual Report for the year ended December 25, 1993, and the same is incorporated herein by reference.
10(g)(7)	Promissory Note with Michigan National Bank, dated January 27, 1994, was filed as Exhibit 10(g)(7) to a Form 10-K Annual Report for the year ended December 25, 1993, and the same is incorporated herein by reference.
10(g)(8)	Promissory Note with Comerica Bank, dated February 14, 1994, was filed as Exhibit 10(g)(8) to a Form 10-K Annual Report for the year ended December 25, 1993, and the same is incorporated herein by reference.
10(h)(1)	Land Contract Agreement dated May 26, 1994, was filed as Exhibit 10(h)(1) to a Form 10-Q Quarterly Report for the quarter period ended June 25, 1994, and the same is incorporated herein by reference.
13	Appendix to Proxy Statement for Annual Meeting of Shareholders to be held April 23, 1997. This Appendix was delivered to the Company's shareholders in compliance with Rule 14(a)-3 of the Securities Exchange Act of 1934, as amended.
21	List of Registrant's subsidiaries.
23	Consent of Deloitte & Touche LLP
27	Financial Data Schedule

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*Indicates a compensatory arrangement.

EXHIBIT 13

UNIVERSAL FOREST PRODUCTS, INC.

FINANCIAL INFORMATION

UNIVERSAL FOREST PRODUCTS, INC.
FINANCIAL INFORMATION

TABLE OF CONTENTS

SELECTED FINANCIAL DATA

	1996	1995	1994	1993	1992
	(IN THOUSANDS EXCEPT PER SHARE AND STATISTICS DATA.)				
CONSOLIDATED STATEMENT OF EARNINGS DATA(1)					
Net sales................................	$867,718	$739,277	$865,971	$644,163	$449,502
Gross profit(2)..........................	87,730	73,746	68,867	57,906	37,656
Earnings from continuing operations before income taxes....................	29,721	23,613	18,245	17,008	7,245
Net earnings from continuing operations............................	17,750	14,050	10,745	10,038	4,347
Earnings per share from continuing operations............................	$ 1.000	$ 0.800	$ 0.610	$ 0.660	$ 0.290
Dividends per share......................	$ 0.060	$ 0.105	$ 0.050	$ 0.050	$ 0.050
Weighted average shares outstanding(3)...	17,723	17,649	17,624	15,282	15,009
CONSOLIDATED BALANCE SHEET DATA(1)					
Working capital..........................	$ 88,495	$ 82,367	$ 78,465	$ 45,442	$ 29,936
Total assets.............................	193,377	175,657	169,076	185,704	129,160
Long-term debt and capital lease obligations............................	52,628	56,384	63,037	27,900	29,908
Shareholders' equity.....................	99,878	83,439	71,568	61,936	35,077
STATISTICS(1)					
Gross profit as a percentage of net sales..................................	10.1%	10.0%	7.9%	9.0%	8.4%
Net earnings from continuing operations	2.1%	1.9%	1.2%	1.5%	1.0%
as a percentage of net sales...........	21.3%	19.6%	17.3%	28.6%	13.9%
Return on shareholders' equity...........	3.33	3.43	3.19	1.46	1.49
Current ratio............................	.53	.68	.88	.45	.74
Debt to equity ratio.....................	$ 5.90	$ 4.94	$ 4.25	$ 3.70	$ 2.89
Book value per common share..............					

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(1) The financial data for the Company included herein has been restated for all periods to reflect the balances and activities of Universal Restaurants, Inc., a former subsidiary, as discontinued operations.

(2) In 1995, the Company reclassified delivery expense to include it as a component of cost of goods sold and gross profit. For comparability, gross profit for 1994, 1993 and 1992 has been restated to include delivery expense.

(3) Includes the effect of shares of common stock issued since December 29, 1992, and shares of common stock to be issued pursuant to the exercise of outstanding options.

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

FINANCIAL IMPACT OF FLUCTUATIONS IN LUMBER PRICES & SEASONALITY

The Company experiences fluctuations in the cost of lumber products from primary producers. The table below highlights such fluctuations for the years ended December 28, 1996, December 30, 1995 and December 31, 1994. A variety of factors over which the Company has no control, including government regulations, environmental regulations, weather conditions, and natural disasters, impact the cost of lumber products. The Company anticipates that these fluctuations will continue in the future.

The following table presents the Random Lengths framing lumber composite price. The composite price is a weighted average of nine key framing lumber prices chosen from major producing areas and species. The composite price is designed as a broad measure of price movement in the commodity lumber market ("Lumber Market"). The effects of the Lumber Market on the Company's results of operations are discussed below under the captions "Net Sales" and "Cost of Goods Sold and Gross Profit." Depending on the extent of the fluctuation, the type of product and other factors, it could take up to a month for a fluctuation in the Lumber Market to be reflected in the Company's selling prices.

	RANDOM LENGTHS AVERAGE $/MBF		
	1996	1995	1994
January	$329	$379	$491
February	347	383	476
March	353	358	466
April	374	335	388
May	420	313	413
June	409	292	418
July	402	328	388
August	443	330	396
September	443	346	373
October	421	321	376
November	459	324	405
December	428	332	373
Annual average	$402	$337	$414

The Company's business is seasonal in nature and results of operations vary from quarter to quarter. The demand for many of the Company's products is highest during the period of April to August. Accordingly, the Company's sales tend to be greater during its second and third quarters. To support this sales peak, the Company builds its inventory of finished goods throughout the winter and spring. Therefore, quantities of raw materials and finished goods inventories tend to be at their highest, relative to sales, during the Company's first and fourth quarters. As a result, the Company has some exposure related to sharp declines in the Lumber Market during its primary selling season. Since 1995, the Company has decreased its exposure by:

- - Negotiating unique supply programs with vendors. These programs have substantially reduced the Company's investment in inventories, and include those materials which are most susceptible to adverse changes in the Lumber Market.

- - Instituting inventory management initiatives to accelerate the throughput of material in its plants and reduce the average supply of inventory.

- - Improving its sales mix by selling more value-added products in relationship to total sales. Value-added products are less susceptible to the adverse effects a decline in the Lumber Market can have on the Company's profitability. See further discussion under the caption "Net Sales."

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the components of the Company's Consolidated Statement of Earnings as a percentage of net sales.

	YEARS ENDED		
	DECEMBER 28, 1996	DECEMBER 30, 1995	DECEMBER 31, 1994
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	89.9	90.0	92.1
Gross profit	10.1	10.0	7.9
Selling, general, and administrative expenses	6.4	6.4	5.3
Earnings from operations	3.7	3.6	2.6
Other expense, net	0.3	0.4	0.5
Earnings before income taxes	3.4	3.2	2.1
Income taxes	1.3	1.3	0.9
Net earnings	2.1%	1.9%	1.2%

NET SALES

The Company manufactures, treats, and distributes lumber products to the do-it-yourself (DIY), manufactured housing, wholesale lumber, and industrial markets. Its sales comprise a single industry segment. The following table presents, for the periods indicated, the Company's net sales (in thousands) and percentage of total net sales by market classification.

