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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 29, 2007.

OR

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

For the transition period of __________ to __________.

Commission File No.: 0-22684

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

Michigan (State or other jurisdiction of incorporation or organization)	**38-1465835** (I.R.S. Employer Identification No.)
2801 East Beltline, N.E., Grand Rapids, Michigan (Address of principal executive offices)	**49525** (Zip Code)

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

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

Title Of Each Class	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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No ☑

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Items 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. ☑

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

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

The aggregate market value of the common stock held by non-affiliates of the registrant (i.e. excluding shares held by executive officers, directors, and control persons as defined in Rule 405, 17 CFR 230.405) on June 30, 2007 was $661,771,865 computed at the closing price of $42.26 on that date.

As of February 2, 2008, 18,922,136 shares of the registrant's common stock, no par value, were outstanding.

Documents incorporated by reference:

(1) Certain portions of the registrant's Annual Report to Shareholders for the fiscal year ended December 29, 2007 are incorporated by reference into Part I and II of this Report.

(2) Certain portions of the registrant's Proxy Statement for its 2008 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

Exhibit Index located on page E-1.

ANNUAL REPORT ON FORM 10-K
December 29, 2007
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PART I

Item 1. Business.

General Development of the Business.

Universal Forest Products, Inc. was organized as a Michigan corporation in 1955. We engineer, manufacture, treat, distribute and install lumber, composite wood, plastic and other building products to the do-it-yourself/retail (“DIY/retail”), site-built construction, manufactured housing, and industrial markets. We currently operate facilities throughout the United States, Canada, and Mexico.

Information relating to current developments in our business is incorporated by reference from our Annual Report to Shareholders for the fiscal year ended December 29, 2007 (“2007 Annual Report”) under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Selected portions of the 2007 Annual Report are filed as Exhibit 13 with this Form 10-K Report.

Financial Information About Segments.

Statement of Financial Accounting Standards (“SFAS”) No. 131, *Disclosures about Segments of an Enterprise and Related Information* (“SFAS 131”) defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Under the definition of a segment, our Eastern, Western and Consumer Products Divisions may be considered an operating segment of our business. Under SFAS 131, segments may be aggregated if the segments have similar economic characteristics and if the nature of the products, distribution methods, customers and regulatory environments are similar. We have aggregated our Eastern and Western divisions into one reporting segment, consistent with SFAS 131. Our Consumer Products Division, which was formed in 2006, is included in “All Other.” Separate Financial information about industry segments is incorporated by reference from Note O of the Consolidated Financial Statements presented under Item 8 herein.

Narrative Description of Business.

We presently engineer, manufacture, treat, distribute and install lumber, composite wood, plastic and other building products for the DIY/retail, site-built construction, manufactured housing, and industrial markets. Each of these markets is discussed in the paragraphs which follow.

DIY/Retail Market. The customers comprising this market are primarily national home center retailers, retail-oriented regional lumberyards and contractor-oriented lumberyards. Generally, terms of sale are established for annual periods, and orders are placed with our regional facilities in accordance with established terms. One customer, The Home Depot, accounted for approximately 26% of our total net sales for fiscal 2007, 22% for 2006, and 22% for 2005.

From time to time we enter into certain sales contracts with The Home Depot. The contracts are limited to the establishment of general sales terms and conditions, such as delivery, invoicing, warranties and other standard, commercial matters. Sales are made by the release of purchase orders to us for particular quantities of certain products. We also enter into marketing agreements and rebate agreements with The Home Depot. The marketing agreements provide a certain percentage of our sales revenue or a minimum dollar amount will be committed to generate sales for us and The Home Depot.

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

The products offered to customers in this market include dimensional lumber (both preserved and unpreserved) and various “value-added products,” some of which are sold under our trademarks. In addition to our conventional lumber products, we offer composite wood and plastic products. We also sell engineered wood products to this market, which include roof trusses, wall panels and engineered floor systems (see “Site-Built Construction Market” below).

We are not aware of any competitor that currently manufactures, treats and distributes a full line of both value-added and commodity products on a national basis. We face competition on individual products from several different producers, but the majority of these competitors tend to be regional in their efforts and/or do not offer a full line of outdoor lumber products. We believe the breadth of our product offering, geographic dispersion, customer relationships, close proximity of our plants to core customers, purchasing and manufacturing expertise and service capabilities provide significant competitive advantages in this market.

Site-Built Construction Market. We entered the site-built construction market through strategic business acquisitions. The residential housing customers comprising this market are primarily large-volume, multi-tract builders and smaller volume custom builders. We also supply builders engaged in multi-family and commercial construction. Generally, terms of sale and pricing are determined based on quotes for each order.

We currently supply customers in this market from manufacturing facilities located in many different states and Canada. These facilities manufacture various engineered wood components used to frame residential or commercial projects, including roof and floor trusses, wall panels, Open Joist 2000®, I-joists and lumber packages. Freight costs are a factor in the ability to competitively service this market due to the space requirements of these products on each truckload.

We also provide framing services for customers in certain regional markets, in which we erect the wood structure. We believe that providing a comprehensive framing package, including installation, provides a competitive advantage. Terms of sale are based on a construction contract.

Competitors in this market include national and regional retail contractor yards who also manufacture components and provide framing services, as well as regional manufacturers of components. Our objective is to continue to increase our manufacturing capacity and framing capabilities for this market while developing a national presence. We believe our primary competitive advantages relate to the engineering and design capabilities of our regional staff, customer relationships, purchasing and manufacturing expertise, product quality and timeliness of delivery.

Manufactured Housing Market. The customers comprising the manufactured housing market are producers of mobile, modular and prefabricated homes and recreational vehicles. Products sold to customers in this market consist primarily of roof trusses, lumber cut and shaped to the customer’s specification, plywood, particle board and dimensional lumber, all intended for use in the construction of manufactured housing. Sales are made by personnel located at each regional facility based on customer orders.

Our principal competitive advantages include our customer relationships, product knowledge, the strength of our engineering support services, the close proximity of our regional facilities to our customers, our purchasing and manufacturing expertise and our ability to provide national sales programs to certain customers. These factors have enabled us to accumulate significant market share in the products we supply.

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

Suppliers. We are one of the largest domestic buyers of solid sawn lumber from primary producers (lumber mills). We use primarily Southern Yellow Pine in our pressure-treating operations and site-built component plants in the Southeastern United States, which we obtain from mills located throughout the states comprising the Sunbelt. Other species we use include “spruce-pine-fir” from various provinces in Canada; hemlock, Douglas fir and cedar from the Pacific Northwest; inland species of pine, plantation grown radiata and southern yellow pines from South America; and European spruce. There are numerous primary producers for all varieties we use, and we are not dependent on any particular source of supply. Our financial resources and size, in combination with our strong sales network and ability to remanufacture lumber, enable us to purchase a large percentage of a primary producer’s output, (as opposed to only those dimensions or grades in immediate need), thereby lowering our average cost of raw materials and allowing us to obtain programs such as consigned inventory. We believe this represents a competitive advantage.

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

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

On December 29, 2007 and December 30, 2006, we estimate that backlog orders associated with the site-built construction business approximated $101.6 million and $119.8 million, respectively. With respect to the former, we expect that these orders will be primarily filled within the current fiscal year, however, it is possible that some orders could be canceled.

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

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

Employees. On December 29, 2007, we had approximately 8,400 employees.

Financial Information About Geographic Areas.

The dominant portion of our operations and sales occur in the United States. Separate financial information about foreign and domestic operations and export sales is incorporated by reference from Note O of the Consolidated Financial Statements presented under Item 8 herein.

Available Information.

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

Reports to Security Holders.

Not applicable.

Enforceability of Civil Liabilities Against Foreign Persons.

Not applicable.

Item 1A. Risk Factors.

We are subject to fluctuations in the price of lumber. We experience significant fluctuations in the cost of commodity lumber products from primary producers (the “Lumber Market”). A variety of factors over which we have no control, including government regulations, environmental regulations, weather conditions, economic conditions, and natural disasters, impact the cost of lumber products and our selling prices. While we attempt to minimize our risk from severe price fluctuations, substantial, prolonged trends in lumber prices can negatively affect our sales volume, our gross margins, and our profitability. We anticipate that these fluctuations will continue in the future.

Our growth may be limited by the markets we serve. Our sales growth is dependent, in part, upon the growth of the markets we serve. If our markets do not achieve anticipated growth, or if we fail to maintain our market share, financial results could be impaired.

Our ability to achieve sales and margin goals, particularly on sales to the site-built construction market, is impacted by housing starts. If housing starts decline significantly, our financial results could be negatively impacted. Single-family housing starts fell approximately 29% in 2007 compared to 2006.

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

A significant portion of our sales are concentrated with one customer. Our sales to The Home Depot comprised 26% of our total sales in 2007, 22% in 2006, and 22% in 2005.

Our growth may be limited by our ability to make successful acquisitions. A key component of our growth strategy is to complete business combinations. Business combinations involve inherent risks, including assimilation and successfully managing growth. While we conduct extensive due diligence and have taken steps to ensure successful assimilation, factors beyond our control could influence the results of these acquisitions.

We may be adversely affected by the impact of environmental and safety regulations. We are subject to the requirements of federal, state, and local environmental and occupational health and safety laws and regulations. There can be no assurance that we are at all times in complete compliance with all of these requirements. We have made and will continue to make capital and other expenditures to comply with environmental regulations. If additional laws and regulations are enacted in the future, which restrict our ability to manufacture and market our products, including our treated lumber products, it could adversely affect our sales and profits. If existing laws are interpreted differently, it could also increase our financial costs.

Seasonality and weather conditions could adversely affect us. Some aspects of our business are seasonal in nature and results of operations vary from quarter to quarter. Our treated lumber and outdoor specialty products, such as fencing, decking, and lattice, experience the greatest seasonal effects. Sales of treated lumber, primarily consisting of Southern Yellow Pine, also experience the greatest Lumber Market risk (see “Historical Lumber Prices” in Management’s Discussion and Analysis of Financial Condition and Results of Operations which is presented under Item 7 of this Form 10-K and is incorporated herein by reference). Treated lumber sales are generally at their highest levels between April and August. This sales peak, combined with capacity constraints in the wood treatment process, requires us to build our inventory of treated lumber throughout the winter and spring. (This also has an impact on our receivables balances, which tend to be significantly higher at the end of the second and third quarters.) Because sales prices of treated lumber products may be indexed to the Lumber Market at the time they are shipped, our profits can be negatively affected by prolonged declines in the Lumber Market during our primary selling season. To mitigate this risk, consignment inventory programs are negotiated with certain vendors that are intended to decrease our exposure to the Lumber Market by correlating the purchase price of the material with the related sell price to the customer. These programs include those materials which are most susceptible to adverse changes in the Lumber Market.

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

New preservatives will be developed to treat our products. The manufacturers of preservatives continue to develop new preservatives. All of our wood preservation facilities utilize either Amine Copper Quaternary (“ACQ”), ProWood® Micro or borates. While we believe treated products are reasonably priced relative to alternative products such as composites or vinyl, consumer acceptance may be impacted which would in turn affect our future operating results. In addition, new preservatives could increase our cost of treating products in the future.

Market conditions for the supply of certain lumber products and inbound transportation may be limited. These conditions, which occur on occasion, have resulted in difficulties procuring desired quantities and receiving orders on a timely basis for all industry participants. We are not certain how these conditions may impact our short-term sales volumes and profitability. However, we attempt to mitigate the risks of these conditions by:

- Our pricing practices (see “Impact of the Lumber Market on Our Operating Results” in Management’s Discussion and Analysis of Financial Condition and Results of Operations which is presented under Item 7 of this Form 10-K and is incorporated herein by reference);
- Leveraging our size with mill and transportation suppliers to ensure they achieve supply and service requirements;
- Increasing our utilization of consigned inventory programs with mills; and
- Expanding our supply base of dedicated carriers.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters building is located in suburban Grand Rapids, Michigan. We currently have approximately 90 facilities located throughout the United States, Canada, and Mexico. Depending upon function and location, these facilities typically utilize office space, manufacturing space, treating space and covered storage.

We own all of our properties, free from any significant mortgage or other encumbrance, except for approximately 20 regional facilities which are leased. We believe all of these operating facilities are adequate in capacity and condition to service existing customer locations.

Item 3. Legal Proceedings.

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

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Additional Item: Executive Officers of the Registrant.

The following table lists the names, ages, and positions of our executive officers as of February 1, 2008. Executive officers are elected annually by the Board of Directors at the first meeting of the Board following the annual meeting of shareholders.

Name	Age	Position
William G. Currie	60	Executive Chairman, Universal Forest Products, Inc.
Michael B. Glenn	56	President and Chief Executive Officer, Universal Forest Products, Inc.
C. Scott Greene	52	President, Universal Forest Products Eastern Division, Inc.
Patrick M. Webster	48	President, Universal Forest Products Western Division, Inc.
Robert D. Coleman	53	Executive Vice President of Manufacturing, Universal Forest Products, Inc.
Matthew J. Missad	47	Executive Vice President and Secretary, Universal Forest Products, Inc.
Michael R. Cole	41	Chief Financial Officer and Treasurer, Universal Forest Products, Inc.
Ronald G. Klyn	50	Chief Information Officer, Universal Forest Products, Inc.
Joseph F. Granger	42	Executive Vice President of Sales and Marketing, Universal Forest Products, Inc.

William G. Currie joined us 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 Universal Forest Products, Inc. in 1993. On January 1, 2000, Mr. Currie also became Vice Chairman of the Board. On April 19, 2006, Mr. Currie became Executive Chairman.

Michael B. Glenn joined us in 1974. In June of 1989, Mr. Glenn was elected Senior Vice President of our Southwest Operations, and on December 1, 1997, became President of Universal Forest Products Western Division, Inc. Effective January 1, 2000, Mr. Glenn was promoted to President and Chief Operating Officer. On July 1, 2006, Mr. Glenn became Chief Executive Officer.

C. Scott Greene joined us in 1991. In November of 1996 he became General Manager of Operations for our Florida Region, and in January of 1999 became Vice President of Marketing for Universal Forest Products, Inc. During early 2000, Mr. Greene became President of Universal Forest Products Eastern Division, Inc.

Patrick M. Webster joined us in 1985. He has held various sales, purchasing and management positions throughout his career with us. Mr. Webster became Vice President of the Far West Region in 1999, and on July 1, 2007, became President of Universal Forest Products Western Division, Inc.

Robert D. Coleman, joined us in 1979. Mr. Coleman was promoted to Senior Vice President of our Midwest Operations in September 1993. On December 1, 1997, Mr. Coleman became the Executive Vice President of Manufacturing of the Universal Forest Products Eastern Division, Inc. On January 1, 1999, Mr. Coleman was named the Executive Vice President of Manufacturing.

Matthew J. Missad joined us in 1985. Mr. Missad has served as General Counsel and Secretary since December 1, 1987, and Vice President Corporate Compliance since August 1989. In February 1996, Mr. Missad was promoted to Executive Vice President.

Michael R. Cole, CPA, CMA, joined us in 1993. In January of 1997, Mr. Cole was promoted to Director of Finance, and on January 1, 2000 was made Vice President of Finance and Treasurer. On July 19, 2000, Mr. Cole became Chief Financial Officer.

Ronald G. Klyn joined us in 1993 as Information Services Manager. In October of 1999, Mr. Klyn was promoted to Chief Information Officer.

Joseph F. Granger joined us in 1988. In 1997 he became Vice President of the Atlantic Region, in 2002 he became Regional Vice President of the Southeast Region, and on January 1, 2007, he became Executive Vice President of Sales and Marketing.

PART II

The following information items in this Part II, which are contained in the 2007 Annual Report, are specifically incorporated by reference into this Form 10-K Report. These portions of the 2007 Annual Report that are specifically incorporated by reference are filed as Exhibit 13 with this Form 10-K Report.

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

(a) The information relating to market, holders and dividends is incorporated by reference from the 2007 Annual Report under the caption "Price Range of Common Stock and Dividends."

There were no recent sales of unregistered securities.

(b) Not applicable.

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

Fiscal Month	(a)	(b)	(c)	(d)
September 30 – November 3, 2007[1]	60,300	$ 31.24	60,300	1,298,710
November 4 – December 1, 2007	42,000	$ 30.39	42,000	1,256,710
December 2 – 29, 2007	12,000	$ 28.68	12,000	1,244,710

(a) Total number of shares purchased.

(b) Average price paid per share.

(c) Total number of shares purchased as part of publicly announced plans or programs.

(d) Maximum number of shares that may yet be purchased under the plans or programs.

(1) On November 14, 2001 the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2.5 million shares of our common stock. As of December 29, 2007, the cumulative total of authorized shares available for repurchase is 1.2 million shares.

Item 6. Selected Financial Data.

The information required by this Item is incorporated by reference from the 2007 Annual Report under the caption "Selected Financial Data."

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

The information required by this item is incorporated by reference from the 2007 Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

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

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

On December 29, 2007, the estimated fair value of our long-term debt, including the current portion, was $207.6 million, which was $1.5 million greater than the carrying value. The estimated fair value is based on rates anticipated to be available to us for debt with similar terms and maturities. The estimated fair value of notes payable included in current liabilities and the revolving credit facility approximated the carrying values.

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

($US equivalents, in thousands)	2008	2009	2010	2011	2012	Thereafter	Total
Long-term Debt:							
Fixed Rate ($US)		$15,000			$118,500		$133,500
Average interest rate		5.63%			6.70%		
Variable Rate ($US)	$ 945	$ 317	$ 271	$ 254	$ 54,884	$ 15,900	$ 72,571
Average interest rate(1)	5.71%						

(1) Average of rates at December 29, 2007.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item is incorporated by reference from the 2007 Annual Report under the following captions:

"Management's Annual Report on Internal Control Over Financial Reporting"
"Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting"
"Report of Independent Registered Public Accounting Firm"
"Consolidated Balance Sheets"
"Consolidated Statements of Earnings"
"Consolidated Statements of Shareholders' Equity"
"Consolidated Statements of Cash Flows"
"Notes to Consolidated Financial Statements"

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

Not applicable.

Item 9A. Controls and Procedures.

(1) Evaluation of Disclosure Controls and Procedures. With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15e and 15d — 15e) as of the year ended December 29, 2007 (the "Evaluation Date"), have concluded that, as of such date, our disclosure controls and procedures were effective.

(2) Management's Annual Report on Internal Control Over Financial Reporting. Management's Annual Report on Internal Control Over Financial Reporting is included in the 2007 Annual Report under the caption "Management's Annual Report on Internal Control Over Financial Reporting" and is incorporated herein by reference. Our accounting firm's attestation Report on our internal control over financial reporting is also included in the 2007 Annual Report in the caption "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting" and is incorporated herein by reference.

(3) Changes in Internal Controls. During the fourth quarter ended December 29, 2007, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information relating to our directors, compliance with Section 16(a) of the Securities and Exchange Act of 1934 and various corporate governance matters is incorporated by reference from our definitive Proxy Statement for the year ended December 29, 2007 for the 2008 Annual Meeting of Shareholders, as filed with the Commission ("2008 Proxy Statement"), under the captions "Election of Directors," "Corporate Governance and Board Matters," and "Section 16(a) Beneficial Ownership Reporting Compliance." Information relating to executive officers is included in this report in the last Section of Part I under the caption "Additional Item: Executive Officers of the Registrant." Information relating to our code of ethics is included in this report in Part I, Item 1 under the caption "Available Information".

Item 11. Executive Compensation.

