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

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. FOR FISCAL YEAR ENDED DECEMBER 27, 1997.

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

Commission File No.: 0-22684

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

MICHIGAN	38-1465835
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2801 E. BELTLINE, N.E., GRAND RAPIDS, MICHIGAN	49525
(Address of principal executive offices)	(Zip Code)

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

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

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

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

COMMON STOCK, NO PAR VALUE
(Title of Class)

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

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

As of March 1, 1998, 17,576,822 shares of the registrant's common stock, no par value, were outstanding. The aggregate market value of the common stock held by non-affiliates of the registrant (i.e., excluding shares held by executive officers, directors, and control persons as defined in Rule 405, 17 CFR 230.405) on that date was $192,026,937 computed at the closing price of $15.875 on that date.

Documents incorporated by reference:

1. Certain portions of the Company's Annual Report to Shareholders for the fiscal year ended December 27, 1997 are incorporated by reference into Part II of this Report.

2. Certain portions of the Company's Proxy Statement for its 1998 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 27, 1997

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PART I

ITEM 1. BUSINESS.

(A) GENERAL DEVELOPMENT OF BUSINESS.

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

(B) FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS.

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

(C) NARRATIVE DESCRIPTION OF BUSINESS.

The Company manufactures, treats, and distributes lumber products for the do-it-yourself (DIY), manufactured housing, industrial, commercial and residential building, and wholesale lumber markets. The Company's principal products are preservative-treated wood, dimension lumber, lattice, fence panels, deck components, engineered trusses, wall panels and other building products. The Company currently operates 51 manufacturing, treating and distribution facilities throughout North America at sites located in proximity to significant customers, providing the Company a cost effective means of distribution.

DIY MARKET. The customers comprising this market are primarily warehouse-format home improvement retailers, chain lumberyards and contractor oriented wholesalers. The Company is currently selling to more than 1,300 customers in this market. One customer in this market, The Home Depot, Inc., accounted for approximately 18%, 15% and 15% of net sales for fiscal 1997, 1996 and 1995, respectively.

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

The Company currently supplies customers in this market from 37 of its locations. These regional facilities are able to supply customers with mixed truckloads of products which can be delivered to customers with rapid turnaround from order receipt to delivery by the Company's captive fleet of trucks. Freight costs are a factor in the ability to competitively service this market, especially with treated wood products because of their heavier weight. The proximity of the Company's regional facilities to the various outlets of these customers is a significant advantage when negotiating master supply agreements.

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

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

The Company knows of no competitor that currently manufactures, treats and distributes a full line of both proprietary and commodity products on a national basis. The Company faces competition on individual products from several different producers, but these competitors tend to be regional in their marketing efforts and/or do not offer a full line of outdoor lumber products. The Company believes that the breadth of its product offering and the flexibility and geographic dispersal of its regional facilities provide significant competitive advantages in this market.

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

Products sold by the Company to customers in this market consist primarily of roof and floor trusses, lumber cut and shaped to the customer's specification, plywood, particle board, and dimension lumber, all intended for use in the construction of manufactured housing. The Company is the largest manufacturer of roof trusses for manufactured housing in North America. Sales are made by personnel located at each regional facility. The Company's engineering and support staff of approximately 15 persons acts as a sales support resource to assist the customer with truss designs, obtaining various building code approvals for the designs, and aiding in the development of new products and manufacturing processes.

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

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

COMMERCIAL AND RESIDENTIAL. As a part of the Company's strategic objective to manufacture and sell engineered products to commercial and residential builders, it has completed the following acquisitions. On December 22, 1997, a subsidiary of the Company merged with Consolidated Building Components, Inc. ("CBC"), a manufacturer of engineered trusses, wall panels, and joist products. CBC operates two plants in Northwest Pennsylvania and has annual sales of approximately $24 million. On December 29, 1997, a partnership of the Company acquired substantially all of the assets of Structural Lumber Products, Inc. ("SLP"), a manufacturer of engineered trusses and wall panels. SLP operates plants in San Antonio, Austin, and Dallas, Texas, and has annual sales of approximately $25 million. Management believes this new market complements its manufactured housing business and provides the Company with national growth opportunities in a familiar product line. Competition in this market is fragmented as local regulatory requirements and product preferences have resulted in a regional sales focus by most producers. The Company intends to continue to penetrate this market through internal growth and strategic acquisitions.