	YEARS ENDED					
MARKET CLASSIFICATION	DECEMBER 28, 1996	%	DECEMBER 30, 1995	%	DECEMBER 31, 1994	%
DIY	$426,396	49.1%	$372,595	50.4%	$432,120	49.9%
Manufactured Housing	336,240	38.8	279,447	37.8	299,626	34.6
Wholesale Lumber	56,575	6.5	47,314	6.4	87,463	10.1
Industrial	48,507	5.6	39,921	5.4	46,762	5.4
	$867,718	100.0%	$739,277	100.0%	$865,971	100.0%

Net sales in 1996 increased $128 million, or 17%, compared to 1995, reflecting an estimated 11% increase in overall selling prices combined with an estimated 6% increase in the volume of units shipped. In 1995, a lower Lumber Market substantially reduced the overall selling prices of the Company's products resulting in a 15% decrease in net sales to $739 million. Unit sales comparing 1995 with 1994 remained flat primarily due to the Company's selective selling efforts.

In 1995, the Company began selective selling initiatives to increase its sales of value-added products in relationship to total sales. In the course of doing this, it successfully eliminated a significant amount of preservative-treated and untreated commodity lumber sales which did not meet targeted gross profit percentages. Value-added product sales consist primarily of items sold to the DIY market under the Company's Fence Fundamentals(TM), Lattice Basics(TM), Deck Necessities(R), Outdoor Essentials(TM), Storage Solutions(TM) and YardLine(R) trade names, trusses sold to the manufactured housing market, and products sold to the industrial market. The Company defines these products as "value-added" due to the higher margins it recognizes on the sale of these products versus those recognized on commodity-based products such as treated, untreated and remanufactured lumber. The Company's ratio of value-added product sales to total sales in 1996, 1995 and 1994 was 31.3%, 31.8% and 26.2%, respectively. A long-term goal of the Company is to achieve a ratio of value-added product sales to total sales of at least 50%. It plans to achieve this goal through strategic acquisitions into new markets, new product introduction and eliminating sales of commodity-based products which do not meet profitability targets.

DIY:

Net sales to the DIY market increased approximately $54 million, or 14%, in 1996 compared to 1995, due to an increase in the Lumber Market which increased the overall selling prices of the Company's commodity-based products, supplemented by an increase in unit sales of commodity-based and value-added products. In 1995, a lower Lumber Market decreased overall selling prices resulting in a 14% decrease in sales to $373 million compared to 1994. Although unit sales increased, this was more than offset by the 19% decrease in the Lumber Market in 1995 compared to 1994.

The following table presents, for the periods indicated, the Company's value-added and commodity-based product sales to the DIY market, in thousands:

	YEARS ENDED					
	DECEMBER 28, 1996	% OF TOTAL	DECEMBER 30, 1995	% OF TOTAL	DECEMBER 31, 1994	% OF TOTAL
Value-added product sales.......	$129,336	30.3%	$116,198	31.2%	$106,239	24.6%
Commodity-based product sales...	297,060	69.7	256,397	68.8	325,881	75.4
Total..........................	$426,396	100.0%	$372,595	100.0%	$432,120	100.0%

A decrease in the Company's ratio of value-added product sales to total sales in 1996 is due to the effects of the Lumber Market on the Company's sales of commodity-based products. Sales of these products are generally indexed to the Lumber Market, while value-added products sold to the DIY market generally have fixed sales prices for a specified time period or quantity. Therefore, a substantial increase in the Lumber Market, which occurred in 1996, will cause commodity-based products to represent a proportionately higher percentage of total DIY sales dollars.

An increase in the ratio of value-added product sales to total sales in this market to 31.2% in 1995 from 24.6% in 1994 was primarily due to the Company's selective selling efforts and the closure of two plants. At the end of 1994, the Company shut down and subsequently disposed of the unprofitable operations of two East Coast treating plants. Sales from these plants consisted primarily of preservative-treated dimension lumber, timber and boards which carried relatively low gross margins and whose profits were very susceptible to fluctuations in the Lumber Market. In 1995, the Company completed construction of new, more efficient treating plants in Hamilton, OH and Harrisonville, MO which have a higher ratio of value-added product sales to total sales.

MANUFACTURED HOUSING:

Net sales to the manufactured housing market increased approximately $57 million, or 20%, in 1996 compared to 1995, due to an increase in the Lumber Market which substantially increased the selling prices of the Company's products, supplemented by an increase in unit sales. The effect of the higher Lumber Market on the selling prices of trusses was offset to some extent, however, by increased competition in certain geographic areas forcing selling prices down. Unit shipments improved further in the fourth quarter of 1996, compared to the same period of 1995, as a result of the acquisition of certain net assets of Hi-Tek Forest Products, Inc. ("Hi-Tek"), a former competitor of the Company, on October 1, 1996. Hi-Tek primarily sold to the manufactured housing market.

The following table presents, for the periods indicated, the Company's truss and commodity-based product sales to the manufactured housing market, in thousands:

	YEARS ENDED					
	DECEMBER 28, 1996	% OF TOTAL	DECEMBER 30, 1995	% OF TOTAL	DECEMBER 31, 1994	% OF TOTAL
Truss sales.............	$ 93,751	27.9%	$ 80,528	28.8%	$ 73,454	24.5%
Commodity-based product sales.................	242,489	72.1	198,919	71.2	226,172	75.5
Total...................	$336,240	100.0%	$279,447	100.0%	$299,626	100.0%

A decrease in the Company's ratio of truss sales to total sales in 1996 compared to 1995 is due to the effect of the Lumber Market which increased the overall selling prices of commodity-based products in 1996, while certain regional competition caused the selling prices of trusses to remain flat. A 20% increase in trusses shipped in 1995 compared to 1994 resulted in an increase in the ratio of truss sales to total sales.

WHOLESALE:

Net sales to the wholesale lumber market increased $9 million, or 20%, in 1996 compared to 1995 due to the effect of the higher Lumber Market in 1996. The Company does not expect unit sales to this market to increase in the foreseeable future as a result of its goal to increase its ratio of value-added product sales to total sales and increase overall gross margins.

Net sales to this market decreased $40 million, or 46%, in 1995 compared to 1994, due to the lower Lumber Market which decreased overall selling prices, combined with a decrease in units shipped as a result of selective selling efforts.

INDUSTRIAL:

Net sales to the industrial market increased $9 million, or 22%, in 1996 compared to 1995. The Company plans to grow its sales to this market in the future through internal expansion and strategic acquisitions. In many cases, the products sold to this market are produced from the by-product of manufactured products sold to other markets. Therefore, products produced for the industrial market provide an opportunity for the Company to improve its raw material yields. In addition, customer demand for products sold to this market are less susceptible to seasonal trends.