Information relating to director and executive compensation is incorporated by reference from the 2008 Proxy Statement under the caption "Executive Compensation." The "Compensation Committee Report" included in the 2008 Proxy Statement is incorporated hereby by reference for the purpose of being furnished herein and is not and shall not be deemed to be filed under the Securities Exchange Act of 1934, as amended.

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

Information relating to security ownership of certain beneficial owners and management is incorporated by reference from our 2008 Proxy Statement under the captions "Ownership of Common Stock" and "Securities Ownership of Management."

Information relating to securities authorized for issuance under equity compensation plans as of December 29, 2007, is as follows:

	Number of shares to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of shares remaining available for future issuance under equity compensation plans [excluding shares reflected in column (a)] (c)
Equity compensation plans approved by security holders	796,477	$ 20.92	987,603
Equity compensation plans not approved by security holders	none		

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

Information relating to certain relationships and related transactions, and director independence is incorporated by reference from the 2008 Proxy Statement under the captions "Election of Directors", "Affirmative Determination Regarding Director Independence and Other Matters" and "Related Party Transactions."

Item 14. Principal Accounting Fees and Services.

Information relating to the types of services rendered by our Independent Auditors and the fees paid for these services is incorporated by reference from our 2008 Proxy Statement under the caption "Independent Public Accountants — Fees and Services."

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) 1. Financial Statements. The following are incorporated by reference, under Item 8 of this report, from the 2007 Annual Report:

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

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

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

(b) Reference is made to the Exhibit Index which is included in this Form 10-K Report.

(c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 26, 2008

UNIVERSAL FOREST PRODUCTS, INC.

By: /s/ Michael B. Glenn
Michael B. Glenn, Chief Executive Officer

and

/s/ Michael R. Cole
Michael R. Cole, Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 26th day of February, 2008, by the following persons on behalf of us and in the capacities indicated.

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

/s/ Peter F. Secchia	/s/ William G. Currie
Peter F. Secchia, Director	**William G. Currie, Director**
/s/ Dan M. Dutton	/s/ John M. Engler
Dan M. Dutton, Director	**John M. Engler, Director**
/s/ John W. Garside	/s/ Michael B. Glenn
John W. Garside, Director	**Michael B. Glenn, Director**
/s/ Gary F. Goode	/s/ Mark A. Murray
Gary F. Goode, Director	**Mark A. Murray, Director**
/s/ Louis A. Smith	
Louis A. Smith, Director	

EXHIBIT INDEX

Exhibit #	Description	
3	Articles of Incorporation and Bylaws.	
	(a)	Registrant's Articles of Incorporation were filed as Exhibit 3(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
	(b)	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	Instruments Defining the Rights of Security Holders.	
	(a)	Specimen form of Stock Certificate for Common Stock was filed as Exhibit 4(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10	Material Contracts.	
	*(a)(3)	Consulting Agreement with Peter F. Secchia, dated December 31, 2002, and Assignment dated January 1, 2003 was filed as Exhibit 10(a)(3) to a Form 10-K, Annual Report for the year ended December 28, 2002 and the same is incorporated herein by reference.
	*(a)(4)	Nondisclosure and Non-Compete Agreement with Peter F. Secchia, dated December 31, 2002 was filed as Exhibit 10(a)(4) to a Form 10-K, Annual Report for the year ended December 28, 2002 and the same is incorporated herein by reference.
	*(a)(5)	Conditional Share Grant Agreement with William G. Currie dated April 17, 2002 was filed as Exhibit 10(a)(5) to a Form 10-K, Annual Report for the year ended December 28, 2002 and the same is incorporated herein by reference.
	*(a)(6)	Form of Conditional Share Grant Agreement utilized under the Company's Long Term Stock Incentive Plan, was filed as Exhibit 10(a) to a Form 10-Q Quarterly Report for the quarter ended September 25, 2004 and the same is incorporated herein by reference.
	*(a)(7)	Consulting and Non-Compete Agreement with William G. Currie, dated December 17, 2007.

Exhibit #	Description	
	*(a)(8)	Employment, Consulting (and Non-Competition) Agreement with Robert K. Hill, dated June 15, 2007.
	(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.
	*(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.
	*(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.
	*(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.
	(i)(4)	Series 2004-A, Credit Agreement dated December 20, 2004 was filed as Exhibit 10(i) to a Form 8-K Current Report dated December 21, 2004 and the same is incorporated herein by reference.
	(i)(5)	First Amendment dated February 12, 2007 relating to Series 2004-A, Credit Agreement dated December 20, 2004 was filed as Exhibit 10(i) to a Form 8-K Current Report dated February 15, 2007 and the same is incorporated herein by reference.
	(j)(1)	Series 1998-A, Senior Note Agreement dated December 21, 1998 was filed as Exhibit 10(j)(1) to a Form 10-K Annual Report for the year ended December 26, 1998, and the same is incorporated herein by reference.
	(j)(2)	Series 2002-A, Senior Note Agreement dated December 18, 2002 was filed as Exhibit 10(j)(2) to a Form 10-K Annual Report for the year ended December 28, 2002 and the same is incorporated herein by reference.
	(k)(4)	Program for Accounts Receivable Transfer ("PARTS") Agreement dated March 7, 2006 was filed as Exhibit 10(k)(4) to a Form 10-K Annual Report for the year ended December 31, 2005 and the same is incorporated herein by reference.
13	Selected portions of the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2007.	

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Exhibit #	Description	
14	Code of Ethics for Senior Financial Officers	
	(a)	Code of Ethics for Chief Financial Officer was filed as Exhibit 14(a) to a Form 10-K, Annual Report for the year ended December 25, 2004 and the same is incorporated herein by reference.
	(b)	Code of Ethics for Vice President of Accounting and Administration was filed as Exhibit 14(a) to a Form 10-K, Annual Report for the year ended December 25, 2004 and the same is incorporated herein by reference.
	(c)	Code of Ethics for Vice President of Accounting was filed as Exhibit 14(c) to a Form 10-K, Annual Report for the year ended December 31, 2005 and the same is incorporated herein by reference.
21	Subsidiaries of the Registrant.	
23	Consent of Ernst & Young LLP.	
31	Certifications.	
	(a)	Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
	(b)	Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32	Certifications.	
	(a)	Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
	(b)	Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

* Indicates a compensatory arrangement.

Exhibit 10(a) (7)

NONDISCLOSURE AND NON-COMPETE AGREEMENT

This Agreement is entered into as of the 17th day of December, 2007, by and between Universal Forest Products, Inc., and its affiliates and subsidiaries, 2801 East Beltline NE, Grand Rapids, MI 49525 (herein “UFP”), and William G. Currie, an individual, of 1830 Beard Drive SE, Grand Rapids, MI 49546 (herein “Currie”).

RECITALS

A. Currie intends to retire as an officer of UFP as of July 21, 2009. UFP wishes to restrict his services from being provided to any competitors of UFP.

The Parties agree as follows:

SECTION 1. DISCLOSURE OF INFORMATION.

Currie acknowledges that UFP’s trade secrets, private or secret processes as they exist from time to time, and information concerning customers and their identity, products, developments, manufacturing techniques, new product plans, equipment, inventions, discoveries, patent applications, ideas, designs, engineering drawings, sketches, renderings, other drawings, manufacturing and test data, computer programs, progress reports, materials, costs, specifications, processes, methods, research, procurement and sales activities and procedures, promotion and pricing techniques, and credit and financial data concerning customers of UFP, as well as information relating to the management, operation, or planning of UFP, herein the (“Proprietary Information”) are valuable, special, and unique assets of UFP, access to and knowledge of which may be essential to the performance of Currie’s duties under this Agreement. In light of the highly competitive nature of the industries in which UFP conducts businesses, Currie agrees that all Proprietary Information obtained by Currie as a result of its relationship with UFP shall be considered confidential. In recognition of this fact, Currie agrees that except as may be necessary for UFP’s benefit, in Currie’s reasonable judgment, Currie will not, during and after the Non-Compete Period, disclose any of such Proprietary Information to any person or entity for any reason or purpose whatsoever without the written consent of UFP, and Currie will not make use of any Proprietary Information for Currie’s own purposes or for the benefit of any other person or entity (except UFP) under any circumstances.

SECTION 2. NON-COMPETITION AGREEMENT.

In order to further protect the confidentiality of the Proprietary Information and in recognition of the highly competitive nature of the industries in which UFP conducts its businesses, and for the consideration set forth herein, Currie further agrees that during and for the period commencing on July 21, 2009 and ending on July 21, 2012 (the “Non-Compete Period”):

2.1 Currie will not directly or indirectly engage in any Business Activities (hereinafter defined), other than on behalf of UFP, whether such engagement is as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 1% of the outstanding capital stock of a publicly-traded corporation), advisor, agent, or other participant, in any geographic area in which the products or services of UFP have been distributed or provided during the period of Currie's consulting relationship with UFP. For purposes of this Agreement, the term "Business Activities" shall mean the design, development, manufacture, sale, marketing, or servicing of UFP's products, together with all other activities engaged in by UFP or any of its subsidiaries at any time during Currie's relationship with UFP, and activities in any way related to activities with respect to which Currie renders consulting services under this Agreement.

2.2 Currie will not directly or indirectly engage in any of the Business Activities (other than on behalf of UFP) by supplying products or providing services to any customer with whom UFP has done any business during the consulting relationship with UFP, whether such engagement is as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than one percent (1%) of the outstanding capital stock of a publicly traded corporation), advisor, agent, or other participant.

2.3 <u>Assistance to Others</u>. Currie will not directly or indirectly assist others in engaging in any of the Business Activities in any manner prohibited to Currie under this Agreement.

2.4 <u>UFP's Employees</u>. Currie will not directly or indirectly induce employees of UFP to engage in any activity hereby prohibited to Currie or to terminate their employment with UFP.

2.5 <u>Non-Compete Payments</u>. In exchange for Currie's agreements and obligations under this Section 2, Currie will receive a payment of Forty One Thousand Six Hundred Sixty Six Dollars ($41,666.00) per month for the term of the Non-Compete Period, subject to earlier termination upon the death or Disability of Currie. Disability shall mean a physical or mental injury or illness that totally and permanently renders Currie unable to perform all of the functions called for under this Agreement.

SECTION 3. INTERPRETATION.

Although Currie and UFP consider the restrictions contained in Sections 1 and 2 of this Agreement reasonable for the purpose of preserving the goodwill, proprietary rights, and going concern value of UFP, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in Section 2 is an unenforceable restriction on the activities of Currie, the provisions of such restriction shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable. Alternatively, if the court referred to above finds that any restriction contained in Section 2 or any remedy provided in Section 4 of this Agreement is unenforceable, and such restriction or remedy cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained in this Agreement or the availability of any other remedy. The provisions of Sections 1 and 2 shall in no respect limit or otherwise affect the obligations of Currie under other agreements with UFP.

SECTION 4. REMEDIES.

Currie acknowledges and agrees that UFP's remedy at law for a breach or threatened breach of any of the provisions of Sections 1 and 2 of this Agreement would be inadequate and, in recognition of this fact, in the event of a breach or threatened breach by Currie of any of the provisions of Sections 1 and 2, Currie agrees that, in addition to its remedies at law, at UFP's option, all rights of Currie, and obligations of UFP, under this Agreement may be terminated. UFP shall be entitled to equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available. UFP shall not be required to post bond, and Currie agrees not to oppose UFP's request for equitable relief. Currie acknowledges that the granting of a temporary injunction, temporary restraining order or permanent injunction merely prohibiting the use of Proprietary Information would not be an adequate remedy upon breach or threatened breach of Sections 1 and 2, and consequently agrees upon any such breach or threatened breach to the granting of injunctive relief prohibiting the design, development, manufacture, marketing or sale of products and providing of services of the kind designed, developed, manufactured, marketed, sold or provided by UFP or its subsidiaries during the term of Currie's relationship with UFP. Nothing contained in this Section 4 shall be construed as prohibiting UFP from pursuing, in addition, any other remedies available to it for such breach or threatened breach.

SECTION 5. MISCELLANEOUS PROVISIONS.

5.1 Assignment. This Agreement shall not be assignable by either party, except by UFP to any subsidiary or affiliate of UFP (now or hereafter existing) or to any successor in interest to UFP's business, provided that in the case of an assignment to an affiliate or subsidiary, UFP shall remain liable as a guarantor for payments due to Currie hereunder.

5.2 Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors, and assigns of the parties.

5.3 Notice. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be mailed by certified mail, return receipt requested, postage prepaid, addressed to the parties at the address stated on the first page of this Agreement. The address of a party to which notices or other communications shall be mailed may be changed from time to time by giving written notice to the other party.

5.4 Litigation Expense. In the event of a default under this Agreement, the defaulting party shall reimburse the non-defaulting party for all costs and expenses reasonably incurred by the non-defaulting party in connection with the default, including without limitation reasonable attorney's fees. The non-defaulting party may seek reimbursement in a court of competent jurisdiction. Additionally, in the event a suit or action is filed to enforce this Agreement or with respect to this Agreement, the prevailing party or parties shall be reimbursed by the other party for all costs and expenses incurred in connection with the suit or action, including without limitation reasonable attorney's fees at the trial level and on appeal.

5.5 Waiver. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

5.6 Applicable Law. This Agreement shall be governed by and shall be construed in accordance with the laws of the State of Michigan.

5.7 Entire Agreement. This Agreement constitutes the entire Agreement between the parties pertaining to its subject matter, and it supersedes all prior contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all parties.

[SIGNATURES ON FOLLOWING PAGE.]

UNIVERSAL FOREST PRODUCTS, INC.:

By: /s/ Matthew J. Missad

Its: Executive Vice President

/s/ William G. Currie
William G. Currie

Exhibit 10(a) (8)

EMPLOYMENT, CONSULTING
(AND NON-COMPETITION) AGREEMENT

DATE: June 15, 2007

PARTIES: Robert K. Hill 5974 Watson Drive Fort Collins, CO 80528 (herein "Hill"	Universal Forest Products Western Div., Inc. (and its affiliates and subsidiaries) 2801 East Beltline NE Grand Rapids, MI 49525 (herein "UFP" or the "Company")

The Parties agree as follows:

SECTION 1. RETIREMENT.

Hill is currently the President of Universal Forest Products Western Division, Inc. From June 15, 2007 to December 31, 2007, Hill shall remain an officer of UFP. The Company will appoint a new President of Universal Forest Products Western Division, Inc., effective July 1, 2007. Effective January 1, 2008 (the "Effective Date"), Hill shall be deemed to have resigned as an officer of the Company and will become a consultant to the Company. As of the Effective Date, Hill releases UFP from any employment obligations and wishes to enter into a consulting agreement as described in this document.

SECTION 2. RETENTION OF HILL AS CONSULTANT.

2.1 Effective Date. As of the Effective Date, UFP shall retain Hill as an independent contractor and consultant. Hill accepts such consulting relationship upon the terms and conditions set forth in this Agreement.

2.2 Services. Hill agrees to provide sales, manufacturing and purchasing consulting for the exclusive benefit of UFP. Hill shall perform such consulting services faithfully for UFP during the term of this Agreement. The initial consulting services are listed on Appendix "A" and may be amended in writing as agreed by the parties.

2.3 Condition Precedent. UFP's obligations hereunder, including but not limited to the Compensation described in Section 3 of this Agreement, are expressly conditioned upon the execution of the Full and Final Release by Hill on or before December 31, 2007. The Full and Final Release is attached as Appendix "B."

SECTION 3. COMPENSATION.

3.1 Employment Compensation. For the period ended fiscal year 2007, Hill shall receive his normal base salary, ROI bonus consisting of 25% of the Universal Forest Products Western Division pool plus a portion of the discretionary pool (minimum 10% and maximum 25%), as determined by Hill and the CEO, and officer benefits package.

3.2 Consulting Fee and Expense Reimbursement. On the Effective Date, in full satisfaction for all consulting services rendered by Hill for UFP under this Agreement, UFP shall pay Hill’s consulting business a consulting fee as follows:

(a) Thirty Thousand Three Hundred Fifty Two Dollars and 08/100 ($30,352.08) per month, in exchange for up to two (2) days or twenty (20) hours per week. Some weeks may require more time, and other weeks may require less time, as agreed by the parties.

(b) Hill and his spouse shall be eligible for COBRA continuation of medical benefits effective January 1, 2008. The fee for standard salaried insurance will be paid by UFP for the 18 months of COBRA coverage, or longer, if eligible. From July 1, 2009 through November 30, 2012, UFP shall pay the premium for a Colorado Preferred Blue Cross policy, or its similarly priced equivalent, with a reasonable deductible, for Hill and his spouse. Hill shall be responsible for all deductibles, co-pays and policy limitations.

(c) After December 31, 2007, Hill will be responsible for all of Hill’s costs to perform the obligations under this agreement. UFP will reimburse Hill for business telephone and internet access used for UFP business as agreed by the CEO and Hill. If Hill is required by UFP to travel to perform specific duties, UFP will reimburse the ordinary and necessary costs to travel and perform such duties.

3.3 Other Compensation and Fringe Benefits. Except as set forth in this Agreement, Hill shall not receive any other compensation from UFP or participate in or receive benefits under any other UFP fringe benefit programs, including, without limitation, disability, life insurance, bonus, and profit sharing benefits. On the Effective Date, Hill shall receive a one-time payment of Five Thousand Dollars ($5,000.00).

SECTION 4. NATURE OF RELATIONSHIP; EXPENSES.

4.1 Independent Contractor. As of the Effective Date, Hill shall be an independent contractor and shall not be the employee, servant, agent, partner, or joint venturer of UFP, or any of its officers, directors, or consultants. Except as expressly provided herein, Hill shall not have the right to or be entitled to any of the employee benefits of UFP or its subsidiaries except as expressly agreed in writing. Hill has no authority to assume or create any obligation or liability, express or implied, on UFP’s behalf or in its name or to bind UFP in any manner whatsoever.

4.2 Insurance and Taxes. Hill agrees to arrange for Hill's own liability, disability, and workers' compensation insurance, and that of Hill's employees, if any. Hill agrees to be responsible for Hill's own tax obligations accruing as a result of payments for services rendered under this Agreement, as well as for the tax withholding obligations with respect to Hill's employees, if any. It is expressly understood and agreed by Hill that should UFP for any reason incur tax liability or charges whatsoever as a result of not making any withholdings from payments for services under this Agreement, Hill will reimburse and indemnify UFP for the same. Hill agrees to sign independent contractor agreement(s) containing terms sufficient to comply with Colorado and Federal law regarding his status as an independent contractor.

4.3 Equipment, Tools, Consultants and Overhead. Except as set forth in this Agreement, Hill shall provide, at his own expense, all equipment and tools needed to provide services under this Agreement, including the salaries of and benefits provided to any employees of Hill. Hill shall be responsible for all of Hill's overhead costs and expenses.

SECTION 5. TERM.

5.1 Initial Term; Renewal. The consulting relationship under this Agreement shall commence on the Effective Date and continue in effect until December 31, 2010. The parties may mutually agree in writing to extend this Agreement.

5.2 Effect of Termination. Termination of the consulting relationship shall not affect the provisions of Sections 6, 7 and 8, which provisions shall survive any termination in accordance with their terms.

SECTION 6. DISCLOSURE OF INFORMATION.

Hill acknowledges that UFP's trade secrets, private or secret processes as they exist from time to time, and information concerning customers and their identity, products, developments, manufacturing techniques, new product plans, equipment, inventions, discoveries, patent applications, ideas, designs, engineering drawings, sketches, renderings, other drawings, manufacturing and test data, computer programs, progress reports, materials, costs, specifications, processes, methods, research, procurement and sales activities and procedures, promotion and pricing techniques, and credit and financial data concerning customers of UFP, as well as information relating to the management, operation, or planning of UFP, herein the ("Proprietary Information") are valuable, special, and unique assets of UFP, access to and knowledge of which may be essential to the performance of Hill's duties under this Agreement as an employee or as a consultant.