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

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

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

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

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

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

Except for the situations described above, the Company is not aware of any material environmental problems affecting its properties. As to the problem situations described above, the Company has accrued for costs of remediation totaling approximately $2.0 million at December 27, 1997.

SEASONAL INFLUENCES. The Company's manufactured housing and commercial and residential building markets are affected by seasonal influences in the northern states during the winter months when installation is difficult.

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

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

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

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

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

EMPLOYEES. At March 1, 1998, the Company employed approximately 3,200 persons. No Company employees are represented by a labor union, the Company has never experienced a work stoppage due to a labor dispute, and the Company believes its relations with its employees are good.

BACKLOG. Due to the nature of the Company's DIY, manufactured housing, industrial and wholesale 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, the Company would not normally have a backlog of unfilled orders in a material amount. The Company's relationships with its major customers are such that the Company is either the exclusive supplier of certain products and/or certain geographic areas, or the designated source for a specified portion of the customer's requirements. In such cases, either the Company is able to forecast the customer's requirements or the customer will provide the Company with an estimate of its future needs. In neither case, however, will the Company receive firm orders until just prior to the anticipated delivery dates for the products in question. Backlog for the Company's commercial and residential business is not material.

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

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

ITEM 2. PROPERTIES.

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

The Company currently has 51 facilities at 44 locations. These facilities are located in twenty-two U.S. states, one Canadian province, and one Mexican state, and are involved in either the manufacture, preservative treatment, or distribution of lumber products, or a combination of these activities. These facilities are generally of steel frame and aluminum construction and situated on fenced sites ranging in size from seven acres to thirty acres. Depending upon function and location, these facilities typically utilize office space between 1,500 and 5,000 square feet, manufacturing space between 10,000 and 50,000 square feet, treating space between 25,000 and 300,000 square feet, and covered storage ranging from 10,000 to 100,000 square feet.

The Company owns all of its properties, free from any significant mortgage or other encumbrance, except for 13 regional facilities which are leased. The Company believes that all of these operating facilities are adequate in capacity and condition to service existing customer locations.

ITEM 3. LEGAL PROCEEDINGS.

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

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1997.

ADDITIONAL ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT. The following table lists the names, ages and positions of all of the Company's executive officers as of March 1, 1998. Officers are elected annually by the Board of Directors at the first meeting of the Board following the annual meeting of shareholders.

Name	Age	Position
Peter F. Secchia	60	Chairman of the Board, Universal Forest Products, Inc.
William G. Currie	50	Chief Executive Officer and President, Universal Forest Products, Inc.
James H. Ward	54	President, Universal Forest Products Southern Company, Inc.
Michael B. Glenn	46	President, Universal Forest Products Southwest Company, Inc.
Robert K. Hill	50	Executive Vice President, Universal Forest Products Far West Company, Inc.
Robert D. Coleman	43	Executive Vice President, Universal Forest Products Midwest Company, Inc.
Matthew J. Missad	37	Exec. Vice Pres. Operations Services & Secty., Universal Forest Products, Inc.
Elizabeth A. Bowman	35	Exec. Vice Pres. Finance and Admin. & Treas., Universal Forest Products, Inc.
Eric S. Maxey	39	Vice Pres. of Admin. & Principal Acctg. Officer, Universal Forest Products, Inc.