Net sales to this market decreased $7 million, or 15%, in 1995 compared to 1994, due primarily to the lower Lumber Market comparing the two periods.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit as a percentage of net sales increased to 10.1% in 1996 from 10.0% in 1995. The following factors affected the Company's gross profit percentage during the year resulting in the overall increase mentioned above:

- - The upward Lumber Market trend during the second quarter of 1996, the Company's primary selling season. In a period of rising Lumber Market prices, the Company will realize a higher gross profit percentage on the sale of its commodity-based products than it will in a period of flat or declining lumber prices. This is due to the price increase which occurs between the time of purchase and subsequent sale. The Company realized a gross profit percentage of 11.2% in the second quarter of 1996 compared with 9.9% in the same period of 1995 due to this situation. In the second quarter of 1995 the Lumber Market was on a downward trend.

- - The effect of the higher Lumber Market on the gross profit percentage of the Company's commodity-based products during the last six months of 1996 compared to the last six months of 1995. Selling prices of these products are generally indexed to the Lumber Market, along with a fixed dollar "adder" to cover production costs plus profit. Therefore, in a stable but high Lumber Market, the Company's gross profit percentage will be lower than the gross profit percentage it would realize with a stable but low Lumber Market. This is the situation the Company faced in the last six months of 1996 compared to 1995. Gross profit percentages in the third and fourth quarters of 1996 were 9.0% and 9.4%, respectively, compared with 9.4% and 10.7% in the third and fourth quarters of 1995, respectively, offsetting the increase mentioned in the first point above.

- - Increased competition in the manufactured housing market, in certain geographic regions, has caused some downward pressure on the selling prices of trusses throughout the year as the Company continues to maintain market share. Although the Company estimates it maintains approximately 70% market share in the supply of HUD-code trusses to the manufactured housing market, there are relatively few barriers to entry into this market which can result in competitive pressures impacting gross margins. This situation also offset the positive gross margin effect mentioned in the first point above.

In 1995, gross profit as a percentage of net sales improved to 10.0% in 1995 from 7.9% in 1994. This increase was due to the following:

- - The Company substantially increased its sales of higher margin, value-added products to the DIY and manufactured housing markets.

- - Commodity-based product sales which didn't meet certain profitability targets were eliminated.

- - Supply programs with vendors were implemented which were designed to help the Company decrease its average investment in inventory and reduce the effects of the Lumber Market on gross profits.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased $7.7 million, or 16.2%, comparing 1996 and 1995. This increase is primarily due to increases in accrued incentive compensation expenses related to profitability, certain variable expenses related to sales, selling and administrative headcount, management training expenses, and depreciation related to upgraded information systems. In 1995, selling, general and administrative expenses increased $1.2 million compared with 1994, primarily due to increases in accrued incentive compensation expenses related to profitability and increased depreciation expenses due to the Company's investment in upgrading its information systems.

OTHER EXPENSE, NET

Other expense, net is primarily comprised of interest expense and interest income. Net interest costs (interest expense less interest income) decreased by approximately $555,000 comparing 1996 and 1995, and by approximately $2,143,000 comparing 1995 and 1994. The trend of declining net interest costs resulted from continued reductions in debt from 1994 through 1996, due to ongoing improvements in working capital management (see "Liquidity and Capital Resources").

INCOME TAXES

The Company's effective tax rates in 1996, 1995 and 1994 were 40.3%, 40.5% and 41.1%, respectively. Effective tax rates differ from statutory federal income tax rates primarily due to provisions for state and local income taxes, which can vary from year to year based on changes in income generated by the Company in each of the states in which it operates.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operating activities in 1996 was $4.3 million compared with $41.7 million in 1995. The $37.4 million decrease is due primarily to the higher Lumber Market in the fourth quarter of

1996 which increased the cost of lumber, and consequently, the Company's investment in working capital at the end of the period. The Company continues to improve its working capital management practices, evidenced by an 8.5% decrease in its cash cycle (days sales outstanding plus days supply of inventory less days payables outstanding) to 43.25 days from 47.25 days, comparing 1996 and 1995. This improvement, along with the Company's strong cash position at the beginning of the year, allowed it to avoid borrowing on its lines of credit during the year, leaving $119 million available on its revolving credit facilities at December 28, 1996.

Capital expenditures totaled $19.5 million in 1996. Approximately $9.1 million was spent to upgrade machinery and equipment and information systems and expand operations at certain plants. An additional $10.4 million was spent on the October 1, 1996 acquisition of certain net assets of Hi-Tek. The acquired plants are located in Bend, Oregon; Boise, Idaho; and Corona, California, with operations consisting of truss manufacturing and lumber remanufacturing. The acquired plants primarily supply the manufactured housing market and have historical annual sales totaling approximately $30 million. The Company acquired Hi-Tek net assets using a portion of its invested cash.

Cash flows used in financing activities in 1996 totaled $5.4 million and consisted of repayments on long-term debt, repurchases of common stock, proceeds from the issuance of common stock and dividends paid to shareholders at a semi-annual rate of $.03 per common share. In January 1996, the Company repurchased 100,000 shares of its common stock for an amount totaling approximately $822,000. Management is authorized to repurchase an additional 900,000 common shares under its current stock repurchase program. While the Company has no current obligation to buy back additional shares, it will continue to evaluate market conditions and alternative uses of its cash to determine whether and when it will make repurchases. In February and April 1996, one former officer and seven current officers of the Company exercised options to purchase 95,000 shares of common stock for approximately $247,000. In January 1997, the Company sold 30,188 shares of common stock to four officers in exchange for notes receivable totaling $399,991. Interest on the notes will be calculated at a rate of 7% per annum, and paid annually. The principal balance on the notes is due on or before April 1, 2007.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

The Company is self-insured for environmental impairment liability, and accrues for the estimated cost of remedial actions when situations requiring such action arise. The Company owns and operates sixteen 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, the Company 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. Remediation activities are currently being conducted at the Company's Granger, Indiana; Union City, Georgia; and Elizabeth City, North Carolina treatment facilities.

The Company has accrued, in other long-term liabilities, amounts totaling $1.7 million and $2.8 million at December 28, 1996 and December 30, 1995, respectively, representing the estimated costs to complete remediation efforts currently in process and those expected to occur in the future. The decrease in the liability from December 30, 1995 to December 28, 1996 is primarily due to payments made in 1996 for remediation efforts at one of the Company's locations. The Company believes that the potential future costs of known remediation efforts will not have a material adverse effect on its future financial position, results of operations or liquidity.

FORWARD OUTLOOK

Included in this report are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Actual results could differ materially from those included in such forward-looking statements as a result of, among other things, the factors set forth below, the matters included in this report generally and certain economic and business factors, some of which may be beyond the control of the Company. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

COMPETITION:

The Company is subject to competitive selling and pricing pressures in its major markets. While the Company is generally aware of its existing competitors' capabilities, it is subject to entry in its markets by new competitors, which could negatively impact financial results.

MARKET GROWTH:

The Company's sales growth is dependent, in part, upon growth within the markets it serves. If the Company's markets do not maintain anticipated growth, or if the Company fails to maintain its market share, financial results could be impaired.

GOVERNMENT REGULATIONS:

The Company is subject to a substantial amount of existing government regulations which create a burden on the Company. Should the Company become subject to additional laws and regulations enacted in the future, or changes in interpretation of existing laws, it could have an adverse affect on the Company's financial results.