In light of the highly competitive nature of the industry in which UFP conducts business, Hill agrees that all Proprietary Information obtained by Hill as a result of its relationship with UFP shall be considered confidential. In recognition of this fact, Hill agrees that Hill will not, during and after the Consulting Period, disclose any of such Proprietary Information to any person or entity for any reason or purpose whatsoever, and Hill will not make use of any Proprietary Information for Hill's own purposes or for the benefit of any other person or entity (except UFP) under any circumstances. Notwithstanding anything herein to the contrary, no obligation or liability shall accrue hereunder with respect to any of the Proprietary Information to the extent that such Proprietary Information (1) is or becomes publicly available other than as a result of acts by Hill in violation of this Agreement; or (2) is, on the advice of counsel, required to be disclosed by law or legal process.

SECTION 7. NONCOMPETITION AGREEMENT.

In order to further protect the confidentiality of the Proprietary Information and in recognition of the highly competitive nature of the industries in which UFP conducts its businesses, and for the consideration set forth herein, Hill further agrees that during and for the period June 15, 2007 and ending on December 31, 2010.

7.1 Hill will not directly or indirectly engage in any Business Activities (hereinafter defined), other than on behalf of UFP, whether such engagement is as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 1% of the outstanding capital stock of a publicly-traded corporation), consultant, advisor, agent, or other participant, in any geographic area in which the products or services of UFP have been distributed or provided during the period of Hill's employment or consulting relationship with UFP. For purposes of this Agreement, the term "Business Activities" shall mean the design, development, manufacture, sale, marketing, or servicing of UFP's products, together with all other activities engaged in by UFP or any of its subsidiaries at any time during Hill's employment or consulting relationship with UFP, and activities in any way related to activities with respect to which Hill renders consulting services under this Agreement.

7.2 Hill will not directly or indirectly engage in any of the Business Activities (other than on behalf of UFP) by supplying products or providing services to any customer with whom UFP has done any business during the consulting relationship with UFP, whether such engagement is as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 1% of the outstanding capital stock of a publicly traded corporation), consultant, advisor, agent, or other participant.

7.3 Assistance to Others. Hill will not directly or indirectly assist others in engaging in any of the Business Activities in any manner prohibited to Hill under this Agreement.

SECTION 8. DESIGNS, INVENTIONS, PATENTS AND COPYRIGHTS.

8.1 Intellectual Property. Hill and UFP shall agree, at the outset of any project, as to the scope of the project and Hill's role therein (the "Project Scope"). Hill shall promptly disclose, grant, and assign to UFP for its sole use and benefit any and all designs, inventions, improvements, technical information, know-how and technology, and suggestions within the Project Scope relating in any way to the products of UFP or capable of beneficial use by customers to whom products or services of UFP are sold or provided, that Hill may conceive, develop, or acquire while consulting with UFP (whether or not during usual working hours), together with all copyrights, trademarks, design patents, patents, and applications for copyrights, trademarks, divisions of pending patent applications, applications for reissue of patents and specific assignments of such applications that may at any time be granted for or upon any such designs, inventions, improvements, technical information, know-how, or technology (Intellectual Property).

8.2 Assignments and Assistance. In connection with the rights of UFP to the Intellectual Property, Hill shall promptly execute and deliver such applications, assignments, descriptions, and other instruments as may be necessary or proper in the opinion of UFP to vest in UFP title to the Intellectual Property and to enable UFP to obtain and maintain the entire right and title to the Intellectual Property throughout the world. Hill shall also render to UFP, at UFP's expense, such assistance as UFP may require in the prosecution of applications for said patents or reissues thereof, in the prosecution or defense of interferences which may be declared involving any of said applications or patents, and in any litigation in which UFP may be involved relating to the Intellectual Property.

8.3 Copyrights. Hill agrees to, and hereby grants to UFP, title to all copyrightable material first designed, produced, or composed in the course of or pursuant to the performance of work under this Agreement, which material shall be deemed "works made for hire" under Title 17, United States Code, Section 1.01 of the Copyright Act of 1976. Hill hereby grants to UFP a royalty-free, nonexclusive, and irrevocable license to reproduce, translate, publish, use, and dispose of, and to authorize others so to do, any and all copyrighted or copyrightable material created by Hill as a result of work performed under this Agreement but not first produced or composed by Hill in the performance of this Agreement, provided that the license granted by this paragraph shall be only to the extent Hill now has, or prior to the completion of work under this Agreement or under any later agreements with UFP relating to similar work may acquire, the right to grant such licenses without UFP becoming liable to pay compensation to others solely because of such grant.

SECTION 9. MISCELLANEOUS PROVISIONS.

9.1 Assignment. This Agreement shall not be assignable by either party, except by UFP to any subsidiary or affiliate of UFP (now or hereafter existing) or to any successor in interest to UFP's business.

9.2 Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors, and assigns of the parties.

9.3 Notice. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be mailed by certified mail, return receipt requested, postage prepaid, addressed to the parties at the address stated on the first page of this Agreement. The address of a party to which notices or other communications shall be mailed may be changed from time to time by giving written notice to the other party.

9.4 Litigation Expense. In the event of a default under this Agreement, the defaulting party shall reimburse the nondefaulting party for all costs and expenses reasonably incurred by the nondefaulting party in connection with the default, including without limitation attorney's fees. Additionally, in the event a suit or action is filed to enforce this Agreement or with respect to this Agreement, the prevailing party or parties shall be reimbursed by the other party for all costs and expenses incurred in connection with the suit or action, including without limitation reasonable attorney's fees at the trial level and on appeal.

9.5 Waiver. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

9.6 Applicable Law. This Agreement shall be governed by and shall be construed in accordance with the laws of the State of Colorado. Venue for any action brought to enforce this Agreement shall be brought in the courts of the State of Colorado.

9.7 Entire Agreement. This Agreement constitutes the entire Agreement between the parties pertaining to its subject matter, and it supersedes all prior contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all parties.

UNIVERSAL FOREST PRODUCTS
WESTERN DIVISION, INC.:

By: ______________________________

Its: ______________________________

____
Robert K. Hill

APPENDIX A

INITIAL CONSULTING SERVICES

1. Provide consultation to the CEO of UFP, the President of Universal Forest Products Western Division, Inc., or other employees of the Company, as approved by the CEO and Hill.
2. Provide information on Hill's past activities on behalf of the Company.
3. Cooperate with UFP to ensure a smooth management transition.

APPENDIX B

FULL AND FINAL RELEASE

In consideration of the benefits provided to me by Universal Forest Products, Inc. contained in the Employment, Consulting (and Non-Competition) Agreement (the “Agreement”) dated June 15, 2007, I hereby agree as follows:

1. **The Company**. When used herein, “the Company” includes any parent, subsidiary, and affiliated companies of Universal Forest Products, Inc. and its and their successors, assigns, officers, directors, agents, employees and attorneys, past, present or future, jointly and individually (collectively, “the Company”).

2. **Release of Claim**. I release and forever discharge the Company from any and all claims, disputes, causes of action, administrative proceedings, legal actions, whether arising out of statutory law, common law or equity, and damages, known or unknown, which I have or may have against the Company, however denominated (the “Claims”), including, but not limited to, Claims related to my employment, the conduct of business during my employment, any claims of discrimination under any Federal, state or local law, rule or regulation, including claims under the Age Discrimination in Employment Act (ADEA), any claims under the Older Workers Benefits Protection Act, Title VII of the Civil Rights Acts of 1964, the Civil Rights Act of 1991, the Employee Retirement Income Security Act of 1974, the Michigan Elliott-Larsen Civil Rights Act, the Michigan Handicappers’ Civil Rights Act, the Michigan Workers Disability Compensation Act, the Americans with Disabilities Act, any Claim for violation of any other federal, state or local law, rule or regulation, any Claim for wrongful termination of employment, wrongful layoff, failure to recall to work, breach of contract, violation of any policy, practice or procedure of the Company, denial of any employment benefit, constructive discharge, retaliatory discharge, breach of the covenant of good faith and fair dealings, detrimental reliance, termination in violation of public policy, violation of any whistleblowers statute, negligent supervision, negligent conducting of performance appraisal, libel, slander, defamation, sexual or any other type of harassment, intentional or negligent infliction of emotional distress, tortious interference with business relations or prospective employers, providing false references, any Claims to reinstatement or future employment, any Claim for damages, attorney fees or costs and any Claims occurring or existing through the date of this Release. Employee does not waive the right to file a lawsuit to enforce the Agreement and this Appendix B. The right to file the lawsuit shall apply solely to the equity powers of the court to enforce the arbitration provisions herein.

3. **Scope of Release**. Except as provided below, this Release covers all Claims arising from or in connection with my employment with and separation from the Company as well as any Claims occurring or existing through the date of this Release. This Release does not apply to (a) my rights under the Consulting Agreement, (b) Claims against any person other than the Company that is unrelated to my employment and the conduct of business during my employment.

4. **Prior Claims**. I have not filed any claim, administrative proceedings or legal action against the Company.

5. **Subsequent Legal Action**. I will not initiate, assist or cooperate in any charge, claim, complaint or legal action against the Company with any federal, state or local administrative agency or court, or with any other person (the term "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability entity, a trust, an unincorporated organization, and a government or any department or agency thereof), unless so ordered by a duly authorized court, legislative committee or grand jury, as for enforcement of this Agreement.

6. **Derogatory Comments**. I shall not make any derogatory statements regarding the Company.

7. **Resignations**. Effective with the date of my separation from employment, I resign as an employee, officer and /or a director of the Company, and its subsidiaries and affiliates.

8. **Finality of Release**. I recognize that I may be mistaken as to the facts and/or law upon which I may be relying in executing this Release or that additional facts may exist of which I am not presently aware. Nonetheless, I have been fully advised and understand the finality of this Release and intend to be bound by it.

9. **Review of Document**. I acknowledge that the Company has advised me in writing to consult with an attorney regarding this Agreement. I have had the opportunity to read and discuss this Release with the Company and I have had an opportunity to review this Release with my own legal counsel.

10. **Review and Revocation Periods**. I have been given twenty one (21) days within which to consider this Release before executing it. I have been advised that I may revoke this Release for a period of seven (7) calendar days following the execution of this Release and that this Release is not effective until the revocation period has expired.

11. **Authority to Release**. I have the authority to release the claims which are released herein, and no claims referred to herein have been previously assigned to or are owned by any other person or entity.

12. **Arbitration**. Any dispute arising out of the interpretation or application of this Agreement shall be submitted to binding arbitration and the fees and expenses of the Arbitrator shall be paid by the unsuccessful party.

13. **Entire Agreement**. No other written or oral promises, inducement or agreements have been made by the Company to me other than those made in the Consulting Agreement, attached hereto. I understand that this Release may not be modified, altered or changed in any respect, except upon the express prior written consent by me and the Company.

14. **Severability**. If after the date of execution of this Release, any provision of this Release is held to be illegal, invalid or unenforceable, such provision shall be fully severable. In lieu thereof, there shall be added a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

15. **Governing Law**. This Release shall be construed in accordance with and shall be governed by the internal laws of the State of Colorado.

IN WITNESS WHEREOF, the parties have executed this Release as of the date first above written.

THIS IS A RELEASE. READ BEFORE SIGNING.

UNIVERSAL FOREST PRODUCTS
WESTERN DIVISION, INC.

Witness:

____

By: ____

Its: ____

Witness:

____

____
Robert K. Hill

Acknowledged by Counsel
for Employee:

____

Exhibit 13

UNIVERSAL FOREST PRODUCTS, INC.
FINANCIAL INFORMATION

Table of Contents

SELECTED FINANCIAL DATA
(In thousands, except per share and statistics data)

	2007	2006	2005	2004	2003
Consolidated Statement of Earnings Data					
Net sales	$ 2,513,178	$ 2,664,572	$ 2,691,522	$ 2,453,281	$ 1,898,830
Gross profit	309,029	381,682	359,256	296,253	257,986
Earnings before income taxes and minority interest	38,609	112,135	110,772	83,059	65,792
Net earnings	21,045	70,125	67,343	48,603	40,119
Diluted earnings per share	$ 1.09	$ 3.62	$ 3.53	$ 2.59	$ 2.18
Dividends per share	$ 0.115	$ 0.110	$ 0.105	$ 0.100	$ 0.095
Weighted average shares outstanding with common stock equivalents	19,362	19,370	19,106	18,771	18,379
Consolidated Balance Sheet Data					
Working capital(1)	$ 337,800	$ 282,913	$ 298,027	$ 222,618	$ 190,400
Total assets	957,000	913,441	876,920	762,360	686,931
Total debt and capital lease obligations	206,071	170,097	209,497	207,142	213,186
Shareholders' equity	536,668	514,742	431,852	356,769	305,104
Statistics					
Gross profit as a percentage of net sales	12.3%	14.3%	13.3%	12.1%	13.6%
Net earnings as a percentage of net sales	0.8%	2.6%	2.5%	2.0%	2.1%
Return on beginning equity(2)	4.1%	16.2%	18.9%	15.9%	15.2%
Current ratio	3.1	2.47	2.46	2.21	2.33
Debt to equity ratio	0.38	0.33	0.49	0.58	0.70
Book value per common share(3)	$ 28.38	$ 27.29	$ 23.47	$ 19.82	$ 17.13

(1) Current assets less current liabilities.

(2) Net earnings divided by beginning shareholders' equity.

(3) Shareholders' equity divided by common stock outstanding.

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

We advise you to read the issues discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with our Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in this Annual Report for the year ended December 29, 2007. We also encourage you to read our Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission. That report includes "Risk Factors" that you should consider in connection with any decision to buy or sell our securities. We are pleased to present this overview of 2007.

OVERVIEW

Our results for 2007 were impacted by the following:

- Our overall unit sales were flat in 2007 compared to 2006, as sales out of existing facilities and operations we closed decreased by 9% and we experienced a 9% increase in unit sales as a result of acquisitions and new operations.
- Lumber prices were 13% lower in 2007 compared to 2006, reducing our overall selling prices (see "Impact of the Lumber Market on Our Operating Results" below) and sales dollars.
- We saw unit sales increases in our manufactured housing, do-it-yourself/retail ("DIY/retail") and industrial markets as we gained market share in all of these markets due, in part, to recent acquisitions. These sales increases were offset by a decline in sales to our site-built construction customers despite market share gains we achieved.
- Single-family housing starts fell approximately 29% in 2007 compared to 2006 as a result of an excess supply of homes, tighter credit conditions, and an increase in foreclosures associated with sub-prime lending practices.
- Consumer spending for large repair/remodel projects has decreased due to a combination of an increase in home equity loans, concerns over home values due to housing market conditions, and other general economic conditions. The Consumer Confidence Index fell to 88.6 in December, down from 110.2 at the beginning of the year.
- Production of HUD code manufactured homes and modular homes has continued to decline due, in part, to an excess supply of site-built homes in certain key regions and continued tight credit conditions.
- Our gross profits decreased approximately 19% compared to the same period of 2006 primarily due to a combination of lower unit sales out of existing facilities and fixed manufacturing costs and intense pricing pressure in the site-built construction market.

- In spite of difficult market conditions, we generated over $87 million in operating cash flow which was used to fund acquisitions, capital expenditures, and repurchases of our stock.

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

HISTORICAL LUMBER PRICES

The following table presents the Random Lengths framing lumber composite price for the years ended December 29, 2007, December 30, 2006, and December 31, 2005.

	Random Lengths Composite Average $/MBF		
	2007	2006	2005
January	$ 292	$ 382	$ 381
February	289	377	420
March	280	368	422
April	286	369	407
May	288	341	386
June	306	326	405
July	299	309	381
August	290	296	360
September	276	292	395
October	261	274	373
November	264	276	359
December	267	288	365
Annual average	$ 283	$ 325	$ 388
Annual percentage change	(12.9%)	(16.2%)	(4.2%)

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

	Random Lengths SYP Average $/MBF		
	2007	2006	2005
January	$ 414	$ 496	$ 446
February	405	503	489
March	396	514	501
April	397	510	511
May	390	488	500
June	410	444	538
July	412	409	536
August	374	394	503
September	347	387	501
October	337	363	463
November	331	365	436
December	347	396	462
Annual average	$ 380	$ 439	$ 491
Annual percentage change	(13.4%)	(10.6%)	5.6%

IMPACT OF THE LUMBER MARKET ON OUR OPERATING PROFITS

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

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

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

- Products with fixed selling prices. These products include value-added products such as decking and fencing sold to DIY/retail customers, as well as trusses, wall panels and other components sold to the site-built construction market, and most industrial packaging products. Prices for these products are generally fixed at the time of the sales quotation for a specified period of time or are based upon a specific quantity. In order to maintain margins and reduce any exposure to adverse trends in the price of component lumber products, we attempt to lock in costs for these sales commitments with our suppliers. Also, the time period and quantity limitations generally allow us to re-price our products for changes in lumber costs from our suppliers.
- Products with selling prices indexed to the reported Lumber Market with a fixed dollar "adder" to cover conversion costs and profits. These products primarily include treated lumber, remanufactured lumber, and trusses sold to the manufactured housing industry. For these products, we estimate the customers' needs and carry anticipated levels of inventory. Because lumber costs are incurred in advance of final sale prices, subsequent increases or decreases in the market price of lumber impact our gross margins. For these products, our margins are exposed to changes in the trend of lumber prices.

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

- Products with significant inventory levels with low turnover rates, whose selling prices are indexed to the Lumber Market. In other words, the longer the period of time these products remain in inventory, the greater the exposure to changes in the price of lumber. This would include treated lumber, which comprises approximately 12% of our total sales. This exposure is less significant with remanufactured lumber, trusses sold to the manufactured housing market, and other similar products, due to the higher rate of inventory turnover. We attempt to mitigate the risk associated with treated lumber through vendor consignment inventory programs. (*Please refer to the "Risk Factors" section of our annual report on form 10-K, filed with the United States Securities and Exchange Commission.*)
- Products with fixed selling prices sold under long-term supply arrangements, particularly those involving multi-family construction projects. We attempt to mitigate this risk through our purchasing practices by locking in costs.

In addition to the impact of the Lumber Market trends on gross margins, changes in the level of the market cause fluctuations in gross margins when comparing operating results from period to period. This is explained in the following example, which assumes the price of lumber has increased from period one to period two, with no changes in the trend within each period.

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

As is apparent from the preceding example, the level of lumber prices does not impact our overall profits but does impact our margins. Gross margins are negatively impacted during periods of high lumber prices; conversely, we experience margin improvement when lumber prices are relatively low.

BUSINESS COMBINATIONS AND ASSET PURCHASES

All of the transactions mentioned below are considered business combinations. Each business combination has been accounted for using the purchase method.

Company Name	Acquisition Date	Purchase Price	Business Description
Deck Images	July 10, 2007	$0.9 million	Manufactures and distributes aluminum railing systems. Located in Hastings, MN. 2006 sales were $1.9 million.
Shawnlee Construction, LLC ("Shawnlee")	April 2, 2007	$1.4 million	Provides framing services for multi-family construction in the northeast. Located in Plainville, MA. Purchased an additional 5% membership. We currently own an 85% membership interest.
	April 3, 2006	$0.8 million	Purchased an additional 5% membership interest.
	June 27, 2005	$3.5 million	Purchased an additional 25% membership interest.
Perfection Trusses, Inc. ("Perfection")	March 5, 2007	$1.3 million	Manufactures and distributes roof and floor trusses to the Eastern Florida market. The company is located in Vero Beach, FL. 2006 sales were $3.9 million.
Aljoma Lumber Company ("Aljoma")	February 12, 2007	$53.5 million	Manufactures, treats and distributes various wood products, building materials and specialty hardwoods. The company is located in Medley, FL. They serve Florida, the Eastern United States and the Caribbean islands. Aljoma has one of the largest treating facilities in the country. 2006 sales were $225.0 million.
Banks Lumber ("Banks")	November 17, 2006	$46.7 million	Manufactures roof trusses and cut-to-size structural lumber for manufactured housing and recreational vehicle (RV) manufacturers nationwide. The company had continuing operations in Elkhart, IN, Edwardsburg, MI, Morristown, TN, Auburndale, FL, Hillsboro, TX and certain other operations we consolidated into our existing plants. 2006 sales were $147.0 million.
GeoMatrix, Inc. ("GeoMatrix")	August 18, 2006	$11.5 million	A developer and distributor of plastic lattice products and other proprietary plastic products located in Troy, MI. 2005 sales were $19.0 million.
United Lumber & Reman, LLC ("United")	July 10, 2006	$4.9 million	An industrial wood manufacturing plant located in Muscle Shoals, AL. Acquired a 50% membership interest. 2005 sales were $26.0 million.
Dura-Bilt Mfg. Co. ("Dura-Bilt")	June 5, 2006	$9.2 million	Designs and manufactures roof and floor trusses for site-built construction. The company is located in Riverbank, CA. 2005 sales were $16.0 million.
Classic Truss Company, Inc. ("Classic")	January 9, 2006	$2.1 million	Manufactures and distributes engineered wood components for site-built construction. The company is located in Fort Pierce, FL. 2005 sales were $6.0 million.
DecKorators, Inc. ("DecKorators")	November 14, 2005	$7.7 million	Provides decorative balusters and accessories for residential decks and porches to independent dealers and certain "big box" home improvement retailers. The company had locations in Crestwood and St. Louis, MO. 2004 sales were $9.1 million.
Shepardville Construction, Inc. and AW Construction, LLC ("Shepardville and AW")	June 27, 2005	$2.0 million	Installs interior products such as base boards, crown moldings, window sills and casings, doors, and cabinets for commercial and multi-family construction projects. Located in Warwick, RI and Wolcott, CT. These entities were merged on January 1, 2006. 2004 sales were $12.7 million.
Maine Ornamental Woodworkers, Inc. ("Maine Ornamental")	June 2, 2005	$8.4 million	Provides decorative post caps for fencing and decking applications to two-step distributors and certain "big box" home improvement retailers. The company had locations in Winthrop and Eliot, ME and Bainbridge Island, WA. 2004 sales were $12.4 million.

RESULTS OF OPERATIONS

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

	Years Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	87.7	85.7	86.7
Gross profit	12.3	14.3	13.3
Selling, general and administrative expenses	10.2	9.7	8.7
Earnings from operations	2.1	4.6	4.6
Interest, net	(0.6)	(0.4)	(0.5)
Earnings before income taxes and minority interest	1.5	4.2	4.1
Income taxes	0.6	1.5	1.5
Earnings before minority interest	0.9	2.7	2.6
Minority interest	(0.1)	(0.1)	(0.1)
Net earnings	0.8%	2.6%	2.5%

GROSS SALES

We market, manufacture and engineer wood and wood-alternative products for D-I-Y/retail market, structural lumber products for the manufactured housing market, engineered wood components for the site-built construction market, and specialty wood packaging for various markets. We also provide framing services for the site-built construction market and various forms for concrete construction. Our strategic sales objectives include:

- Diversifying our end market sales mix by increasing sales to industrial and multi-family customers.
- Expanding geographically in our core businesses.
- Increasing sales of "value-added" products and framing services. Value-added product sales primarily consist of fencing, decking, lattice, and other specialty products sold to the DIY/retail market, specialty wood packaging, engineered wood components, and "wood alternative" products. Engineered wood components include roof trusses, wall panels, and floor systems. Wood alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated commodity lumber is not presently included in the value-added sales totals.

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

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

	Years Ended				
Market Classification	December 29, 2007	% Change	December 30, 2006	% Change	December 31, 2005
DIY/Retail	$ 990,659	3.0	$ 962,240	(5.0)	$ 1,012,531
Site-Built Construction	592,148	(27.1)	811,923	7.7	753,791
Industrial	588,195	6.8	550,669	4.3	527,946
Manufactured Housing	390,483	2.2	382,203	(13.1)	440,036
Total Gross Sales	2,561,485	(5.4)	2,707,035	(1.0)	2,734,304
Sales Allowances	(48,307)		(42,463)		(42,782)
Total Net Sales	$ 2,513,178	(5.7)	$ 2,664,572	(1.0)	$ 2,691,522

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

	% Change		
	in Sales	in Selling Prices	in Units
2007 versus 2006	-5%	-5%	0%
2006 versus 2005	-1%	-4%	+3%
2005 versus 2004	+10%	+2%	+8%

Gross sales in 2007 decreased 5% compared to 2006. We estimate that our unit sales remained flat while overall selling prices decreased by 5% comparing the two periods. We estimate our unit sales increased 9% as a result of acquisitions and new facilities, while unit sales from existing and closed facilities decreased 9%. Our overall selling prices fluctuate as a result of the Lumber Market (see "Historical Lumber Prices") and were negatively impacted by pricing pressure in the site-built construction market.

Gross sales in 2006 decreased 1% compared to 2005. We estimate that our unit sales increased by 3% and overall selling prices decreased by 4% comparing the two periods. We estimate our unit sales increased 2% as a result of acquisitions and new facilities, while unit sales from existing and closed facilities increased 1%.

Changes in our sales by market are discussed below.

DIY/Retail:

Gross sales to the DIY/retail market increased 3% in 2007 compared to 2006, as a result of a 7% increase in unit sales offset by a 4% decrease in selling prices due to a soft Lumber Market. We estimate that our unit sales increased as a result of our acquisitions of Geomatrix and Aljoma and significant market share gains we realized with “big box” retail customers. Our sales to these customers increased 12% (8% due to acquisitions and 4% due to existing facilities) while our sales to other retailers whose business is more closely correlated with housing starts was off 17% (a 10% increase due to acquisitions offset by a 27% decrease due to existing facilities). Our increase in sales to “big box” customers was less than expected, however, which we believe was caused by a decline in consumer spending on large home improvement projects.

Gross sales to the DIY/retail market decreased 5% in 2006 compared to 2005, as a result of a 3% decrease in units shipped and a 2% decrease in selling prices due to the Lumber Market. Our decline in unit sales was a result of a 5% decline in unit sales out of existing and closed facilities, offset by a 2% increase in unit sales attributable to our acquisitions of DecKorators and GeoMatrix. Our unit sales out of existing facilities declined due in part to decreases in consumer spending and housing starts. These decreases were partially offset by market share gains we realized with our “big box” customers.

Site-Built Construction:

Gross sales to the site-built construction market decreased 27% in 2007 compared to 2006, due to a 14% decrease in unit sales out of existing facilities, a 4% decline due to our decision to exit the Las Vegas framing market, and a 10% decrease in selling prices due to a soft Lumber Market and competitive pricing pressure, particularly in our third and fourth quarters. Single-family housing starts have fallen approximately 29% in 2007 compared to 2006 as a result of an excess supply of homes, tighter credit conditions, and an increase in foreclosures associated with sub-prime lending practices. These decreases were offset by market share gains we have realized in the multi-family and light commercial market and a 1% increase in unit sales due to our acquisitions of Dura-Bilt and Perfection.

Gross sales to the site-built construction market increased 8% in 2006 compared to 2005, due to an increase in unit sales as selling prices remained relatively flat. Unit sales increased 1% as a result of acquisitions and new facilities combined with a 7% increase in unit sales out of several existing facilities. Our growth was a result of strong housing and multi-family construction activities in certain regions during the first six months of 2006 and greater market penetration by offering turn-key framing and lumber packages in addition to wall panels in some regions. In addition, our multi-family framing operation in the Northeast achieved significant increases in sales and gained market share. A dramatic decline in housing starts beginning in the third quarter and continuing through the fourth quarter of 2006 negatively impacted our unit sales of engineered trusses and offset part of the positive results mentioned above.

Industrial:

Gross sales to the industrial market increased 7% in 2007 compared to 2006, due to an 8% increase in units shipped offset by a 1% decrease in selling prices. Our acquisitions of United and Aljoma and our continued focus on adding new customers, including concrete forming, helped us mitigate the effect of a decline in sales to certain customers that supply the housing market.

Gross sales to the industrial market increased 4% in 2006 compared to 2005, due to a 12% increase in units shipped and an 8% decrease in selling prices due to the Lumber Market. Our unit sales increase was the result of organic growth out of several existing facilities. During 2006 we have added nearly 1,200 new accounts and have been successful at increasing our sales with existing customers.

Manufactured Housing:

Gross sales to the manufactured housing market increased 2% in 2007 compared to 2006, due to a 9% increase in unit sales offset by a 7% decrease in selling prices primarily due to a soft Lumber Market. We estimate that our unit sales increased 21% as a result of acquiring Banks, while unit sales from existing and closed facilities decreased 12% due to the continued decline in industry production.

Gross sales to the manufactured housing market decreased 13% in 2006 compared to 2005. The decrease resulted from a 5% decrease in units shipped and an 8% decrease in selling prices due to the Lumber Market. Our decline in unit sales resulted from a significant decline in industry production. Industry production of HUD code homes decreased 20% in 2006, including a 50% decline in the fourth quarter due to hurricane-related sales last year. Modular home production declined 20% in 2006. We were able to mitigate part of the impact of these difficult market conditions by increasing our market share through organic growth and the acquisition of Banks in November 2006.

Value-Added and Commodity-Based Sales:

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

	Value-Added	Commodity-Based
2007	60.5%	39.5%
2006	62.7%	37.3%
2005	59.2%	40.8%

Note: In the third quarter of 2007, we reviewed the classification of our product codes and made certain reclassifications. Historical information has been restated to reflect these reclassifications.

Value-added sales decreased 9% in 2007 compared to 2006, primarily due to decreased sales of trusses, turn-key framing packages, and wall panels, offset partially by increased sales of fencing and lattice sold to the DIY/retail market. Commodity-based sales remained flat in 2007 compared to 2006 in spite of difficult market conditions primarily due to our acquisitions of Aljoma and Banks. See Notes to Consolidated Financial Statements, Note O, "Segment Reporting."

Value-added sales increased 5% in 2006 compared to 2005, primarily due to increased sales of turn-key framing packages to the site-built market, increased sales of fencing sold to the DIY/retail market and increased sales of industrial packaging and components. These increases were partially offset by a decrease in sales of trusses. Commodity-based sales decreased 9% primarily due to a decrease in unit sales of treated lumber to the DIY/retail market, lumber packages to the site-built construction market and the decline in the level of the Lumber Market.

COST OF GOODS SOLD AND GROSS PROFIT

Our gross profit percentage decreased to 12.3% in 2007 from 14.3% in 2006 and gross profit dollars decreased 19% in 2007 compared to 2006. The decline in profitability was primarily due to a combination of:

- Increased pricing pressure on sales to the site-built construction market due to the overall decline in market demand and excess capacity of suppliers.
- Cost inefficiencies as a result of the impact of decreased unit sales out of existing facilities and fixed manufacturing costs.
- Sales incentives offered to customers to gain market share.
- A change in sales mix whereby historically higher margin engineered wood components sold to site-built customers comprised a lower percentage of our sales.

Our gross profit percentage increased to 14.3% in 2006 from 13.3% in 2005 due, in part, to the lower level of the Lumber Market in 2006. Our gross profit dollars increased by 6% in 2006, while our units shipped increased by 3%. The increase in profitability was primarily due to a combination of:

- Increased sales of higher margin, value-added products.
- Improved profitability on sales to our industrial market.
- Cost efficiencies we achieved through our company-wide innovation program.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses decreased by over $2 million, or 1%, in 2007. Existing facilities and operations we closed this year had the effect of decreasing our SG&A expenses approximately $9 million, while business acquisitions added $7 million to our costs. The cost decrease in our existing facilities was primarily due to a decline in accrued bonus expense, which is tied to operating profits and return on investment. This decrease was offset by approximately $7 million of expense we recorded to impair the value of certain property, plant and equipment and an increase in depreciation and amortization expense.

SG&A expenses increased 10% in 2006, which compares unfavorably with our 3% increase in unit sales. Business acquisitions and new facilities added almost $13 million in SG&A expenses, which represents approximately 50% of the overall increase. The remaining increase was primarily due to increases in compensation and benefit expenses, travel-related expenses, professional services and stock based compensation expense. These amounts were partially offset by a decline in bad debt expense and liability insurance expense.

INTEREST, NET

Net interest costs were higher in 2007 compared to 2006 primarily due to an increase in borrowings on the revolving credit facility as a result of acquisitions.

Net interest costs were lower in 2006 compared to 2005 due to a combination of increased income on investments held by our wholly-owned insurance captive and a decline in interest expense, in spite of higher borrowing rates on our variable rate debt. The overall decline in interest expense is also attributable to our decreased borrowings under our revolving credit facility.

INCOME TAXES

Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes and permanent tax differences. Our effective tax rate increased to 39.9% in 2007 compared to 34.6% in 2006 primarily due to the impairment charge we recorded for property, plant and equipment for our Canadian subsidiary, for which we recorded no related tax benefit.

Our effective tax rate decreased to 34.6% in 2006 compared to 37.1% in 2005 primarily due to a $4.5 million estimated benefit from federal research & development tax credits for 2001 – 2006 combined with a decline in our effective state income tax rate due to tax credits received in 2006, partially offset by a $1.1 million expense to establish a valuation allowance against a net operating loss carry forward for our Canadian subsidiary.

OFF-BALANCE SHEET TRANSACTIONS AND CONTRACTUAL OBLIGATIONS

We have no significant off-balance sheet transactions other than operating leases. The following table summarizes our contractual obligations as of December 29, 2007 (in thousands).

	Payments Due by Period				
Contractual Obligation	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Long-term debt and capital lease obligations	$ 945	$ 15,588	$ 173,638	$ 15,900	$ 206,071
Estimated interest on long-term debt	12,109	19,872	18,964	6,244	57,189
Operating leases	17,072	24,040	8,848	3,271	53,231
Capital project purchase obligations	2,232				2,232
Total	$ 32,358	$ 59,500	$ 201,450	$ 25,415	$ 318,723

As of December 29, 2007, we also had $33.7 million in outstanding letters of credit issued during the normal course of business, as required by some vendor contracts.

LIQUIDITY AND CAPITAL RESOURCES

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

	2007	2006	2005
Cash from operating activities	$ 87,078	$ 152,322	$ 74,132
Cash from investing activities	(91,971)	(111,705)	(55,409)
Cash from financing activities	(2,610)	(35,724)	2,218
Net change in cash and cash equivalents	(7,503)	4,893	20,941
Cash and cash equivalents, beginning of year	51,108	46,215	25,274
Cash and cash equivalents, end of year	$ 43,605	$ 51,108	$ 46,215

In general, we financed our growth in the past through a combination of operating cash flows, our revolving credit facility, industrial development bonds (when circumstances permit), and issuances of long-term notes payable at times when interest rates are favorable. We have not issued equity to finance our growth except in the case of a large acquisition. We manage our capital structure by attempting to maintain a targeted ratio of debt to equity and debt to earnings before interest, taxes, depreciation and amortization. We believe this is one of many important factors to maintaining a strong credit profile, which in turn helps ensure timely access to capital when needed.

Seasonality has a significant impact on our working capital from March to August which historically resulted in negative or modest cash flows from operations in our first and second quarters. Conversely, we experience a substantial decrease in working capital from September to February which results in significant cash flow from operations in our third and fourth quarters.

Due to the seasonality of our business and the effects of the Lumber Market, we believe our cash cycle (days sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital management. Our cash cycle (excluding the impact of our sale of receivables program) increased to 45 days in 2007 from 40 days in 2006 due to a 3 day increase in our days supply of inventory and a 2 day increase in our receivables cycle. Our days supply of inventory primarily increased because we planned for higher sales volumes in the first and second quarters than actually occurred due to market conditions. Our receivables cycle lengthened primarily due to the payment patterns of our site-built construction customers.

Our cash flow from operating activities was approximately $87 million in 2007 in spite of difficult market conditions. We were able to effectively manage our working capital during the fourth quarter and reduce our accounts receivable and inventory despite an increase in sales. These improvements were partially offset by a decrease in accounts payable related to our lower inventory levels and a decrease in accrued liabilities due to the decrease in accrued bonus compensation.

Cash used for investing activities decreased by approximately $20 million in 2007 compared to 2006 due to a $15 million decrease in amounts spent for business acquisitions (see "Business Combinations") and a $4 million decrease in capital expenditures.

Cash used in financing activities was almost $3 million due to purchases we made of our common stock.

On December 29, 2007, we had approximately $55 million outstanding on our $300 million revolving credit facility. The revolving credit facility supports letters of credit totaling approximately $31.3 million on December 29, 2007. Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest and fixed charge coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on December 29, 2007.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

See Notes to Consolidated Financial Statements, Note M, "Commitments, Contingencies, and Guarantees".

CRITICAL ACCOUNTING POLICIES

In preparing our consolidated financial statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. Following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

ACCOUNTS RECEIVABLE ALLOWANCES

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

SELF-INSURANCE RESERVES

We are primarily self-insured for certain employee health benefits, and have self-funded retentions for general liability, automobile liability, property and workers' compensation. We are fully self-insured for environmental liabilities. The general liability, automobile liability, property, workers' compensation, and certain environmental liabilities are managed through a wholly-owned insurance captive; the related assets and liabilities of which are included in the consolidated financial statements as of December 29, 2007. Our accounting policies with respect to the reserves are as follows:

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

REVENUE RECOGNITION

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

LONG-LIVED ASSETS AND GOODWILL

We evaluate long-lived assets for indicators of impairment when events or circumstances indicate that this risk may be present. Our judgments regarding the existence of impairment are based on market conditions, operational performance and estimated future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded to adjust the asset to its fair value. In addition, we test goodwill for impairment by utilizing the discounted cash flow method.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Notes to Consolidated Financial Statements, Note A, "Summary of Significant Accounting Policies".

FORWARD OUTLOOK

The following section contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements are based on the beliefs and assumptions of management, together with information available to us when the statements were made. Future results could differ materially from those included in such forward-looking statements as a result of, among other things, the factors set forth in the "Risk Factors" section of our Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission and certain economic and business factors which may be beyond our control. Investors are cautioned that all forward-looking statements involve risks and uncertainties.

"GO 2010"

In 2006, we announced our new five year growth plan entitled "GO (Growth and Opportunity) 2010", which includes the following goals to be achieved by the end of our fiscal year 2010:

- Increasing sales to $4 billion.
- Improving productivity by 10%, which will be measured through a variety of statistics such as sales per employee and operating profit per employee.
- Improving inventory turnover and our cash cycle by 10%.
- Achieving 100% customer satisfaction.
- Increasing opportunities for all employees.

The plan focuses on growing the business through organic and acquisition growth, driving waste out of our processes through a new program called Continuous Improvement at Universal ("Continuous Improvement"), and changes to the organizational structure intended to cultivate growth and opportunity for the organization and its employees.