LUMBER MARKET VOLATILITY:

As previously stated, the Company experiences significant fluctuations in the cost of lumber products from primary producers. While the Company attempts to minimize its risk from severe price fluctuations, substantial, rapid changes in lumber prices can affect the Company's financial results.

NET SALES

Independent sources forecast continued growth in the Company's two primary markets -- DIY and manufactured housing. The Company has no means of ascertaining the accuracy of these industry-wide projections, and actual results could vary significantly. Moreover, irrespective of any growth in industry sales, the Company's sales could vary materially, due to a variety of factors, such as increased competition and the Lumber Market, as well as other factors, some of which are beyond the Company's control.

Do-It-Yourself Retailing, in its November 1996 edition, projected the following total retail sales by home improvement retailers for 1997 through 2000 (in billions).

1997...	$140.7
1998...	$146.4
1999...	$152.3
2000...	$158.4

Manufactured Home Merchandiser, in its January 1997 edition, forecasted growth in this market of 5% to 7% in 1997. As a result of the acquisition of certain net assets of Hi-Tek, the Company has increased market share and believes it is in a position to grow at an even greater pace.

Management believes the following strategies will drive the future sales growth of the Company in existing and new markets.

EXISTING MARKETS:

- - The Company has opportunities to grow sales to existing markets in certain key geographic areas where it does not currently have a presence.

- - The Company expects to increase sales of its YardLine(R) and Storage Solutions(TM) product lines. These were new products the Company began to manufacture in 1995 and 1996, and management expects sales of these products to increase in 1997. In addition, the Company is investigating other new value-added product opportunities for the DIY and manufactured housing markets.

NEW MARKETS:

- - The Company is currently pursuing growth opportunities, including acquisitions of suppliers to the commercial and residential building components market, industrial packaging market, and international markets.

- - The Company is currently planning to produce commercial and residential trusses utilizing three of its existing locations.

GROSS PROFIT

The Company has recognized continued improvement in gross profit as a percentage of net sales over the last three years as follows:

1994	7.9%
1995	10.0%
1996	10.1%

Management will continue to increase its efforts to improve its gross profit percentage in the future by means of the following goals:

- - Increasing its ratio of value-added sales to total sales in existing markets through new product introduction and enhanced marketing of existing value-added products. The Company created a centralized marketing department at the end of 1996.

- - Acquiring businesses which supply the new markets mentioned above.

- - Implementing manufacturing initiatives to continue to automate and upgrade existing plants and processes to lower production costs per unit.

Achievement of these goals is dependent upon, in part, certain factors that are beyond the control of management.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

A goal of the Company is to continue to contain these costs despite a period of expected growth. However, increased expenses are expected in the following areas in the future:

- - At the end of 1996, the Company created a centralized marketing department which will result in additional staff of approximately 8-10 professionals in 1997.

- - Depreciation associated with recent investments in information technology.

- - Personnel and benefit costs associated with increased headcount to support the growth of the business.

CORPORATE REORGANIZATION

Effective December 28, 1996, the Company transferred substantially all of its operating assets to several corporations in exchange for 100% of the common stock of these entities. Immediately following this transfer, certain wholly-owned subsidiaries contributed certain assets, net of liabilities, to various partnership entities. These transactions qualify as part of a tax-free reorganization. Each of the newly formed entities utilizes the trade name Universal Forest Products(R) in its operations.

The purpose of the reorganization was to formalize the existing structure of the Company, which had separate regional operating divisions since the mid 1980's. Two additional benefits the Company expects to achieve are reductions in its liability exposure and a reduction in state income taxes. Based on current projections, the Company expects a reduction in its effective tax rate of approximately three percentage points in future years. However, achieving this reduction is subject to several factors, including the absence of changes in future tax laws, which are beyond the control of management.

LIQUIDITY AND CAPITAL RESOURCES

Since 1994, the Company has achieved continued improvements in its working capital management resulting in record cash flows from operations in 1994 and 1995. Management reduced its cash cycle to 43.25 days in 1996 from 47.25 days in 1995 and 71.3 days in 1994. Given the significant progress the Company has made in this area, management believes any further reduction in the cash cycle will be difficult to achieve. In addition, as the Company achieves its goals for sales growth, amounts invested in working capital are expected to increase despite a strong cash cycle.

Management expects to spend between $13 and $15 million related to capital expenditures for 1997, primarily to upgrade and expand existing facilities and upgrade machinery and equipment and information systems. In addition, the Company's goal is to complete strategic acquisitions in existing and new markets. The Company may finance any potential future acquisition using its lines of credit, through an issuance of common stock, or a combination of both.

Cash flows used in financing activities in 1997 are expected to consist of repayments of long-term debt totaling $3.7 million and dividends of approximately $.03 per common share paid semi-annually in June and December.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Universal Forest Products, Inc.
Grand Rapids, Michigan

We have audited the accompanying consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries as of December 28, 1996 and December 30, 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 28, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Universal Forest Products, Inc. and subsidiaries as of December 28, 1996 and December 30, 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 1996, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

February 6, 1997

CONSOLIDATED BALANCE SHEETS

	NOTE	DECEMBER 28, 1996	DECEMBER 30, 1995
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 1,275,636	$ 21,471,821
Accounts receivable		32,102,276	24,569,330
Inventories:			
Raw materials		32,752,316	22,409,785
Finished goods		55,767,455	43,501,348
		88,519,771	65,911,133
Prepaid income taxes	L		810,666
Other current assets		474,085	481,481
Deferred income taxes	L	4,185,664	3,085,331
Total Current Assets		126,557,432	116,329,762
NON-COMPETE AGREEMENTS	B, O	3,051,727	
OTHER ASSETS	C, F, J	4,092,038	4,041,369
PROPERTY, PLANT AND EQUIPMENT:			
Land and improvements	B, M	14,281,620	14,180,869
Buildings and improvements	B, M	34,298,281	30,303,990
Machinery, equipment and office furniture	B, M	50,227,125	43,796,931
Construction in progress		4,836,120	3,484,988
		103,643,146	91,766,778
Less accumulated depreciation and amortization	M	(43,967,364)	(36,481,076)
		59,675,782	55,285,702
		$193,376,979	$175,656,833
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		$ 14,100,269	$ 14,138,012
Accrued liabilities:			
Compensation and benefits	K	17,736,451	14,503,002
Income taxes	L	810,927	
Other		1,761,486	1,393,474
Current portion of long-term debt and capital lease obligations	E, M	3,652,900	3,928,433
Total Current Liabilities		38,062,033	33,962,921
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	E, M	48,975,502	52,455,513
DEFERRED INCOME TAXES	L	2,389,063	1,923,633
OTHER LIABILITIES	F, N, O	4,072,580	3,875,912
COMMITMENTS AND CONTINGENCIES	N		
SHAREHOLDERS' EQUITY:			
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none			
Common stock, no par value; shares authorized 25,000,000; issued and outstanding, 17,040,467 and 17,041,496	G, H	17,040,467	17,041,496
Additional paid-in capital	G	28,801,707	28,615,581
Retained earnings		55,530,786	39,525,149
Foreign currency translation adjustment		(830,459)	(997,549)
		100,542,501	84,184,677
Officers' stock notes receivable	I	(664,700)	(745,823)
		99,877,801	83,438,854
		$193,376,979	$175,656,833