Since we announced our GO 2010 goals, industry and general economic conditions have significantly deteriorated. In addition, the Lumber Market has declined from an average of $388/mbf in 2005 to an average of $283/mbf in 2007, a 27% decline, which has adversely impacted our sales. We review our long-term goals periodically and to date we have not revised them.

2008 OUTLOOK

Key assumptions with respect to our 2008 outlook include:

- A continued decline in housing starts for the year and a soft DIY/retail market.
- A continued depressed lumber market as mills face lower demand and as the global supply of wood continues to expand.

- Persistent price pressure, especially early in the year, from competition among suppliers who continue to offer price concessions to win business, particularly in the site-built construction market.
- Continued market share gains in the site-built construction market due in part to gains in multi-family and commercial construction, and in the industrial market.
- Maintaining a strong market share with DIY/retail and manufactured housing customers.
- No permanent plant closures (or closures that could result in asset impairment charges). Any plant consolidations or closures would be temporary in nature, creating no asset impairment charges.

With these factors in mind, including the anticipated net sales and net earnings of International Wood Industries ("IWI"), we are targeting net sales of between $2.45 billion and $2.55 billion, and net earnings of between $22 million and $27 million for 2008.

DIY/RETAIL MARKET

The Home Improvement Research Institute forecasts a decrease in repair/remodel projects of 3% to $176 billion in 2008. A decline is forecasted due to a decrease in consumer spending, a continued decline in housing market activity, and tight credit conditions in 2008. The Consumer Confidence Index fell to 88.6 in December, down from 110.2 at the beginning of the year.

In 2008, we believe we will maintain market share gained with certain "big box" home improvement and other retailers, but will continue to be impacted by the soft market conditions discussed above. On a long-term basis, it is our goal to achieve sales growth by:

- Increasing our market share of value-added wood products and preservative-treated products as a result of our national presence, service capabilities that meet stringent customer requirements, diversified product offering, and purchasing leverage.
- Increasing our sales of wood alternative products such as composite wood decking, which continues to take market share from preservative-treated products. Although we expect this trend to continue to some extent, we believe wood products will continue to maintain a dominant market share for the foreseeable future as a result of its cost advantages over wood alternative products.
- Increasing our market penetration of products distributed by our newly formed Consumer Products Division, including decorative balusters, accessories, and post caps, plastic lattice and other proprietary plastic products which have greatly enhanced our deck and fencing product lines.
- Developing new value-added products and services for this market through our Consumer Products Division.
- Adding capacity or new markets through strategic business acquisitions.

SITE-BUILT CONSTRUCTION MARKET

The *Mortgage Bankers Association of America* forecasts a 26% decline in single-family housing starts to an estimated 0.8 million starts in 2008 as the industry continues to recover from excess inventory levels of single-family homes, tighter credit conditions, and an increase in foreclosures associated with sub-prime lending practices.

In 2008, we believe the decline in single-family housing starts will continue to impact our sales and gross margins. Our strategy during this downturn is to continue to gain market share as a result of our cost advantages over smaller competitors and by increasing our market share in the multi-family and light commercial construction markets and continuing to offer framing services to provide a "turn-key" offering to customers.

On a long-term basis, we anticipate growth in our sales to the site-built construction market as market conditions improve and as a result of market share gains achieved through:

- Acquisitions of component manufacturers and framing service providers. We believe the trend whereby customers prefer to purchase a combination of components and framing services will continue. Therefore, our acquisition strategy includes targeted markets for framing operations.
- Greater customer acceptance of engineered wood components, particularly wall panels and floor systems, because of the benefits these products provide builders over traditional carpentry methods employed on the job site.
- Industry consolidation toward large production-oriented builders, which tend to prefer the use of engineered products and who desire suppliers with a national presence.

MANUFACTURED HOUSING MARKET

It is our goal to maintain our current market share of trusses produced for the HUD code market, which increased as a result of our acquisition of Banks in November 2006. On a long-term basis we believe the HUD code market will regain a greater share of the single-family market as credit conditions normalize and as consumers seek more affordable housing alternatives.

Sales of modular homes are expected to be impacted by the oversupply of single-family housing and tight credit conditions. It is our goal to maintain our market share of trusses produced for the modular market as a result of our strong relationships with modular builders, design services and proprietary products, and successful integration of Banks. On a long-term basis, we anticipate modular housing will gain additional share of the single-family market as a result of more developers adopting the controlled building environment of modular construction as a method of cost control.

INDUSTRIAL MARKET

One of our key strategic objectives is to increase our sales of wood packaging products to industrial users. We believe the vast amount of hardwood and softwood lumber consumed for industrial applications, combined with the highly fragmented nature of this market provides us with significant growth opportunities as a result of our competitive cost advantages in manufacturing, purchasing, and material utilization. To take advantage of these opportunities, we plan to continue to obtain market share through an internal growth strategy utilizing our current manufacturing capabilities and dedicated industrial sales force. On a long-term basis, we also plan to evaluate strategic acquisition opportunities and continue to gain market share with concrete forming customers. On February 5, 2008, one of our subsidiaries acquired International Wood Industries, a manufacturer of industrial products that sells specialty packaging and shipping products such as agriculture boxes for shipping food; moving boxes for the U.S. military; and crating, pallets and skids for a variety of industrial customers.

GROSS PROFIT

We believe the following factors may impact our gross profits and margins in 2008:

- Our ability to maintain sales and gross margins on products sold to our largest customers. We believe our level of service, geographic diversity, and quality of products provides an added value to our customers. If our customers are unwilling to pay for these advantages, our sales and gross margins may be reduced.
- In the first half of 2008 we expect to continue to experience challenging market conditions that caused a decline in our gross margins in the second half of 2007. These conditions resulted in more intense price competition and a reduction in sales of some products, particularly those for site-built construction.
- Fluctuations in the relative level of the Lumber Market and the trend in the market price of lumber. (See "Impact of the Lumber Market on our Operating Results.")
- Our ability to gain market share and the relative strength of our end markets will impact our sales prices, capacity utilization, and profitability.
- Our ability to continue to achieve planned cost reductions through plant consolidations and our Continuous Improvement initiative.
- We have a long-term goal of continuing to increase our ratio of value-added sales to total sales, which in turn should increase gross margins. Our acquisition and internal sales growth strategies will help us continue to make progress toward this objective. However, achievement of this goal is dependent, in part, upon certain factors that are beyond our control.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

In the third quarter of 2007, as a result of deteriorating market conditions, we took actions to reduce our headcount and certain overhead costs. In 2007, we also experienced a decline in accrued bonus expense, which is tied to operating profits and return on investment. We expect that these factors will continue to favorably impact our SG&A expenses in 2008. Additionally, in the fourth quarter of 2007 we closed certain facilities and consolidated others into existing locations to better align our manufacturing capacity with the current business environment. We anticipate these actions will also result in a reduction to our SG&A expenses in 2008. The decreases mentioned above are expected to be offset by a stock grant made on February 8, 2008. We estimate that we will recognize total expense of approximately $1.3 million for each of the next three years for this grant.

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

- Our growth in sales to the industrial market and, when industry conditions improve, the site-built construction market. Our sales to these markets require a higher ratio of SG&A costs due, in part, to product design requirements.
- Our incentive compensation program discussed above.
- Our growth and success in achieving Continuous Improvement objectives.

LIQUIDITY AND CAPITAL RESOURCES

Our cash cycle will continue to be impacted in the future based on our mix of sales by market. Sales to the site-built construction and industrial markets require a greater investment in working capital (inventory and accounts receivable) than our sales to the DIY/retail and manufactured housing markets.

Management expects to spend between $20 million and $25 million on capital expenditures in 2008 and incur depreciation and amortization of intangible assets of approximately $49 million. On December 29, 2007, we had outstanding purchase commitments on capital projects of approximately $2.2 million.

We have no present intention to change our dividend policy, which is currently $0.06 per share paid semi-annually.

Our Board of Directors has approved a share repurchase program under which we have authorization to buy back approximately 1.2 million shares as of December 29, 2007. In the past, we have repurchased shares in order to offset the effect of issuances resulting from our employee benefit plans and at times when our stock price falls to a pre-determined level.

The Series 1998-A Senior Notes totaling $78.5 million are due December 21, 2008, however we intend to refinance them on a long-term basis. Currently, we have the ability to finance the obligation with the revolving credit facility due February 12, 2012. We are also obligated to pay additional amounts due on long-term debt totaling approximately $0.9 million in 2008.

On January 24, 2008 we sold the vacant land we acquired as part our acquisition of Aljoma. The net sales price was approximately $24.2 million.

On February 5, 2008, one of our subsidiaries acquired International Wood Industries (IWI), a manufacturer of industrial products headquartered in Turlock, CA with annual sales for the year ended December 31, 2007 of approximately $40 million. IWI sells specialty packaging and shipping products such as agriculture boxes for shipping food; moving boxes for the U.S. military; and crating, pallets and skids for a variety of industrial customers. The purchase price for the stock was approximately $14 million.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

We assessed the effectiveness of our internal control over financial reporting as of December 29, 2007. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework.* Based on our assessment, management has concluded that as of December 29, 2007, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Universal Forest Products, Inc.

February 13, 2008

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Universal Forest Products, Inc.

We have audited Universal Forest Products, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 29, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Universal Forest Product, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Universal Forest Products, Inc. and subsidiaries' internal control over financial reporting based on our audit.

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

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

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

In our opinion, Universal Forest Products, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 29, 2007, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries as of December 29, 2007 and December 30, 2006, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 29, 2007 of Universal Forest Products, Inc. and subsidiaries and our report dated February 13, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
ERNST & YOUNG LLP

Grand Rapids, Michigan
February 13, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Universal Forest Products, Inc.

We have audited the accompanying consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries as of December 29, 2007 and December 30, 2006, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 29, 2007. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Universal Forest Products, Inc. and subsidiaries at December 29, 2007 and December 30, 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 29, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Universal Forest Products, Inc. and subsidiaries' internal control over financial reporting as of December 29, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
ERNST & YOUNG LLP

Grand Rapids, Michigan
February 13, 2008

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 29, 2007	December 30, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,605	$ 51,108
Accounts receivable, net	142,562	148,242
Inventories:		
Raw materials	120,805	128,621
Finished goods	115,063	116,497
	235,868	245,118
Assets held for sale	33,624	
Other current assets	21,754	9,363
Prepaid income taxes	15,077	15,239
Deferred income taxes	8,035	6,065
TOTAL CURRENT ASSETS	500,525	475,135
OTHER ASSETS	8,094	7,404
GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS	150,272	155,177
OTHER INTANGIBLE ASSETS, net	23,849	25,390
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	64,754	71,366
Building and improvements	148,000	153,369
Machinery, equipment and office furniture	293,579	234,741
Construction in progress	6,670	6,545
	513,003	466,021
Less accumulated depreciation and amortization	(238,743)	(215,686)
PROPERTY, PLANT AND EQUIPMENT, NET	274,260	250,335
TOTAL ASSETS	$ 957,000	$ 913,441
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 83,505	$ 94,441
Accrued liabilities:		
Compensation and benefits	49,558	71,990
Other	28,717	25,111
Current portion of long-term debt and capital lease obligations	945	680
TOTAL CURRENT LIABILITIES	162,725	192,222
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	205,126	169,417
DEFERRED INCOME TAXES	24,536	12,697
MINORITY INTEREST	10,376	10,819
OTHER LIABILITIES	17,569	13,544
TOTAL LIABILITIES	420,332	398,699
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none		
Common stock, no par value; shares authorized 40,000,000; issued and outstanding, 18,907,841 and 18,858,892	$ 18,908	$ 18,859
Additional paid-in capital	123,368	113,754
Retained earnings	391,253	380,931
Accumulated other comprehensive earnings	4,704	2,451
	538,233	515,995
Employee stock notes receivable	(1,565)	(1,253)
TOTAL SHAREHOLDERS' EQUITY	536,668	514,742
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 957,000	$ 913,441

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share data)

	Year Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
NET SALES	$ 2,513,178	$ 2,664,572	$ 2,691,522
COST OF GOODS SOLD	2,204,149	2,282,890	2,332,266
GROSS PROFIT	309,029	381,682	359,256
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	255,537	257,937	234,411
EARNINGS FROM OPERATIONS	53,492	123,745	124,845
Interest expense	17,033	14,053	15,171
Interest income	(2,150)	(2,443)	(1,098)
	14,883	11,610	14,073
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	38,609	112,135	110,772
INCOME TAXES	15,396	38,760	41,050
EARNINGS BEFORE MINORITY INTEREST	23,213	73,375	69,722
MINORITY INTEREST	(2,168)	(3,250)	(2,349)
NET EARNINGS	$ 21,045	$ 70,125	$ 67,373
EARNINGS PER SHARE - BASIC	$ 1.10	$ 3.73	$ 3.67
EARNINGS PER SHARE - DILUTED	$ 1.09	$ 3.62	$ 3.53
WEIGHTED AVERAGE SHARES OUTSTANDING	19,056	18,820	18,374
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	19,362	19,370	19,106

See notes to consolidated condensed financial statements.

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

(in thousands, except share and per share data)

	Common Stock	Additional Paid-In Capital	Deferred Stock Compensa-tion	Deferred Compensa-tion Rabbi Trust	Retained Earnings	Accumulat-ed Other Comprehen-sive Earnings	Employees Stock Notes Receivable	Total
Balance at December 25, 2004	**$ 18,002**	**$ 89,269**	**$ 3,423**	**$ (1,331)**	**$ 247,427**	**$ 1,525**	**$ (1,546)**	**$ 356,769**
Comprehensive earnings:								
Net earnings					67,373			
Foreign currency translation adjustment						883		
Total comprehensive earnings								68,256
Cash dividends - $.105 per share					(1,922)			(1,922)
Issuance of 411,245 shares under employee stock plans	411	4,781						5,192
Issuance of 3,713 shares under stock grant programs	4	158						162
Issuance of 33,074 shares under deferred compensation plans	33	939	(216)	(756)				—
Received 49,244 shares for the exercise of stock options	(49)	(1,856)						(1,905)
Tax benefits from non-qualified stock options exercised		4,021						4,021
Accrued expense under deferred compensation plans			1,005	(30)				975
Issuance of 1,605 shares in exchange for employee stock notes receivable	2	60					(62)	—
Payments received on employee stock notes receivable							304	304
Balance at December 31, 2005	**$ 18,403**	**$ 97,372**	**$ 4,212**	**$ (2,117)**	**$ 312,878**	**$ 2,408**	**$ (1,304)**	**$ 431,852**
Comprehensive earnings:								
Net earnings					70,125			
Foreign currency translation adjustment						43		
Total comprehensive earnings								70,168
Cash dividends - $.110 per share					(2,072)			(2,072)
Reversal of deferred compensation upon adoption of SFAS 123(R)		2,095	(4,212)	2,117				—
Issuance of 349,644 shares under employee stock plans	350	5,678						6,028
Issuance of 3,467 shares under stock grant programs	3	194						197
Issuance of 101,278 shares under deferred compensation plans	101	(101)						—
Received 1,367 shares for the exercise of stock options	(1)	(89)						(90)
Tax benefits from non-qualified stock options exercised		4,376						4,376
Expense associated with share-based compensation arrangements		972						972
Accrued expense under deferred compensation plans		3,056						3,056
Issuance of 3,222 shares in exchange for employee stock notes receivable	3	201					(204)	—
Payments received on employee stock notes receivable							255	255
Balance at December 30, 2006	**$ 18,859**	**$ 113,754**	**$ —**	**$ —**	**$ 380,931**	**$ 2,451**	**$ (1,253)**	**$ 514,742**
Comprehensive earnings:								
Net earnings					21,045			
Foreign currency translation adjustment						2,253		
Total comprehensive earnings								23,298
Cash dividends - $.115 per share					(2,185)			(2,185)
Issuance of 220,345 shares under employee stock plans	220	3,683						3,903
Issuance of 3,961 shares under stock grant programs	4	170						174
Issuance of 69,777 shares under deferred compensation plans	70	(70)						—
Repurchase of 239,400 shares	(239)				(8,538)			(8,777)
Received 15,866 shares for the exercise of stock options	(16)	(766)						(782)
Tax benefits from non-qualified stock options exercised		1,867						1,867
Expense associated with share-based compensation arrangements		505						505
Accrued expense under deferred compensation plans		3,733						3,733
Issuance of 10,132 shares in exchange for employee stock notes receivable	10	492					(502)	—
Payments received on employee stock notes receivable							190	190
Balance at December 29, 2007	**$ 18,908**	**$ 123,368**	**$ —**	**$ —**	**$ 391,253**	**$ 4,704**	**$ (1,565)**	**$ 536,668**

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 21,045	70,125	$ 67,373
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	39,547	33,771	31,311
Amortization of intangibles	8,034	5,751	3,485
Notes receivable written off to expense			816
Expense associated with share-based compensation arrangements	505	972	
Expense associated with stock grant plans	174	197	162
Deferred income taxes	(4,134)	(1,100)	(7,377)
Tax benefits from non-qualified stock options exercised			4,021
Minority interest	2,168	3,250	2,349
Gain on sale of interest in subsidiary	(140)		
Net loss (gain) on sale or impairment of property, plant and equipment	6,755	141	(553)
Changes in:			
Accounts receivable	19,538	41,912	(28,742)
Inventories	27,795	22,262	(36,501)
Accounts payable	(9,569)	(14,576)	16,998
Accrued liabilities and other	(23,885)	(6,385)	20,790
Excess tax benefits from share-based compensation arrangements	(755)	(3,998)	
NET CASH FROM OPERATING ACTIVITIES	87,078	152,322	74,132
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(39,360)	(43,504)	(40,233)
Acquisitions, net of cash received	(57,087)	(71,814)	(20,747)
Proceeds from sale of interest in subsidiary	400		
Proceeds from sale of property, plant and equipment	4,769	1,245	2,712
Advances on notes receivable	(1,002)		(887)
Collections on notes receivable	347	1,614	820
Insurance proceeds			3,057
Other, net	(38)	754	(131)
NET CASH FROM INVESTING ACTIVITIES	(91,971)	(111,705)	(55,409)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net borrowings (repayments) under revolving credit facilities	34,648	(37,700)	23,827
Repayment of long-term debt	(28,466)	(3,228)	(23,407)
Proceeds from issuance of common stock	3,539	5,938	4,487
Distributions to minority shareholders	(1,797)	(2,586)	(1,217)
Investment received from minority shareholder			500
Dividends paid to shareholders	(2,185)	(2,072)	(1,922)
Repurchases of common stock	(8,777)		
Excess tax benefits from share-based compensation arrangements	755	3,998	
Other, net	(327)	(74)	(50)
NET CASH FROM FINANCING ACTIVITIES	(2,610)	(35,724)	2,218
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,503)	4,893	20,941
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,108	46,215	25,274
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 43,605	$ 51,108	$ 46,215

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)

	Year Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:			
Cash paid (refunded) during the period for:			
Interest	$ 17,055	14,637	$ 14,179
Income taxes	16,919	52,335	43,303
NON-CASH OPERATING ACTIVITIES:			
Accounts receivable exchanged for note receivable	$ 257	$ 431	$ 765
Deferred purchase price of acquisition exchanged for current payable		53	
Deferred purchase price of acquisition exchanged for long-term liability		721	
NON-CASH INVESTING ACTIVITIES:			
Property, plant and equipment exchanged for long-term debt		1,379	63
Note receivable exchanged for property, plant and equipment		550	
Stock acquired through employees’ stock notes receivable	502	204	62
NON-CASH FINANCING ACTIVITIES:			
Common stock issued under deferred compensation plans	3,452	2,225	972
Stock received for the exercise of stock options, net	418		1,200

See notes to consolidated condensed financial statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

We market, manufacture and engineer wood and wood-alternative products for the do-it-yourself/retail ("D-I-Y/retail") market, structural lumber products for the manufactured housing market, engineered wood components for the site-built construction market, and specialty wood packaging for various markets. We also provide framing services for the site-built construction market and various forms for concrete construction. Our principal products include preservative-treated wood, remanufactured lumber, lattice, fence panels, deck components, specialty packaging, engineered trusses, wall panels, and other building products.