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

	NOTE	YEARS ENDED DECEMBER 28, 1996	YEARS ENDED DECEMBER 30, 1995	YEARS ENDED DECEMBER 31, 1994
NET SALES	B	$867,718,385	$739,276,801	$865,971,432
COST OF GOODS SOLD	B, K, M	779,988,362	665,530,528	797,104,055
GROSS PROFIT		87,730,023	73,746,273	68,867,377
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	B, K, M	55,237,363	47,517,966	46,275,761
EARNINGS FROM OPERATIONS		32,492,660	26,228,307	22,591,616
OTHER EXPENSE (INCOME):				
Interest, net	D, E	3,033,632	3,588,146	5,731,427
Other, net	B	(261,849)	(972,521)	(1,384,771)
TOTAL OTHER EXPENSE		2,771,783	2,615,625	4,346,656
EARNINGS BEFORE INCOME TAXES		29,720,877	23,612,682	18,244,960
INCOME TAXES	B, L	11,971,000	9,563,000	7,500,000
NET EARNINGS		$17,749,877	$14,049,682	$ 10,744,960
PRIMARY AND FULLY-DILUTED EARNINGS PER SHARE		$ 1.00	$ 0.80	$ 0.61
WEIGHTED AVERAGE SHARES OUTSTANDING		17,723,000	17,649,000	17,624,000

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OFFICERS' STOCK NOTES RECEIVABLE	TOTAL
BALANCE, December 25, 1993	$16,979,865	$28,531,568	$17,371,840		($947,714)	$61,935,559
Net earnings			10,744,960			10,744,960
Cash dividends -- $.05 per share			(852,000)			(852,000)
Issuance of 60,250 shares	60,250	74,063				134,313
Foreign currency translation adjustment				($532,921)		(532,921)
Payments received on officers' stock notes receivable					138,449	138,449
BALANCE, December 31, 1994	17,040,115	28,605,631	27,264,800	(532,921)	(809,265)	71,568,360
Net earnings			14,049,682			14,049,682
Cash dividends -- $.105 per share			(1,789,333)			(1,789,333)
Issuance of 1,381 shares	1,381	9,950				11,331
Foreign currency translation adjustment				(464,628)		(464,628)
Payments received on officers' stock notes receivable					63,442	63,442
BALANCE, December 30, 1995	17,041,496	28,615,581	39,525,149	(997,549)	(745,823)	83,438,854
Net earnings			17,749,878			17,749,878
Cash dividends -- $.06 per share			(1,022,360)			(1,022,360)
Issuance of 98,971 shares	98,971	186,126				285,097
Repurchase of 100,000 shares	(100,000)		(721,881)			(821,881)
Foreign currency translation adjustment				167,090		167,090
Payments received on officers' stock notes receivable					81,123	81,123
BALANCE, December 28, 1996	$17,040,467	$28,801,707	$55,530,786	($830,459)	($664,700)	$99,877,801

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	YEARS ENDED DECEMBER 28, 1996	DECEMBER 30, 1995	DECEMBER 31, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings		$17,749,877	$14,049,682	$ 10,744,960
Adjustments to reconcile net earnings to net cash provided by operations:				
Depreciation and amortization		8,344,839	7,635,780	5,730,450
Deferred income taxes	L	(634,903)	1,117,337	944,056
Loss (gain) on sale of property, plant and equipment		14,625	(272,476)	(1,353,843)
Stock Gift Program expense	G	5,428	4,146	1,713
Changes in:				
Accounts receivable		(5,416,946)	4,682,049	(289,800)
Inventories		(19,542,638)	12,775,433	28,600,982
Other		(902,263)	208,445	(437,043)
Accounts payable		(532,744)	(661,083)	1,091,062
Accrued liabilities		5,223,058	2,148,906	(2,013,733)
Net cash provided by operations		4,308,333	41,688,219	43,018,804
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment		(9,074,262)	(14,345,894)	(18,006,878)
Acquisition of certain net assets of Hi-Tek	B	(10,413,000)		
Proceeds from sale of property, plant and equipment		232,542	1,381,770	450,590
Purchases of notes receivable		(164,085)		(60,000)
Collection of notes receivable	I	297,900	346,714	978,950
Purchases of other assets		(4,374)	(32,820)	(54,419)
Net cash used in investing activities		(19,125,279)	(12,650,230)	(16,691,757)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net repayments of notes payable	D		(1,600,000)	(46,292,028)
Proceeds from issuance of long-term debt	E			39,735,861
Repayment of long-term debt	E	(3,814,667)	(4,287,375)	(5,004,693)
Final payment for Chesapeake inventory				(2,171,000)
Proceeds from issuance of common stock	G	279,669	7,185	132,600
Cash dividends paid		(1,022,360)	(1,789,333)	(852,000)
Repurchase of common stock	G	(821,881)		
Repayment of note payable to shareholder				(13,060,000)
Net cash used in financing activities		(5,379,239)	(7,669,523)	(27,511,260)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(20,196,185)	21,368,466	(1,184,213)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		21,471,821	103,355	1,287,568
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 1,275,636	$21,471,821	$ 103,355
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest		$ 4,045,000	$ 4,815,000	$ 5,710,000
Income taxes		10,984,000	8,174,000	8,340,000
NON-CASH INVESTING ACTIVITIES:				
Property, plant and equipment acquired through capital leases and long-term debt	E	$ 59,000	$ 59,000	$ 141,000
Receivables on sale of property, plant and equipment	C			1,976,000
Net book value of real property contributed to profit sharing plan				285,000
Net book value of assets disposed through lease termination agreement	M		864,000	
Real estate received in lieu of note receivable		347,000		
Assumption of accounts payable with the acquisition of certain net assets of Hi-Tek	B	495,000		

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Universal Forest Products, Inc. (the "Company") manufactures, treats and distributes lumber products for the do-it-yourself (DIY), manufactured housing, wholesale lumber and industrial markets. The Company's principal products are preservative-treated wood, engineered roof trusses, dimension lumber, and value-added lumber products including lattice, fence panels, deck components, and kits for various outdoor products sold under the Company's many trademarks. The Company currently operates manufacturing, treating, and distribution facilities throughout North America and comprises a single industry segment. In 1996, 1995 and 1994 approximately 15%, 15% and 13% of net sales, respectively, were to a single customer.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and partnerships. All intercompany transactions and balances have been eliminated.

FISCAL YEAR

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the last Saturday in December of each year. Fiscal years 1996 and 1995 were comprised of 52 weeks each and fiscal year 1994 was comprised of 53 weeks. Unless otherwise stated, references to 1996, 1995 and 1994 relate to the years ended December 28, 1996, December 30, 1995 and December 31, 1994, respectively.

FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures about Fair Value of Financial Instruments," the estimated fair values of financial instruments have been determined by the Company; significant differences in fair market values and recorded values are disclosed in Note E. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to management as of December 28, 1996. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 and the reported amounts of revenues and expenses during the reporting period. Management believes its estimates to be reasonable, however, actual results could differ from these estimates.

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.

INVENTORIES

Inventories are stated at the lower of average cost or market. 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.

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

Buildings and improvements..........................	15 to 31.5 years
Land improvements..................................	5 to 15 years
Machinery and equipment............................	3 to 8 years
Office furniture...................................	5 to 8 years

FOREIGN CURRENCY TRANSLATION

The functional currency for the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The gains or losses resulting from such translation are included as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions were not material in 1996, 1995 or 1994, and are reflected in earnings from continuing operations.

INCOME TAXES

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases 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 applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred 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 tax assets and liabilities.

REVENUE RECOGNITION

Revenue is recognized at the time the product is shipped to the customer. The Company's policy is to evaluate individual accounts receivable balances on a monthly basis and charge to bad debt expense those balances which may be uncollectible. Collections of amounts previously written off are recorded as an offset to bad debt expense. Such recoveries were not significant in any period presented. Bad debt expense, net of recoveries, amounted to approximately $707,000, $143,000 and $926,000, for 1996, 1995 and 1994, respectively.

EARNINGS PER COMMON SHARE

Earnings per common share have been computed based on the weighted average number of common and common equivalent shares outstanding during the periods presented, giving effect to stock options granted in 1989 and 1993 (see Note H), utilizing the "treasury stock" method. Primary and fully-diluted earnings per common share were not materially different during the periods presented. Weighted average shares outstanding are as follows:

	1996	1995	1994
Issued and outstanding	17,030,000	17,041,000	17,028,000
Effect of stock options	693,000	608,000	596,000
Weighted average shares outstanding	17,723,000	17,649,000	17,624,000

RECLASSIFICATIONS

Certain reclassifications have been made in the 1995 consolidated balance sheet to conform to the classifications used in 1996.

B. ACQUISITION

Effective October 1, 1996, the Company acquired certain assets of Hi-Tek Forest Products, Inc. ("Hi-Tek") for approximately $10,908,000 and assumed accounts payable totaling approximately $495,000 (the "Acquisition"). The aggregate purchase price, funded through the Company's cash balances, consisted of the following amounts:

Accounts receivable	$ 2,116,000
Inventories	3,066,000
Property, plant, and equipment	3,601,000
Accounts payable	(495,000)
Non-compete agreement	2,125,000
	$10,413,000

The non-compete agreement spans a five year time period, covers the geographic regions in which the acquired plants operate, and is being amortized over the five year term of the agreement on a straight-line basis. The acquired operations are located in Bend, Oregon; Boise, Idaho; and Corona, California.

The Acquisition has been accounted for as a purchase. Accordingly, the aggregate purchase price has been allocated to assets acquired and accounts payable assumed, based on their estimated fair market values. Hi-Tek's results of operations since the date of the acquisition are included in the Company's earnings from operations.

C. NOTE RECEIVABLE

In May 1994, the Company entered into a land contract agreement to sell real estate for $1,600,000. The agreement required a $25,000 payment at the time the agreement was executed, and an additional $375,000 was received on November 1, 1994, the date on which all conditions of the sale were completed or waived. Annual installments of interest are to be made on November 1 at a rate of 7.5% per annum, with the entire balance of principal and accrued interest due November 1, 1999. In November 1994, the Company recorded a gain on the transaction of approximately $810,000. The remaining principal amount outstanding of $1,200,000 is included in "Other Assets." At December 28, 1996, the estimated fair value of the note receivable approximated its carrying value.

D. NOTES PAYABLE

At December 28, 1996, the Company had unsecured lines of credit available with banks totaling $122,000,000, including amounts reserved for letters of credit. The agreements are subject to annual renewal. The Company had no amounts outstanding on unsecured lines of credit with banks at December 28, 1996 and December 30, 1995. Borrowings under the lines are at negotiated rates which are at or below each respective bank's prime rate. The average rates for 1995 and 1994 were 6.9% and

5.6%, respectively. The Company did not draw on its lines in 1996. A bank has extended letters of credit on the Company's behalf aggregating $2,581,720 at December 28, 1996.

E. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations are summarized as follows at December 28, 1996 and December 30, 1995:

	1996	1995
Senior unsecured notes, $5,714,285 due annually commencing May 1998 through May 2004, interest due semi-annually at 7.15% per annum	$40,000,000	$40,000,000
Bank term loan, $119,048 due monthly through November 1999, interest due monthly at 7.75% per annum	4,285,714	5,595,238
Bank term loan, $500,000 due semi-annually through December 2000, interest due monthly at 5.25% per annum	5,000,000	6,000,000
Bank term loan, $350,000 due semi-annually through December 1999, interest due monthly at 9.67% per annum	2,100,000	2,800,000
Bank term loan, $350,000 due semi-annually through April 1997, interest due monthly at 9.89% per annum	350,000	1,050,000
Capital lease obligations, interest imputed at rates ranging from 7.25% to 8.00% per annum	823,058	824,456
Mortgage note, $2,391 due monthly including interest at 12.00% per annum through January 1997	2,391	30,962
Other	67,239	83,290
	52,628,402	56,383,946
Less current portion	3,652,900	3,928,433
Long-term portion	$48,975,502	$52,455,513

The terms of the senior unsecured note agreement require annual principal payments on such indebtedness of $5,714,286 commencing in May 1998 and continuing through May 2004. The terms of the note agreement require, in part, the Company to maintain a minimum net worth and comply with certain financial ratios. The agreement also restricts the amount of additional indebtedness the Company may incur and the amount of assets which may be sold.

The bank term loans and the line of credit agreements require the maintenance of certain financial ratios and place specified limits on new indebtedness and stock redemptions.

At December 28, 1996, the principal maturities of long-term debt and capital lease obligations are as follows:

1997	$ 3,652,900
1998	9,674,631
1999	8,727,295
2000	6,716,434
2001	6,714,286
Thereafter	17,142,856
	$52,628,402

At December 28, 1996, the estimated fair value of the Company's long-term debt, including the current portion, was approximately $50,992,000, which was approximately $1,636,000 less than the carrying value. The estimated fair value is based on rates anticipated to be available to the Company for debt with similar terms and maturities. The estimated fair value of notes payable included in current liabilities approximated the carrying value.

F. DEFERRED COMPENSATION

The Company has established 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 from the Company. The Company has purchased life insurance on such executives, payable to the Company in amounts which, if assumptions made as to mortality experience, policy dividends and other factors are realized, will accumulate cash values adequate to reimburse the Company for all payments for insurance and deferred compensation obligations. In the event cash values are not sufficient to fund such obligations, the program allows the Company to reduce benefit payments to such amounts as may be funded by accumulated cash values.