PRINCIPLES OF CONSOLIDATION

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

MINORITY INTEREST IN SUBSIDIARIES

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

FISCAL YEAR

Our fiscal year is a 52 or 53 week period, ending on the last Saturday of December. Unless otherwise stated, references to 2007, 2006, and 2005 relate to the fiscal years ended December 29, 2007, December 30, 2006, and December 31, 2005, respectively. Fiscal years 2006 and 2007 were comprised of 52 weeks, 2005 was comprised of 53 weeks.

FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined in accordance with Statement of Financial Accounting Standards ("SFAS") No. 107, *Disclosures about Fair Value of Financial Instruments.* Significant differences in fair market values and recorded values are disclosed in Note D. 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 we 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 29, 2007. Although we are 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.

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. Cash equivalents totaled approximately $33.8 million and $28.1 million as of December 29, 2007 and December 30, 2006, respectively.

As a result of our cash management system, checks issued but not presented to our bank for payment create negative cash balances. These negative balances are included in accounts payable and accrued liabilities and totaled $21.3 million and $20.8 million as of December 29, 2007 and December 30, 2006, respectively.

ACCOUNTS RECEIVABLE

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

ACCOUNTS RECEIVABLE ALLOWANCES

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

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

	Beginning Balance	Additions Charged to Costs and Expenses	Deductions*	Recovery of Amounts Previously Written Off	Ending Balance
Year Ended December 29, 2007:					
Allowance for possible losses on accounts receivable	$ 3,576	$ 23,686	$ (25,374)	$ 515	$ 2,403
Year Ended December 30, 2006:					
Allowance for possible losses on accounts receivable	$ 3,396	$ 23,787	$ (23,975)	$ 368	$ 3,576
Year Ended December 31, 2005:					
Allowance for possible losses on accounts receivable	$ 2,943	$ 29,173	$ (29,531)	$ 811	$ 3,396

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

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

INVENTORIES

Inventories are stated at the lower of cost or market. The cost of inventories includes raw materials, direct labor, and manufacturing overhead. Cost is determined on a first-in, first-out (FIFO) basis. Raw materials consist primarily of unfinished wood products expected to be manufactured or treated prior to sale, while finished goods represent various manufactured and treated wood products ready for sale.

PROPERTY, PLANT, AND EQUIPMENT

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

Land improvements	5 to 15 years
Buildings and improvements	15 to 31.5 years
Machinery, equipment and office furniture	3 to 10 years

FOREIGN CURRENCY TRANSLATION

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

SELF-INSURANCE RESERVES

We are primarily self-insured for certain employee health benefits, and have self-funded retentions for general liability, automobile liability, property and workers' compensation. We are fully self-insured for environmental liabilities. The general liability, automobile liability, property, workers' compensation, and certain environmental liabilities are managed through a wholly-owned insurance captive; the related assets and liabilities of which are included in the consolidated financial statements as of December 29, 2007 and December 30, 2006. Our policy is to accrue amounts equal to actuarially determined or internally computed liabilities. The actuarial and internal valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical cost trends, and changes in claims experience could cause these estimates to change in the future.

INCOME TAXES

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred 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. Generally, title passes at the time of shipment. In certain circumstances, the customer takes title when the shipment arrives at the destination. However, our shipping process is typically completed the same day.

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

The following table presents the balances of percentage-of-completion accounts on December 29, 2007 and December 30, 2006 which are included in other current assets and other accrued liabilities, respectively (in thousands):

	2007	2006
Cost and Earnings in Excess of Billings	$ 10,927	$ 4,829
Billings in Excess of Cost and Earnings	8,568	6,236

SHIPPING AND HANDLING OF PRODUCT

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

LONG-LIVED ASSETS

In accordance with SFAS No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets* (“SFAS No. 144”), we evaluate the recoverability of our long-lived assets by determining whether unamortized balances could be recovered through undiscounted future operating cash flows over the remaining lives of the assets. If the sum of the expected future cash flows was less than the carrying value of the assets, an impairment loss would be recognized for the excess of the carrying value over the fair value. The estimated fair value is determined by discounting the expected future cash flows at a rate that is required for a similar investment with like risks.

EARNINGS PER SHARE

Basic earnings per share (“EPS”) is calculated based on the weighted average number of common shares outstanding during the periods presented. Diluted EPS is calculated based on the weighted average number of common and common equivalent shares outstanding during the periods presented, giving effect to stock options granted (see Note I) utilizing the “treasury stock” method.

A reconciliation of the changes in the numerator and the denominator from the calculation of basic EPS to the calculation of diluted EPS follows (in thousands, except per share data):

	2007			2006			2005		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net Earnings	$21,045			$70,125			$67,373		
EPS - Basic									
Income available to common stockholders	21,045	19,056	$ 1.10	70,125	18,820	$ 3.73	67,373	18,374	$ 3.67
Effect of Dilutive Securities									
Options		306			550			732	
EPS - Diluted									
Income available to common stockholders and assumed options exercised	$21,045	19,362	$ 1.09	$70,125	19,370	$ 3.62	$67,373	19,106	$ 3.53

Options to purchase 30,000 shares of common stock at exercise prices ranging from $31.11 to $36.01 were outstanding as of December 29, 2007, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common stock during the period and, therefore, would be antidilutive.

No outstanding options were excluded from the computation of diluted EPS as of December 30, 2006 or December 31, 2005.

USE OF ACCOUNTING ESTIMATES

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

RECLASSIFICATIONS

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). This new standard establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value. SFAS No. 157 also expands financial statement disclosure requirements about a company's use of fair value measurements, including the effect of such measures on earnings. We are required to adopt this new accounting guidance at the beginning of the fiscal year ending December 27, 2008. While we are currently evaluating the provisions of SFAS No. 157, the adoption is not expected to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 allows companies to choose to measure certain financial instruments and certain other items at fair value. The statement requires that unrealized gains and losses are reported in earnings for items measured using the fair value option and establishes presentation and disclosure requirements. We are required to adopt this new accounting guidance at the beginning of the fiscal year ending December 27, 2008. We are currently evaluating the impact SFAS No. 159 may have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"), which replaces FAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective for us for business combinations closed on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for us for the fiscal year ending December 26, 2009. We are currently evaluating the impact SFAS No. 160 may have on our consolidated financial statements.

B. ASSETS HELD FOR SALE

Included in "Assets held for sale" on our Consolidated Balance Sheets is certain property, plant and equipment totaling $33.6 million at December 29, 2007. We evaluated certain property, plant and equipment under the requirements of SFAS No. 144, which resulted in an impairment charge totaling approximately $7 million included in SG&A expenses for the year ending December 29, 2007. The held for sale assets consist of certain vacant land and several facilities we closed to better align manufacturing capacity with the current business environment. The fair values were determined based on the appraisals or recent offers to acquire the assets and are included in our Eastern and Western operating segments.

C. GOODWILL AND OTHER INTANGIBLE ASSETS

We account for goodwill and other intangible assets in accordance with the provisions of SFAS No. 142 *Goodwill and Other Intangible Assets*. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually or when a triggering event occurs. We tested for impairment in the fourth quarter by utilizing the discounted cash flow method, which resulted in no impairment.

The following amounts were included in other intangible assets, net as of December 29, 2007 and December 30, 2006 (in thousands):

	2007		2006	
	Assets	Accumulated Amortization	Assets	Accumulated Amortization
Non-compete agreements	$ 20,871	$ (10,764)	$ 28,318	$ (9,649)
Licensing agreements	4,050	(871)	2,510	(2,395)
Customer relationships	13,814	(5,601)	9,088	(2,507)
Patents	2,980	(630)		
Backlog			693	(668)
Total	$ 41,715	$ (17,866)	$ 40,609	$ (15,219)

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

Non-compete agreements	5 to 11 years
Licensing agreements	3 to 5 years
Customer relationship	5 years
Backlog	1 year

Amortization expense of intangibles totaled $8.0 million, $5.8 million and $3.5 million in 2007, 2006, and 2005, respectively. The estimated amortization expense for intangibles for each of the five succeeding fiscal years is as follows (in thousands):

2008	$ 7,817
2009	6,329
2010	5,366
2011	3,155
2012	550
Thereafter	632
Total	$ 23,849

The changes in the net carrying amount of goodwill and indefinite-lived intangible assets for the years ended December 29, 2007 and December 30, 2006, are as follows (in thousands):

	Goodwill	Indefinite-Lived Intangible Assets
Balance as of December 31, 2005	$ 131,556	$ 0
Acquisitions	31,097	2,340
Final purchase price allocations	(9,915)	
Translation adjustment	99	
Balance as of December 29, 2006	$ 152,837	$ 2,340
Acquisitions	1,860	
Final purchase price allocations	(7,797)	
Translation adjustment	1,032	
Balance as of December 29, 2007	$ 147,932	$ 2,340

D. DEBT

On February 12, 2007, we completed a five-year, $300 million unsecured revolving credit facility, which includes amounts reserved for letters of credit and replaces our $250 million facility. Cash borrowings are charged interest based upon an index equal to the Eurodollar rate (in the case of borrowings in US Dollars) or the bankers' acceptance rate quoted (in the case of borrowings in Canadian Dollars), plus a margin (ranging from 27 to 90 basis points, based upon our financial performance). We are also charged an annual facility fee on the entire amount of the lending commitment (ranging from 8 to 25 basis points, based upon our performance), and a usage premium (ranging from 5 to 12.5 basis points, based upon our performance) at times when borrowings in US Dollars exceed $140 million. The average borrowing rate on this facility was 5.5% in 2007. The amount outstanding on the revolving credit facility is included in the long-term debt summary below. The revolving credit facility supports letters of credit totaling approximately $31.3 million on December 29, 2007.

On December 20, 2004, we completed a five-year, $250 million unsecured revolving credit facility, which included amounts reserved for letters of credit. The average borrowing rate on this facility was 4.9% in 2006. The amount outstanding on the revolving credit facility is included in the long-term debt summary below.

Outstanding letters of credit extended on our behalf aggregated $33.7 million on December 29, 2007, which includes approximately $16.1 million related to industrial development revenue bonds. Outstanding letters of credit extended on our behalf aggregated $39.2 million on December 30, 2006, which includes approximately $18.5 million related to industrial development revenue bonds. Letters of credit have terms ranging from one to three years, and include an automatic renewal clause. The letters of credit are charged an annual interest rate ranging from 27 to 90 basis points in 2007 under the $300 million facility and 42.5 to 107.5 basis points in 2006 under the $250 million facility, based upon our financial performance.

Long-term debt and capital lease obligations are summarized as follows on December 29, 2007 and December 30, 2006 (amounts in thousands):

	2007	2006
Series 1998-A Senior Notes Tranche B, due on December 21, 2008, interest payable semi-annually at 6.98%	$ 59,500	$ 59,500
Series 1998-A Senior Notes Tranche C, due on December 21, 2008, interest payable semi-annually at 6.98%	19,000	19,000
Series 2002-A Senior Notes Tranche A, due on December 18, 2009, interest payable semi-annually at 5.63%	15,000	15,000
Series 2002-A Senior Notes Tranche B, due on December 18, 2012, interest payable semi-annually at 6.16%	40,000	40,000
Revolving credit facility totaling $300 million due on February 12, 2012, interest due monthly at a floating rate (4.80% on December 29, 2007)	54,614	15,883
Series 1998 Industrial Development Revenue Bonds, due on December 1, 2018, interest payable monthly at a floating rate (3.91% on December 29, 2007)	1,300	1,300
Series 1999 Industrial Development Revenue Bonds, due on July 1, 2029, interest payable monthly at a floating rate		2,400
Series 1999 Industrial Development Revenue Bonds, due on August 1, 2029, interest payable monthly at a floating rate (3.68% on December 29, 2007)	3,300	3,300
Series 2000 Industrial Development Revenue Bonds, due on October 1, 2020, interest payable monthly at a floating rate (3.87% on December 29, 2007)	2,700	2,700
Series 2000 Industrial Development Revenue Bonds, due on November 1, 2020, interest payable monthly at a floating rate (3.87% on December 29, 2007)	2,400	2,400
Series 2001 Industrial Development Revenue Bonds, due on November 1, 2021, interest payable monthly at a floating rate (3.87% on December 29, 2007)	2,500	2,500
Series 2002 Industrial Development Revenue Bonds, due on December 1, 2022, interest payable monthly at a floating rate (3.85% on December 29, 2007)	3,700	3,700
Capital lease obligations, interest imputed at 5.3%	857	902
Other	1,200	1,512
	206,071	170,097
Less current portion	945	680
Long-term portion	$ 205,126	$ 169,417

Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on December 29, 2007.

On December 29, 2007, the principal maturities of long-term debt and capital lease obligations are as follows (in thousands):

2008	$ 945
2009	15,317
2010	271
2011	254
2012	173,384
Thereafter	15,900
	$ 206,071

The Series 1998-A Senior Notes totaling $78,500 are due December 21, 2008, however we intend to refinance them on a long-term basis. Currently, we have the ability to finance the obligation with the revolving credit facility due February 12, 2012.

On December 29, 2007, the estimated fair value of our long-term debt, including the current portion, was $207.6 million, which was $1.5 million greater than the carrying value. The estimated fair value is based on rates anticipated to be available to us for debt with similar terms and maturities.

E. LEASES

Leased property included in the balance sheet on December 29, 2007 and December 30, 2006 is as follows (in thousands):

	2007	2006
Machinery and equipment	$ 2,498	$ 1,363
Less accumulated amortization	(1,091)	(207)
	$ 1,407	$ 1,156

We lease certain real estate under operating and capital lease agreements with original terms ranging from one to ten years. We are required to pay real estate taxes and other occupancy costs under these leases. Certain leases carry renewal options of five to fifteen years. We also lease motor vehicles, equipment, and aircrafts under operating lease agreements for periods of one to ten years. Future minimum payments under non-cancelable leases on December 29, 2007 are as follows (in thousands):

	Capital Leases	Operating Leases	Total
2008	$ 772	$ 17,072	$ 17,844
2009	97	13,488	13,585
2010	33	10,552	10,585
2011		6,188	6,188
2012		2,660	2,660
Thereafter		3,271	3,271
Total minimum lease payments	$ 902	$ 53,231	$ 54,133
Less imputed interest	(45)		
Present value of minimum lease payments	$ 857		

Rent expense was approximately $24.0 million, $25.8 million, and $21.9 million in 2007, 2006, and 2005, respectively.

F. DEFERRED COMPENSATION

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

We also maintain a non-qualified deferred compensation plan (the “Plan”) for the benefit of senior management employees who may elect to defer a portion of their annual bonus payments and salaries. The Plan provides investment options similar to our 401(k) plan, including our stock. The investment in our stock is funded by the issuance of shares to a Rabbi trust, and may only be distributed in kind. Assets held by the Plan totaled approximately $4.7 million and $4.0 million on December 29, 2007 and December 30, 2006, respectively, and are included in “Other Assets.” Related liabilities totaled $10.5 million and $8.3 million on December 29, 2007 and December 30, 2006, respectively, and are included in “Other Liabilities” and “Shareholders’ Equity.” Assets of the Plan are recorded at fair market value. The related liabilities are recorded at fair market value, with the exception of obligations associated with investments in our stock which are recorded at the market value on the date of deferral.

On February 23, 2007, we established a non-qualified deferred stock bonus plan (“the 2007 Plan”) to reward key employees for extraordinary performance. The 2007 Plan is invested in our stock, funded by the issuance of shares to a Rabbi trust, and may only be distributed in kind. The related liability is recorded at the market value of the stock on the date of deferral, totaling $1.9 million on December 29, 2007 and is included in “Shareholders’ Equity.”

G. SALE OF ACCOUNTS RECEIVABLE

On March 8, 2006, we entered into an accounts receivable sale arrangement with a bank. The terms of this agreement are substantially the same as the agreement that was in place in the first six months of 2005 and subsequently canceled on October 25, 2005. Under the terms of these agreements:

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

On December 29, 2007, $29.0 million of receivables were sold and outstanding, and we recorded $2.2 million of retained interest in other current assets. On December 30, 2006 $29.1 million of receivables were sold and outstanding, and we recorded $2.2 million of retained interest in other current assets. A summary of the transactions we completed in 2007, 2006, and 2005 is presented below (in thousands).

	2007	2006	2005
Accounts receivable sold	$ 624,448	$ 460,859	$ 401,431
Retained interest in receivables	(1,982)	(6,649)	(2,594)
Expense from sale	(2,629)	(1,847)	(1,214)
Servicing fee received	212	150	137
Net cash received from sale	$ 620,049	$ 452,513	$ 397,760

H. COMMON STOCK

On June 1, 1993, our shareholders approved the Incentive Stock Option Plan (the "Plan") for our officers. Options for the purchase of all 1,200,000 shares of our common stock authorized under the Plan have been granted. The Plan provides that the options are exercisable only if the officer is employed by us 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. The remaining options are exercisable within thirty days of the anniversary of the Plan in 2008.

In January 1994, the Employee Stock Gift Program was approved by the Board of Directors which allows us to gift shares of stock to eligible employees based on length of service. We gifted shares of stock under this Plan in 2007, 2006, and 2005, and recognized the market value of the shares at the date of issuance as an expense totaling approximately $68,000, $55,000, and $55,000, respectively.

In April 1994, our shareholders approved the Employee Stock Purchase Plan ("Stock Purchase Plan"). In April 2002, our shareholders approved the 2002 Employee Stock Purchase Plan ("2002 Stock Purchase Plan") to succeed the Stock Purchase Plan. The plans allow eligible employees to purchase shares of our stock at a share price equal to 85% of fair market value on the purchase date. In 2007, 2006, and 2005, shares were issued under this Plan for amounts totaling approximately $617,000, $811,000, and $511,000, respectively. The weighted average discounted fair value of these shares was $30.75, $48.36, and $36.92, respectively. Upon adoption of FASB Statement No. 123(R), *Share-Based Payment*, ("SFAS 123(R)"), we have expensed the fair value associated with these awards, which approximates the discount.

In April 1994, our shareholders approved the Directors' Retainer Stock Plan ("Stock Retainer Plan"). The Stock Retainer Plan allows eligible members of the Board of Directors to defer their retainer fees and receive shares of our 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 our stock at the time of deferral, is increased for dividends declared and may only be distributed in kind. We have accrued, in shareholders' equity, approximately $1.1 million and $818,000 on December 29, 2007 and December 30, 2006, respectively, for obligations incurred under this Plan. There were no distributions in 2007 or 2006.

In January 1997, we instituted a Directors' Stock Grant Program. In lieu of a cash increase in the amount of Director fees, each outside Director receives 100 shares of stock for each board meeting attended up to a maximum of 400 shares per year. In 2007, 2006, and 2005, we issued shares and recognized the market value of the shares on the date of issuance as an expense totaling approximately $106,000, $142,000, and $107,000, respectively.

On April 28, 1999, our shareholders approved the Long Term Stock Incentive Plan (the "1999 Plan"). The 1999 Plan reserves a maximum of 1,000,000 shares, plus an annual increase of no more than 200,000 shares which may be added on the date of the annual meeting of shareholders each year. The 1999 Plan provides for the granting of stock options, reload options, stock appreciation rights, restricted stock, performance shares and other stock-based awards. The term of the 1999 Plan is ten years. No options were granted in 2007 and 2006.

On April 17, 2002, under the 1999 Plan, a Conditional Share Grant Agreement was executed which will grant our former Chief Executive Officer 10,000 shares of common stock immediately upon the satisfaction of the terms and conditions set forth in the Agreement. We have accrued in shareholders' equity approximately $135,000 and $112,000 on December 29, 2007 and December 30, 2006 respectively, for this grant.

On February 3, 2006, under the 1999 Plan, Conditional Share Grant Agreements were executed which will grant certain employees a total of approximately 38,000 shares of common stock immediately upon the satisfaction of the terms and conditions set forth in the Agreement. We have accrued in shareholders' equity approximately $2.1 million on December 29, 2007 for this grant.

On January 16, 2007, under the 1999 Plan, Conditional Share Grant Agreements were executed which will grant certain employees 500 shares each of common stock immediately upon the satisfaction of the terms and conditions set forth in the Agreement. We have accrued in shareholders' equity approximately $16,000 on December 29, 2007 for this grant.

As of December 29, 2007, a total of approximately 1.9 million shares are reserved for issuance under the plans mentioned above.

On November 14, 2001, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2,500,000 shares of our common stock. In 2007, we repurchased 239,400 shares under this program. As of December 29, 2007, cumulative total authorized shares available for repurchase is approximately 1.2 million shares.

Common stock activity for 2007, 2006 and 2005 was as follows:

	Note	2007	2006	2005
Shares issued under plan:				
Employee Stock Purchase	H	20,079	16,763	13,839
Stock option	I	200,266	332,881	397,406
Employee stock plans		220,345	349,644	411,245
Stock gift	H	1,661	967	1,213
Directors' Stock Grant	H	2,300	2,500	2,500
Stock grant plans		3,961	3,467	3,713
Deferred compensation	F	69,777	101,278	21,144
Directors' Stock Retainer	H			11,930
Deferred compensation plans		69,777	101,278	33,074
Stock notes receivable		10,132	3,222	1,605
Shares received for exercise of stock options		(15,866)	(1,367)	(49,244)
Stock repurchase	H	(239,400)		
		48,949	456,244	400,393
Beginning common stock outstanding		18,858,892	18,402,648	18,002,255
Ending common stock outstanding		18,907,841	18,858,892	18,402,648

I. STOCK-BASED COMPENSATION

Prior to January 1, 2006, we accounted for our stock option plans and our Employee Stock Purchase Plan using the intrinsic value method of accounting provided under the recognition and measurement provisions of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB 25") and related Interpretations, as permitted by Financial Accounting Standards Board ("FASB") Statement No. 123, *Accounting for Stock-Based Compensation*, ("SFAS 123") under which no compensation expense was recognized for stock option grants and issuance of stock pursuant to the Employee Stock Purchase Plan. Accordingly, share-based compensation was included as a pro forma disclosure in the financial statement footnotes and continues to be provided for the period prior to fiscal 2006.

Prior to the adoption of SFAS 123(R), we presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. SFAS 123(R) requires the cash flows resulting from the tax benefits resulting from the tax deductions in excess of the compensation cost recognized for those options ("excess tax benefits from share-based compensation arrangements") to be classified as financing cash flows. The $0.8 million and $4.0 million excess tax benefit from share-based compensation arrangements classified as a financing cash inflow for 2007 and 2006, respectively, would have been classified as an operating cash inflow if we had not adopted SFAS 123(R).

We provide compensation benefits to employees and non-employee directors under several share-based payment arrangements including various employee stock plans, the 2002 Employee Stock Purchase Plan, the Directors' Retainer Stock Plan, the Directors' Stock Grant Program and the Employee Stock Gift Program.

Stock Option Plans

To date, other than the Conditional Share Grant Agreements, we have only issued options under the 1999 plan.

Vesting requirements for awards under this plan will vary by individual grant and, as to outstanding awards, and are subject to time-based vesting. The contractual life of all of the options granted under this plan is no greater than 15 years.

The fair value of each option award is estimated as of the date of grant using the Black-Scholes option pricing model. Expected volatility assumptions used were based on historical volatility of our stock. We utilize historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The risk-free rate for the expected term of the option award was based on the U.S. Treasury yield curve in effect at the time of the grant. No new option awards were granted in 2007 and therefore no specific valuation assumptions are presented.

The following summary presents information regarding outstanding options as of December 29, 2007 and changes during the period then ended with regard to options under all stock option plans:

	Stock Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 25, 2004	1,877,259	$ 17.42		
Exercised	(397,406)	$ 11.78		
Forfeited or expired	(94,974)	$ 16.81		
Outstanding at December 31, 2005	1,384,879	$ 19.08		
Exercised	(332,881)	$ 15.56		
Forfeited or expired	(15,714)	$ 20.87		
Outstanding at December 30, 2006	1,036,284	$ 20.18		
Exercised	(200,266)	$ 16.21		
Forfeited or expired	(39,541)	$ 23.65		
Outstanding at December 29, 2007	796,477	$ 20.92	4.27	$ 7,388,252
Vested or expected to vest at December 29, 2007	473,000	$ 21.98	4.75	$ 3,967,160
Exercisable at December 29, 2007	323,477	$ 19.47	3.59	$ 3,421,092

The total intrinsic value of options exercised during 2007 and 2006 was $6.5 million and $16.9 million, respectively.

Employee Stock Purchase Plan

In 2007 and 2006, we issued shares under this plan totaling 20,079 and 16,763, respectively. In 2007 and 2006, the weighted average fair values per share of employee stock purchase rights pursuant to this plan were $5.42 and $8.26, respectively. The fair value of the stock purchase rights approximated the difference between the stock price and the employee purchase price.

Directors' Retainer Stock Plan

We recognized the fair market value of the shares issued under this plan, calculated using the number of shares issued and the stock price on the issuance date, as expense and recorded the related obligation in shareholders' equity. In 2007 and 2006, we recognized approximately $281,000 and $259,000, respectively, in expense for shares issued under this program.

Directors' Stock Grant Program

In 2007 and 2006, we recognized the fair market value of the shares issued under this plan, calculated using the number of shares issued and the stock price on the issuance date, as an expense totaling approximately $106,000 and $142,000, respectively.

Conditional Share Grant Agreements

In 2007 and 2006, we recognized the fair value of the award estimated as of the date of grant. We recognized approximately $39,000 and $112,000, respectively, in expense for shares issuable under this program.

All Share-Based Payment Arrangements

The total share-based compensation cost and the related total income tax benefit that has been recognized in results of operations was approximately $0.9 million and $299,000, respectively in 2007. The total share-based compensation cost and the related total income tax benefit that has been recognized in results of operations was approximately $1.4 million and $481,000, respectively in 2006.

As of December 29, 2007, there was $0.9 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.78 years.

In 2007 and 2006, cash received from option exercises and share issuances under the Stock Purchase Plan was $3.5 million and $5.9 million, respectively. The actual tax benefit realized in 2007 and 2006 for the tax deductions from option exercises totaled $1.9 million and $4.4 million, respectively.

Pro Forma Net Earnings

The following table provides pro forma net earnings and earnings per share had we applied the fair value method of SFAS 123 for 2005 (in thousands, except per share data):

	2005
Net Earnings:	
As Reported	$ 67,373
Deduct: Compensation expense - fair value method	(734)
Pro Forma	$ 66,639
EPS - Basic:	
As Reported	$ 3.67
Pro Forma	$ 3.63
EPS - Diluted:	
As Reported	$ 3.53
Pro Forma	$ 3.50

No options were granted in 2005.

J. RETIREMENT PLANS

We have a profit sharing and 401(k) plan for the benefit of substantially all of our employees, excluding the employees of certain non-wholly-owned subsidiaries. Amounts contributed to the plan are made at the discretion of the Board of Directors. We matched 50% of employee contributions in 2007, 2006, and 2005, on a discretionary basis, totaling $4.1 million, $3.9 million, and $3.7 million, respectively. The basis for matching contributions may not exceed the lesser of 6% of the employee's annual compensation or the IRS limitation.

K. INCOME TAXES

Income tax provisions for the years ended December 29, 2007, December 30, 2006, and December 31, 3005 are summarized as follows (in thousands):

	2007	2006	2005
Currently Payable:			
Federal	$ 13,725	$ 32,288	$ 38,250
State and local	2,714	4,947	5,717
Foreign	2,824	2,649	4,342
	19,263	39,884	48,309
Net Deferred:			
Federal	(3,734)	(2,454)	(3,947)
State and local	134	(220)	(344)
Foreign	(267)	1,550	(2,968)
	(3,867)	(1,124)	(7,259)
	$ 15,396	$ 38,760	$ 41,050

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

	2007	2006	2005
U.S.	$ 37,641	$ 105,662	$ 105,733
Foreign	968	6,473	5,039
Total	$ 38,609	$ 112,135	$ 110,772

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

	2007	2006	2005
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local taxes (net of federal benefits)	4.5	2.5	3.2
Effect of minority owned interest in earnings of partnerships	(1.0)	(0.6)	(0.3)
Manufacturing deduction	(1.9)	(0.8)	(0.8)
Research & development tax credits	(3.2)	(4.1)	
Change in valuation allowance	5.5	1.0	
Other, net	1.0	1.6	
Effective income tax rate	39.9%	34.6%	37.1%

For the year ended December 29, 2007, the effective tax rate was favorably impacted by the federal research & development ("R&D") tax credits for 2007, all of which were recognized in 2007. For the year ended December 30, 2006, the effective tax rate was favorably impacted by the federal research & development ("R&D") tax credits for 2001 — 2006, all of which were recognized in 2006. During 2007 and 2006, we completed a project to identify eligible expenditures for purposes of claiming R&D tax credits, for which amended tax returns for 2001 — 2005 have been or will be filed.

In accordance with the provisions of the American Jobs Creation Act of 2004, we recognized income tax charges of $0.1 million in 2005 related to the repatriation of $2.3 million of undistributed foreign earnings.

Temporary differences which give rise to deferred tax assets and (liabilities) on December 29, 2007 and December 30, 2006 are as follows (in thousands):

	2007	2006
Employee benefits	$ 7,711	$ 7,064
Foreign subsidiary net operating loss	2,967	1,991
Accrued expenses	4,565	1,188
Other, net	3,455	3,782
Gross deferred tax assets	18,698	14,025
Valuation allowance	(3,430)	(1,088)
Deferred tax assets	15,268	12,937
Depreciation	(23,745)	(11,983)
Intangibles	(6,910)	(6,176)
Inventory	(1,004)	(634)
Other, net	(110)	(776)
Deferred tax liabilities	$ (31,769)	$ (19,569)
Net deferred tax liability	$ (16,501)	$ (6,632)

The valuation allowance consists of a net operating loss carryforward we have for a wholly-owned subsidiary, Universal Forest Products of Canada, Inc. We do not anticipate realizing a future benefit from this loss carryforward, therefore, we established an allowance for the entire amount of the future benefit. This carryforward will expire at the end of 2027.

L. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48") "Accounting for Uncertainty in Income Taxes." FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, and disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. Accordingly, we adopted FIN 48 beginning December 31, 2006. The implementation of FIN 48 did not have a significant impact on our financial position or results of operations.

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

Gross unrecognized tax benefits at December 30, 2006	$ 6,428
Increase in tax positions for prior years	877
Increase in tax positions for current year	1,615
Settlements	0
Lapse in statute of limitations	(215)
Gross unrecognized tax benefits at December 29, 2007	$ 8,705

The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate was $8.7 million at December 29, 2007. We recognized interest and penalties for unrecognized tax benefits in our provision for income taxes. The liability for unrecognized tax benefits included accrued interest and penalties of $0.3 million and $0.2 million at December 29, 2007 and December 30, 2006, respectively.

We file income tax returns in the United States and in various state, local and foreign jurisdictions. For the majority of tax jurisdictions, we are no longer subject to income tax examinations for years before 2004. A number of state and local examinations as well as an examination by the Internal Revenue Service are currently ongoing. It is possible that these examinations may be resolved within the next twelve months. Due to the potential for resolution of Federal, state and foreign examinations, and the expiration of various statutes of limitation, it is reasonably possible that our gross unrecognized tax benefits may change within the next twelve months by a range of zero to $5.5 million.

M. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

We are self-insured for environmental impairment liability, including certain liabilities which are insured through a wholly-owned subsidiary, UFP Insurance Ltd., a licensed captive insurance company. We own and operate a number of facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, we may, under various federal, state, and local environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Insurance reserves, calculated with no discount rate, have been established to cover remediation activities at our affiliates' facilities in Stockertown, PA; Elizabeth City, NC; Auburndale, FL; Janesville, WI; Medley, FL; and Ponce, PR wood preservation facilities. In addition, a reserve was established for our affiliate's facility in Thornton, CA to remove asbestos and certain lead containing materials which existed on the property at the time of purchase.

On a consolidated basis, we have reserved approximately $4.4 million on December 29, 2007 and $1.6 million on December 30, 2006, representing the estimated costs to complete future remediation efforts. These amounts have not been reduced by an insurance receivable.

The manufacturers of CCA preservative voluntarily discontinued the registration of CCA for certain residential applications as of December 31, 2003. Our wood preservation facilities have been converted to alternate preservatives, either ACQ, borates or ProWood® Micro.

In November 2003, the EPA published its report on the risks associated with the use of CCA in children's playsets. While the study observed that the range of potential exposure to CCA increased by the continuous use of playsets, the EPA concluded that the risks were not sufficient to require removal or replacement of any CCA treated structures. The results of the EPA study are consistent with a prior Consumer Products Safety Commission (CPSC) study which reached a similar conclusion. The EPA did refer a question on the use of sealants to a scientific advisory panel. The panel issued a report which provides guidance to the EPA on the use of various sealants but does not mandate their use. The EPA was expected to issue a final report at the end of 2007.

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

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

In addition, on December 29, 2007, we were parties either as plaintiff or a defendant to a number of lawsuits and claims arising through the normal course of our business. In the opinion of management, our consolidated financial statements will not be materially affected by the outcome of these contingencies and claims.

On December 29, 2007, we had outstanding purchase commitments on capital projects of approximately $2.2 million.

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

In certain cases we jointly bid on contracts with framing companies to supply building materials to site-built construction projects. In some of these instances we are required to post payment and performance bonds to insure the owner that the products and installation services are completed in accordance with our contractual obligations. We have agreed to indemnify the surety for claims made against the bonds. Historically, we have not had any claims for indemnity from our sureties. As of December 29, 2007, we had approximately $18.1 million in outstanding payment and performance bonds, which expire during the next two years. In addition, approximately $20.9 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

We have entered into operating leases for certain assets that include a guarantee of a portion of the residual value of the leased assets. If at the expiration of the initial lease term we do not exercise our option to purchase the leased assets and these assets are sold by the lessor for a price below a predetermined amount, we will reimburse the lessor for a certain portion of the shortfall. These operating leases will expire periodically over the next five years. The estimated maximum aggregate exposure of these guarantees is approximately $2.4 million.

Under our sale of accounts receivable agreement, we guarantee that a subsidiary, as accounts servicer, will remit collections on receivables sold to the bank. (See Note G, “Sale of Accounts Receivable.”)

On December 29, 2007, we had outstanding letters of credit totaling $33.7 million, primarily related to certain insurance contracts, industrial development revenue bonds and commercial trade, as further described below.

In lieu of cash deposits, we provide irrevocable letters of credit in favor of our insurers to guarantee our performance under certain insurance contracts. We currently have irrevocable letters of credit outstanding totaling approximately $17.4 million for these types of insurance arrangements. We have reserves recorded on our balance sheet, in accrued liabilities, that reflect our expected future liabilities under these insurance arrangements.

We are required to provide irrevocable letters of credit in favor of the bond trustees for all of the industrial development revenue bonds that we have issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately $16.1 million related to our outstanding industrial development revenue bonds. These letters of credit have varying terms but may be renewed at the option of the issuing banks.

Certain wholly-owned domestic subsidiaries have guaranteed the indebtedness of Universal Forest Products, Inc. in certain debt agreements, including the Series 1998-A Senior Notes, Series 2002-A Senior Notes and our revolving credit facility. The maximum exposure of these guarantees is limited to the indebtedness outstanding under these debt arrangements and this exposure will expire concurrent with the expiration of the debt agreements.

Our treating operations utilize “Subpart W” drip pads, defined as hazardous waste management units by the EPA. The rules regulating drip pads require that the pad be “closed” at the point that it is no longer used to manage hazardous waste. Closure involves identification and disposal of contamination which requires removal from the wood treating operations. The ultimate cost of closure is dependent upon a number of factors including, but not limited to, identification and removal of contamination, cleanup standards that vary from state to state, and the time period over which the cleanup would be completed. Based on our present knowledge of existing circumstances, it is considered probable that these costs will approximate $0.4 million. As a result, this amount is recorded in other long-term liabilities on December 29, 2007.

We did not enter into any new guarantee arrangements during 2007 which would require us to recognize a liability on our balance sheet.

N. CONSULTING & NON-COMPETE AGREEMENTS AND SEVERANCE

On December 17, 2007 we entered into a consulting and non-compete agreement with our former CEO which provides for monthly payments for a term of three years that will begin upon retirement from Universal Forest Products, Inc. The present value of the vested portion of the non-compete payments totaling approximately $0.3 million is accrued in other liabilities.

On December 31, 2007 the former President of Universal Forest Products Western Division, Inc. retired as an employee of Universal Forest Products, Inc., and we entered into an agreement with him which provides for monthly payments for a term of three years. The present value of these payments totaling approximately $1.0 million has been recorded in other liabilities.

In addition, severances expenses totaling approximately $1.4 million were recorded in 2007 primarily related to plant closures and terminations associated with challenging market conditions.

O. SEGMENT REPORTING

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131") defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Under the definition of a segment, our Eastern, Western and Consumer Products Divisions may be considered an operating segment of our business. Under SFAS 131, segments may be aggregated if the segments have similar economic characteristics and if the nature of the products, distribution methods, customers and regulatory environments are similar. Based on this criteria, we have aggregated our Eastern and Western divisions into one reporting segment. Our Consumer Products Division, which was formed in 2006, is included in the "All Other" column in the table below. Our divisions operate manufacturing and treating facilities throughout North America.

	2007			2006		
	Eastern and Western Divisions	All Other	Total	Eastern and Western Divisions	All Other	Total
Net sales to outside customers	$2,405,830	$ 107,348	$2,513,178	$2,605,087	$ 59,485	$2,664,572
Intersegment net sales	0	24,126	24,126	0	17,974	17,974
Interest expense	17,018	15	17,033	14,040	13	14,053
Amortization expense	5,331	2,703	8,034	3,071	2,680	5,751
Depreciation expense	36,347	3,200	39,547	31,081	2,690	33,771
Segment operating profit	48,399	5,093	53,492	118,942	4,803	123,745
Segment assets	864,546	92,454	957,000	831,160	82,281	913,441
Capital expenditures	37,571	1,789	39,360	40,908	2,596	43,504

In 2007, 2006, and 2005, 26%, 22%, and 22% of net sales, respectively, were to a single customer.