G. COMMON STOCK

On January 27, 1994, the Company's Board of Directors approved the Employee Stock Purchase Plan ("Stock Purchase Plan"), Director Retainer Stock Plan ("Stock Retainer Plan") and Employee Stock Gift Program ("Stock Gift Program").

The Stock Purchase Plan allows eligible employees to purchase shares of Company stock at a share price equal to 90% of fair market value on the purchase date. In 1996 and 1995, 3,471 and 831 shares, respectively, were issued under this Plan for an amount totaling approximately $33,000 and $7,200, respectively.

The Stock Retainer Plan allows eligible members of the Board of Directors to defer their retainer fees and receive shares of Company stock at the time of their retirement, disability or death. The number of shares to be received is equal to the amount of the retainer fee deferred multiplied by 110% divided by the fair market value of a share of Company stock at the time of deferral, and is increased for dividends declared. The Company has accrued approximately $83,000, $50,000 and $25,000 at December 28, 1996, December 30, 1995 and December 31, 1994, respectively, for amounts incurred under this Plan.

The Stock Gift Program allows the Board of Directors to gift shares of stock to eligible employees based on length of service. The Company gifted 500, 550 and 250 shares of stock under this Plan in 1996, 1995 and 1994, respectively, and recognized the market value of the shares at the date of issuance as expense.

At December 28, 1996, a total of 1,464,398 shares are reserved for issuance under the Plans mentioned above and under Note H below.

On October 27, 1995, the Board of Directors approved a share repurchase program for up to 1,000,000 shares of the Company's common stock. In 1996, the Company repurchased 100,000 shares of its common stock for approximately $822,000.

H. STOCK OPTIONS

On June 8, 1989, the Company granted non-qualified stock options to certain executive officers. In February 1996 and March 1994, two former officers exercised all of their options and each purchased 60,000 shares of common stock for $132,600. At December 28, 1996 options for 90,000 and 50,000 shares were outstanding at prices of $2.21 and $3.31 per share, respectively. Such options are exercisable currently, and expire on June 1, 1997 and June 1, 2000, respectively.

On June 1, 1993, the shareholders approved the Incentive Stock Option Plan (the "Plan") for officers of the Company. Options for the purchase of all 1,200,000 shares of the Company's common stock authorized under the Plan have been granted. The Plan provides that the options are exercisable only if the officer is employed by the Company at the time of exercise and holds at least seventy-five percent of the individuals' shares held on April 1, 1993. The Plan also requires the option shares to be held for periods of six months to three years. In April 1996, seven officers exercised options and purchased 35,000 shares of common stock for $113,750. The remaining options are exercisable within thirty days of the anniversary of the Plan in the years and at the prices shown below:

PLAN ANNIVERSARY	NUMBERS OF SHARES	OPTION PRICE
1997	37,500	$3.50
1998	80,000	3.75
1999	170,000	4.00
2000	80,000	4.25
2001	162,500	4.50
2002	185,000	5.00
2005	190,000	5.75
2006	60,000	6.00
2007	60,000	6.25
2008	40,000	6.50
	1,065,000	

On November 10, 1993, the Company granted an option to purchase 10,000 shares of common stock to an officer of the Company at an option price of $7.25 per share. The option is exercisable for a period of thirty days prior to November 10, 2003, and the officer must be employed by the Company at the time of exercise. The agreement also requires the purchased shares to be held at least one year.

On January 27, 1994, the Company's Board of Directors approved the Employee Stock Option Plan (the "Plan"). The Plan allows the Board of Directors to grant options to purchase shares of Company stock to eligible members of management. Under the provisions of the Plan, the exercise price of the options must not be less than 100% of the fair market value of a share of Company stock at the time of grant, and the options expire after five years or ten years from the date of grant. The exercise price and option period are dependent upon an employee's percentage of ownership of Company stock. An employee must continue to be employed by the Company to exercise the options. No options have been granted under this Plan as of December 28, 1996.

I. OFFICERS' STOCK NOTES RECEIVABLE

The officers' stock notes receivable represent notes obtained by the Company from certain officers for the purchase of the Company's common stock. Interest on the notes ranges from fixed rates of seven to eleven percent per annum and a variable rate of the prime rate less 10% (minimum 6%, maximum 12%). At December 28, 1996, payments on the notes are due as follows:

1997	$100,968
1998	107,953
1999	146,726
2000	96,039
2001	102,777
Thereafter	110,237
	$664,700

On January 1, 1997, the Company sold 30,188 shares of common stock to four officers in exchange for notes receivable totaling $399,991. Interest on the four notes will be calculated at a rate of 7% per annum, and paid annually. The principal balance on the notes is due on or before April 1, 2007.

J. LIFE INSURANCE

In September 1995, the Company acquired a second-to-die life insurance policy on its Chairman of the Board and his spouse, the Company's largest shareholders. The death benefit on the policy totals

$8,700,000 and the Company is the beneficiary. The cash surrender value on the policy at December 28, 1996 is included in "Other Assets."

K. RETIREMENT PLAN

The Company has a profit sharing plan for the benefit of substantially all of its employees. Amounts contributed to the plan are made at the discretion of the Board of Directors. The Company contributed approximately $1,528,000, $1,506,000 and $1,296,000 in 1996, 1995 and 1994, respectively. In addition, on July 1, 1994, the Company amended and restated the plan to include a 401(k) feature. During 1996, 1995 and 1994, the Company matched 25% of employee contributions, on a discretionary basis, totaling approximately $440,000, $393,000 and $87,000, respectively. The basis for matching contributions may not exceed the lesser of 6% of the employee's annual compensation or $9,500.

L. INCOME TAXES

Income tax provisions for the years ended December 28, 1996, December 30, 1995, and December 31, 1994 are summarized as follows:

	1996	1995	1994
Currently payable:			
Federal	$10,140,615	$6,829,363	$4,989,796
State and local	2,465,288	1,616,300	1,566,148
	12,605,903	8,445,663	6,555,944
Net Deferred:			
Federal	(504,094)	883,896	697,393
State and local	(130,809)	233,441	246,663
	(634,903)	1,117,337	944,056
	$11,971,000	$9,563,000	$7,500,000

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

	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local taxes	4.9	5.4	6.0
Other	.4	.1	.1
Effective income tax rate	40.3%	40.5%	41.1%

Temporary differences which give rise to deferred tax assets and liabilities at December 28, 1996 and December 30, 1995 are as follows:

	1996		1995	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Employee benefits	$2,593,033	$ (453,503)	$2,269,431	
Depreciation		2,801,951		$2,092,820
Inventory	538,385		389,411	
Accrued expenses	783,820	247,057	379,925	
All other	270,426	(206,442)	46,564	(169,187)
	$4,185,664	$2,389,063	$3,085,331	$1,923,633

M. LEASES

Leased property included in the balance sheet at December 28, 1996 and December 30, 1995 is as follows:

	1996	1995
Land and improvements	$ 275,904	$ 275,904
Buildings and improvements	319,305	319,305
Machinery and equipment	251,340	251,340
	846,549	846,549
Less accumulated amortization	(175,440)	(115,132)
	$ 671,109	$ 731,417

The Company leases certain real estate under operating lease agreements with original terms ranging from one to ten years. The Company is required to pay real estate taxes and other occupancy costs under these leases. Certain of these leases carry renewal options of five to fifteen years. The Company also leases motor vehicles and equipment under operating lease agreements, for periods of one to seven years. Future minimum payments under noncancellable leases at December 28, 1996 are as follows:

	CAPITAL LEASES	OPERATING LEASES	TOTAL
1997	$ 65,086	$2,401,809	$2,466,895
1998	864,903	1,694,842	2,559,745
1999	3,758	716,358	720,116
2000	2,192	199,393	201,585
2001		91,735	91,735
Total minimum lease payments	935,939	$5,104,137	$6,040,076
Less imputed interest	(112,881)		
Present value of minimum lease payments	$ 823,058		

Rent expense was approximately $3,718,000, $3,363,000 and $3,084,000 in 1996, 1995 and 1994, respectively, including approximately $100,000 paid annually to the Company's profit-sharing plan for the lease of certain property.