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

	2007		2006		2005	
	Net Sales	Long-Lived Tangible Assets	Net Sales	Long-Lived Tangible Assets	Net Sales	Long-Lived Tangible Assets
United States	$2,442,676	$ 309,778	$2,590,951	$ 234,362	$2,621,443	$ 207,334
Foreign	70,502	21,277	73,621	23,377	70,079	24,886
Total	$2,513,178	$ 331,055	$2,664,572	$ 257,739	$2,691,522	$ 232,220

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

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

	Value-Added	Commodity-Based
2007	60.5%	39.5%
2006	62.7%	37.3%
2005	59.2%	40.8%

Note: In the third quarter of 2007, we reviewed the classification of our product codes and made certain reclassifications. Historical information has been restated to reflect these reclassifications.

Value-added product sales consist of fencing, decking, lattice, and other specialty products sold to the DIY/retail market, industrial packaging, engineered wood components used in site-built construction, and “wood alternative” products. Wood alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales totals. Commodity-based product sales consist primarily of remanufactured lumber and preservative treated lumber.

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

	Years Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
Value-Added Sales			
Trusses – site-built, modular & manufactured housing	$ 394,806	$ 504,296	$ 542,669
Fencing	199,511	179,504	158,075
Decking and railing – composite , wood & other	179,654	172,957	164,013
Turn-key framing and installed sales	179,065	220,799	146,876
Industrial packaging & components	107,160	93,620	76,772
Engineered wood products (eg. LVL; i-joist)	87,588	99,002	107,921
Manufactured brite & other lumber	82,784	89,891	99,856
Wall panels	57,065	87,921	96,314
Outdoor DIY products (eg. stakes; landscape ties)	53,012	47,860	38,022
Construction and building materials (eg. door packages; drywall)	46,761	47,313	55,897
Lattice – plastic & wood	46,523	27,412	17,791
Manufactured brite & other panels	42,798	54,415	45,045
Siding, trim and moulding	38,090	46,311	46,349
Hardware	15,743	14,410	11,880
Manufactured treated lumber	7,947	4,677	6,178
Manufactured treated panels	3,637	3,148	3,339
Other	6,937	3,500	2,724
Total Value-Added Sales	1,549,081	1,697,036	1,619,721

	Years Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
Commodity-Based Sales			
Non-manufactured brite & other lumber	454,560	470,569	500,730
Non-manufactured treated lumber	378,240	361,688	398,668
Non-manufactured brite & other panels	149,652	152,568	189,491
Non-manufactured treated panels	24,934	18,537	21,826
Other	5,018	6,637	3,868
Total Commodity-Based Sales	1,012,404	1,009,999	1,114,583
Total Gross Sales	2,561,485	2,707,035	2,734,304
Sales allowances	(48,307)	(42,463)	(42,782)
Total Net Sales	$ 2,513,178	$ 2,664,572	$ 2,691,522

P. GAIN ON INSURANCE SETTLEMENT

In April 2004, our plant in Thorndale, Ontario was destroyed by a fire. In accordance with FIN 30, *Accounting for Involuntary Conversions of Non-Monetary Assets to Monetary Assets,* we wrote off the net book value of the destroyed inventory and property totaling $3.6 million. The insured value of the property exceeded its net book value by approximately $1.4 million, which was recorded as a gain on insurance settlement. As of December 25, 2004, we had collected $2.0 million of insurance proceeds. In 2005, we collected the remaining insurance proceeds of $3.0 million.

Q. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected financial information for all of the quarters, each consisting of 13 weeks) during the years ended December 29, 2007 and December 30, 2006 (in thousands, except per share data):

	First		Second		Third		Fourth	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	$549,038	$665,609	$773,105	$826,847	$678,398	$672,873	$512,637	$499,243
Gross profit	73,520	94,311	101,705	120,418	82,165	98,825	51,639	68,128
Net earnings	3,886	15,866	16,800	27,314	11,339	17,705	(10,980)	9,240
Basic earnings per share	0.20	0.85	0.88	1.45	0.59	0.94	(0.58)	0.49
Diluted earnings per share	0.20	0.82	0.86	1.41	0.59	0.91	(0.57)	0.48

R. SUBSEQUENT EVENTS

On January 24, 2008 we sold the vacant land we acquired as part our acquisition of Aljoma. The net sales price was approximately $24.2 million.

On February 5, 2008, one of our subsidiaries acquired International Wood Industries ("IWI"), a manufacturer of industrial products headquartered in Turlock, CA with annual sales for the year ended December 31, 2007 of approximately $40 million. IWI sells specialty packaging and shipping products such as agriculture boxes for shipping food; moving boxes for the U.S. military; and crating, pallets and skids for a variety of industrial customers. The purchase price for the stock was approximately $14 million.

On February 8, 2008, a stock grant was made for eligible salaried employees which will grant shares of common stock immediately upon the satisfaction of certain terms and conditions. We estimate that we will recognize total expense of approximately $1.3 million for each of the next three years for this grant.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock trades on The Nasdaq Stock Market (“NASDAQ”) under the symbol UFPI. The following table sets forth the range of high and low sales prices as reported by NASDAQ.

Fiscal 2007	High	Low
Fourth Quarter	37.10	27.93
Third Quarter	44.90	29.51
Second Quarter	52.70	41.94
First Quarter	54.61	44.90

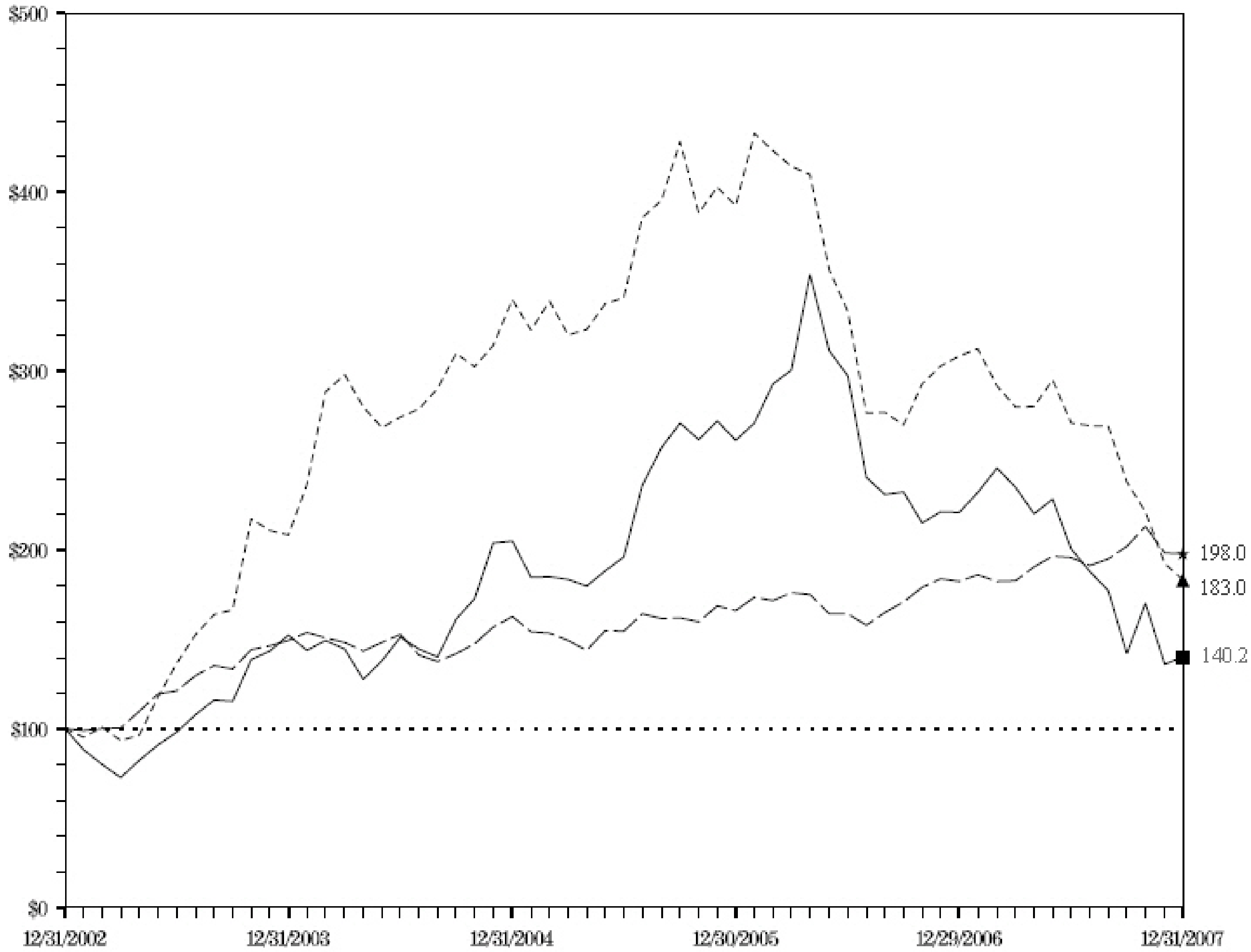
Fiscal 2006	High	Low
Fourth Quarter	52.39	43.61
Third Quarter	64.16	46.89
Second Quarter	80.28	58.02
First Quarter	64.94	53.39

There were approximately 1,150 shareholders of record as of January 31, 2008.

In 2007, we paid dividends on our common stock of $.055 per share in June and $.060 per share in December. In 2006, we paid dividends on our common stock of $.055 per share in June and $.055 per share in December. We intend to continue with our current semi-annual dividend policy for the foreseeable future.

STOCK PERFORMANCE GRAPH

The following graph depicts the cumulative total return on the our common stock compared to the cumulative total return on the indices for The Nasdaq Stock Market (all U.S. companies) and an industry peer group we selected. The graph assumes an investment of $100 on December 28, 2002, and reinvestment of dividends in all cases.



Symbol	CRSP Total Returns Index for:	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
■	Universal Forest Products, Inc.	100.0	152.6	205.0	261.5	221.1	140.2
★	Nasdaq Stock Market (US Companies)	100.0	149.5	162.7	166.2	182.6	198.0
▲	Self−Determined Peer Group	100.0	208.4	339.9	392.6	308.4	183.0

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

BlueLinx Holdings, Inc.
Builders First Source
Building Materials Holding Co.
Champion Enterprises, Inc.
Louisiana Pacific Corp.

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

Directors and Executive Officers

BOARD OF DIRECTORS

Peter F. Secchia
Chairman Emeritus
Universal Forest Products, Inc.

William G. Currie
Executive Chairman
Universal Forest Products, Inc.

Michael B. Glenn
President and Chief Executive Officer
Universal Forest Products, Inc.

Dan M. Dutton
Chairman of the Board
Stimson Lumber Co.

John M. Engler
President and Chief Executive Officer
National Association of Manufacturers

John W. Garside
President and Treasurer
Woodruff Coal Company

Gary F. Goode, CPA
Chairman
Titan Sales & Consulting, LLC

Mark A. Murray
President
Meijer, Inc.

Louis A. Smith
President
Smith and Johnson, Attorneys, P.C.

EXECUTIVE OFFICERS

William G. Currie
Executive Chairman

Michael B. Glenn
President and Chief Executive Officer

Michael R. Cole
Chief Financial Officer and Treasurer

Robert D. Coleman
Executive Vice President Manufacturing

C. Scott Greene
President
Universal Forest Products Eastern Division, Inc.

Patrick M. Webster
President
Universal Forest Products Western Division, Inc.

Ronald G. Klyn
Chief Information Officer

Matthew J. Missad
Executive Vice President and Secretary

Joseph F. Granger
Executive Vice President of Sales and Marketing

Shareholder Information

ANNUAL MEETING

The annual meeting of Universal Forest Products, Inc., will be held at 8:30 a.m. on April 16, 2008, at 2880 East Beltline Lane NE, Grand Rapids, MI 49525.

SHAREHOLDER INFORMATION

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

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

SECURITIES COUNSEL

Varnum, Riddering, Schmidt & Howlett
Grand Rapids, MI

INDEPENDENT ACCOUNTANTS

Ernst & Young LLP
Grand Rapids, MI

TRANSFER AGENT/SHAREHOLDER INQUIRIES

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

American Stock Transfer & Trust Co.
59 Maiden Lane
New York, NY 10005
Telephone: (718) 921-8210

UNIVERSAL FOREST PRODUCTS®, INC., CORPORATE HEADQUARTERS

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

UNIVERSAL FOREST PRODUCTS®, INC., AND ITS AFFILIATES

Locations:

Ashburn, GA
Auburn, NY
Auburndale, FL (2)
Belchertown, MA
Berlin, NJ
Blanchester, OH
Bunn, NC
Burleson, TX
Burlington, NC
Chaffee, NY
Chandler, AZ
Chesapeake, VA
Clinton, NY
Conway, SC
Crestwood, MO
Dallas, NC
Dallas, TX
Durango, Durango, Mexico
Earlysville, VA
Eatonton, GA
Eduardsburg, MI
Elizabeth City, NC
Elkhart, IN (2)
Emlenton, PA
Englewood, CO
Fishersville, VA
Folkston, GA
Fontana, CA
Georgetown, DE
Gordon, PA
Grandview, TX
Grand Rapids, MI
Granger, IN
Haleyville, AL
Hamilton, OH
Harrisonville, MO
Hastings, MN
Hillsboro, TX
Houston, TX
Hudson, NY
Indianapolis, IN
Jacksonville, FL
Janesville, WI
Jefferson, GA
Kyle, TX
Lacolle, Quebec, Canada
Lafayette, CO
Lancaster, PA
Lansing, MI
Las Vegas, NV (2)
Liberty, NC
Lodi, OH
Longs, SC
Medley, FL
Minneota, MN
Morristown, TN
Moultrie, GA
Muscle Shoals, AL
Naugatuck, CT
New London, NC
New Waverly, TX
New Windsor, MD
Ocala, FL
Ooltewah, TN
Parker, PA
Pearisburg, VA
Plainville, MA
Prairie du Chien, WI
Ranson, WV
Riverbank, CA
Riverside, CA
Saginaw, TX
Salisbury, NC
Saint Louis, MO
San Antonio, TX
Sanford, NC
Santee, SC
Schertz, TX
Sidney, NY
Silsbee, TX
Springfield, IL
Stanfield, NC
Stockertown, PA
Tampa, FL
Tecate, Baja California, Mexico
Thorndale, Ontario, Canada
Thornton, CA
Union City, GA
Vero Beach, FL
Warrens, WI
White Bear Lake, MN
White Pigeon, MI
Windsor, CO
Winthrop, ME
Woodburn, OR

EXHIBIT 21

LIST OF REGISTRANT'S SUBSIDIARIES AND AFFILIATES

Subsidiary	Jurisdiction
Advanced Component Systems LLC	Michigan
Aljoma Holding Company, LLC	Michigan
Aljoma Lumber, Inc.	Florida
Atlantic Building Professionals, LLC	Michigan
D & L Framing, LLC (100% owned) [1]	Nevada
D&R Framing Contractors, L.L.C. (50% owned) [1]	Michigan
Euro-Pacific Building Materials, Inc.	Oregon
Euro-Pacific International Corp	Oregon
Gulf Coast Components, LLC (50% owned) [1]	Michigan
Indianapolis Real Estate LLC	Michigan
Maine Ornamental, LLC	Michigan
Midwest Framing, LLC	Michigan
Pinelli Universal TKT, S. de R.L. de C.V. (50% owned) [1]	Mexico
Pinelli Universal, S. de R.L. de C.V. (50% owned) [1]	Mexico
Shawnlee Construction LLC (85% owned)	Michigan
Shepardville Construction, LLC (85% owned)	Michigan
Texas Framing, LLC	Michigan
Titan Foundations, LLC	Michigan
TKT Real Estate, S. de R.L. de C.V. (50% owned) [1]	Mexico
Treating Services of Minnesota, LLC	Michigan
Tresstar, LLC	Michigan
U.F.P Mexico Holdings, S. de R.L. de C.V.	Mexico
UFP Building Supply, LLC	Michigan
UFP Framing LLC	Michigan
UFP Framing of Florida, LLC	Michigan
UFP Insurance Ltd.	Bermuda
UFP New England Building Supply, LLC	Michigan
UFP Real Estate, Inc.	Michigan
UFP Thorndale Partnership (70% owned)	Canada
UFP Transportation, Inc.	Michigan
UFP Ventures II, Inc.	Michigan
UFP Ventures, Inc.	Michigan
United Lumber & Reman, LLC (50% owned) [1]	Michigan
Universal Consumer Products, Inc.	Michigan
Universal Forest Products Eastern Division, Inc.	Michigan
Universal Forest Products Eastern Purchasing, Inc.	Michigan
Universal Forest Products Holding Company, Inc.	Michigan
Universal Forest Products of Canada, Inc.	Canada
Universal Forest Products of Modesto L.L.C.	Michigan
Universal Forest Products Texas LLC	Michigan
Universal Forest Products Reclamation Center, Inc.	Michigan
Universal Forest Products RMS, LLC	Michigan
Universal Forest Products Western Division, Inc.	Michigan
Universal Forest Products Western Purchasing, LLC	Michigan
Universal Truss, Inc.	Michigan
Western Building Professionals of California II Limited Partnership	Michigan
Western Building Professionals of California, Inc.	Michigan
Western Building Professionals, LLC	Michigan

1 Do not meet the definition of a subsidiary

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Form 10-K of Universal Forest Products, Inc. and subsidiaries of our reports dated February 13, 2008, with respect to the consolidated financial statements of Universal Forest Products, Inc. and subsidiaries, Universal Forest Products, Inc. and subsidiaries management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Universal Forest Products, Inc. and subsidiaries, included in the 2007 Annual Report to Shareholders of Universal Forest Products, Inc. and subsidiaries.

We also consent to the incorporation by reference in the Registration Statement File Numbers 33-81128, 33-81116, 33-81450, 333-60630 and 333-88056 on Form S-8 and Registration File Number 333-75278 on Form S-3 of our reports dated February 13, 2008, with respect to the consolidated financial statements of Universal Forest Products, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Universal Forest Products, Inc. and subsidiaries, incorporated by reference in the Form 10-K of Universal Forest Products, Inc. and subsidiaries for the year ended December 29, 2007.

/s/ Ernst & Young LLP
ERNST & YOUNG LLP

Grand Rapids, Michigan
February 26, 2008

EXHIBIT 31(a)

Universal Forest Products, Inc.

Certification

I, Michael B. Glenn, certify that:

1. I have reviewed this report on Form 10-K of Universal Forest Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to de designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's Board of Directors (or persons performing the equivalent functions):

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

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

Date: February 26, 2008

/s/ Michael B. Glenn
Michael B. Glenn
Chief Executive Officer

EXHIBIT 31(b)

Universal Forest Products, Inc.

Certification

I, Michael R. Cole, certify that:

1. I have reviewed this report on Form 10-K of Universal Forest Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to de designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's Board of Directors (or persons performing the equivalent functions):

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

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

Date: February 26, 2008

/s/ Michael R. Cole
Michael R. Cole
Chief Financial Officer

EXHIBIT 32(a)

CERTIFICATE OF THE
CHIEF EXECUTIVE OFFICER OF
UNIVERSAL FOREST PRODUCTS, INC.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350):

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

(1) The report on Form 10-K for the year ended December 29, 2007, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this report on Form 10-K for the period ended December 29, 2007 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: February 26, 2008

By: /s/ Michael B. Glenn
Michael B. Glenn
Its: Chief Executive Officer

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

EXHIBIT 32(b)

**CERTIFICATE OF THE
CHIEF FINANCIAL OFFICER OF
UNIVERSAL FOREST PRODUCTS, INC.**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350):

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

(1) The report on Form 10-K for the period ended December 29, 2007, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this report on Form 10-K for the period ended December 29, 2007 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: February 26, 2008

By: /s/ Michael R. Cole
Michael R. Cole
Its: Chief Financial Officer

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