On July 28, 1995, the Company entered into a lease termination agreement with Chesapeake Corporation covering four of the five facilities the Company acquired on October 4, 1993. The significant terms of the agreement are outlined as follows:

- - The lease for the Fredericksburg, Virginia facility was terminated, effective May 8, 1995. The Company had ceased operations at this facility on December 31, 1994. The Company will continue to be responsible for any environmental liability which may have resulted from its operating and occupying this facility from October 4, 1993 to May 8, 1995, the date of lease termination.

- - Titles to the Elizabeth City, North Carolina; Stockertown, Pennsylvania; and Holly Hill, South Carolina facilities were transferred to the Company without any further lease payments by the Company. The Company accepted these sites "as is." As a result, the Company is responsible for any potential environmental liability at these sites.

On July 28, 1995, the Company sold all of the assets of the Holly Hill, South Carolina facility. As a condition of the sale agreement, the buyer is responsible for any environmental liability existing at the site at the time of the sale.

Based on the results of the final baseline environmental reports and the research of its consultants, the Company believed the reduction in its capital lease obligation substantially offset the estimated environmental liability it assumed as a result of the agreement with Chesapeake. Accordingly, there was no effect to the Company's results of operations as a result of the transaction.

N. COMMITMENTS AND CONTINGENCIES

The Company is self-insured for environmental impairment liability and accrues an expense for the estimated cost of required remedial actions when situations requiring such action arise. The Company owns and operates 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, the Company 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. Remediation activities are currently being conducted at the Company's Granger, Indiana; Union City, Georgia; and Elizabeth City, North Carolina treatment facilities.

The Company has accrued, in other long-term liabilities, amounts totaling approximately $1,738,000 and $2,808,000 at December 28, 1996 and December 30, 1995, respectively, representing the estimated costs to complete remediation efforts currently in process and those expected to occur in the future. The accrued costs include operating ground water reclamation wells, estimated costs of chemical treatments and consultant fees.

Various lawsuits and claims, including those involving ordinary routine litigation incidental to its business, to which the Company is a party, are pending, or have been asserted, against the Company. Although the outcome of these matters cannot be predicted with certainty, and some of them may be disposed of unfavorably to the Company, management has no reason to believe that their disposition will have a material adverse effect on the consolidated financial position, operating results or liquidity of the Company.

O. NON-COMPETE AGREEMENT

In February 1996, the Company entered into a consulting and non-compete agreement with one of its former officers. Included in the agreement are conditions that the former officer provide certain consulting services and agree not to compete with the Company for a period of eleven years. In consideration of these services and agreement not to compete, the Company agreed to make payments to the officer as follows:

1996	$ 325,000
1997	450,000
1998	350,000
1999	100,000
	$1,225,000

The Company recorded the present value of this obligation to "Other Assets" and "Other Liabilities," based on an imputed interest rate of 8% per annum. Amortization of the asset is computed on a straight-line basis over the eleven year non-compete period.

P. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected financial information for all of the quarters during the years ended December 28, 1996 and December 30, 1995 (in thousands, except per-share data):

	FIRST		SECOND		THIRD		FOURTH	
	1996	1995	1996	1995	1996	1995	1996	1995
Net sales............	$159,581	$174,988	$275,727	$235,437	$243,887	$188,801	$188,523	$140,051
Gross profit.........	16,983	18,986	30,882	23,374	21,964	17,835	17,901	13,551
Net earnings.........	2,617	3,517	8,197	5,301	4,792	3,105	2,144	2,127
Earnings per share...	.15	.20	.46	.30	.27	.18	.12	.12

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The Company's common stock trades on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol UFPI. The following table sets forth the range of high and low sales prices as reported by Nasdaq.

FISCAL 1996	HIGH	LOW
Fourth Quarter.......	13.500	11.250
Third Quarter........	13.375	10.000
Second Quarter.......	10.875	9.000
First Quarter........	10.125	7.625

FISCAL 1996	HIGH	LOW
Fourth Quarter.......	10.125	8.750
Third Quarter........	10.375	8.000
Second Quarter.......	8.625	6.000
First Quarter........	8.250	6.375

There were approximately 6,200 shareholders of record as of March 1, 1997.

In 1996, the Company paid dividends on its common stock at a semi-annual rate of $.03 per share. The Company intends to continue with its current dividend policy for the foreseeable future, and retain the balance of its earnings for use in the expansion of its business.

EXHIBIT 21

LIST OF REGISTRANT'S SUBSIDIARIES

1. Universal Forest Products of Canada, Inc., a Canadian Corporation.
2. Universal Forest Products de Mexico, S.A. de C.V., a Mexican Corporation.
3. Universal Forest Products Eastern Company, Inc., a Michigan Corporation.
4. Universal Forest Products Southern Company, Inc., a Michigan Corporation.
5. Universal Forest Products Midwest Company, Inc., a Michigan Corporation.
6. Universal Forest Products Southwest Company, Inc., a Michigan Corporation.
7. Universal Forest Products Far West Company, Inc., a Michigan Corporation.
8. Universal Forest Products Properties Company, Inc., a Michigan Corporation.
9. Universal Forest Products Holding Company, Inc., a Michigan Corporation.
10. Universal Forest Products - FSC, Inc., a Barbados Corporation.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement No. 33-1465835 of Universal Forest Product, Inc. on Form S-8 of our report dated February 6, 1997, incorporated by reference in the Annual Report on Form 10-K of Universal Forest Products, Inc. for the year ended December 28, 1996.

DELOITTE & TOUCHE LLP
Grand Rapids, Michigan
March 25, 1997

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YEAR
DEC-28-1996
DEC-31-1995
DEC-28-1996
1,275,636
0
32,102,276
0
88,519,771
126,557,432
103,643,146
43,967,364
193,376,979
38,062,033
48,975,502
17,040,467
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0
82,837,334
193,376,979
867,718,385
867,718,385
779,988,362
779,988,362
55,237,363
0
4,047,064
29,720,877
11,971,000
0
0
0
0
17,749,877
1.00
1.00