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

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

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

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

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

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

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

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

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

PART II

The Registrant's Annual Report to Shareholders for the fiscal year ended December 27, 1997 is filed as Exhibit 13 with this Form 10-K Report. The following information items in this Part II, which are contained in the Registrant's Annual Report to Shareholders for the fiscal year ended December 27, 1997 on the pages noted, are specifically incorporated by reference into this Form 10-K Report.

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

The information required by this Item is incorporated by reference from page 34 of the Company's Annual Report to Shareholders for the fiscal year ended December 27, 1997, under the caption "Price Range of Common Stock and Dividends."

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this Item is incorporated by reference from page 2 of the Company's Annual Report to Shareholders for the fiscal year ended December 27, 1997, under the caption "Selected Financial Data."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this Item is incorporated by reference from pages 3 through 14 of the Company's Annual Report to Shareholders for the fiscal year ended December 27, 1997, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this Item is incorporated by reference from pages 15 through 34 of the Company's Annual Report to Shareholders for the fiscal year ended December 27, 1997.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information relating to executive officers is included in this report in the last section of Part I under the caption "Executive Officers of the Registrant." Information relating to directors and compliance with Section 16(a) of the Securities and Exchange Act of 1934 is incorporated by reference to the Company's definitive Proxy Statement for the 1998 Annual Meeting of Shareholders, as filed with the Commission, under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION.

Information relating to executive compensation is incorporated by reference to the Company's definitive Proxy Statement for the 1998 Annual Meeting of Shareholders under the caption "Executive Compensation," excluding information under the captions "Compensation Committee Report" and "Stock Performance Graph."

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

Information relating to security ownership of certain beneficial owners and management is incorporated by reference to the Company's definitive Proxy Statement for the 1998 Annual Meeting of Shareholders under the captions "Ownership of Common Stock" and "Securities Ownership of Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

Information relating to certain relationships and related party transactions is incorporated by reference to the Company's definitive Proxy Statement for the 1998 Annual Meeting of Shareholders under the caption "Election of Directors."

PART IV

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

(a) 1. Financial Statements. The following Independent Auditors' Report and Consolidated Financial Statements are incorporated by reference, under Item 8 of this report, from the Company's Annual Report to Shareholders for the fiscal year ended December 27, 1997, filed as Exhibit 13 hereto:

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

3. Exhibits. Reference is made to the Exhibit Index which is found on pages E-1 through E-5 of this Form 10-K Report.

(b) No reports on Form 8-K were filed in 1997.

SIGNATURES

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

Dated: March 27, 1998 UNIVERSAL FOREST PRODUCTS, INC.

By: /s/ PETER F. SECCHIA

PETER F. SECCHIA, CHAIRMAN OF THE BOARD

and

/s/ WILLIAM G. CURRIE

WILLIAM G. CURRIE, PRESIDENT AND CHIEF EXECUTIVE OFFICER

and

/s/ ELIZABETH A. BOWMAN

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

and

/s/ ERIC S. MAXEY

ERIC S. MAXEY, PRINCIPAL ACCOUNTING OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 27th day of March, 1998, by the following persons on behalf of the Company and in the capacities indicated.

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

/s/ PETER F. SECCHIA	/s/ JOHN W. GARSIDE
PETER F. SECCHIA, DIRECTOR	JOHN W. GARSIDE, DIRECTOR
/s/ WILLIAM G. CURRIE	/s/ PHILIP M. NOVELL
WILLIAM G. CURRIE, DIRECTOR	PHILIP M. NOVELL, DIRECTOR
/s/ RICHARD M. DeVOS	/s/ LOUIS A. SMITH
RICHARD M. DeVOS, DIRECTOR	LOUIS A. SMITH, DIRECTOR
/s/ JOHN C. CANEPA	
JOHN C. CANEPA, DIRECTOR	

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

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

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

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

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

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*Indicates a compensatory arrangement.

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

	1997	1996	1995	1994	1993(2)
CONSOLIDATED STATEMENT OF EARNINGS DATA (1)					
Net sales	$1,066,300	$891,230	$754,466	$881,406	$655,516
Gross profit (3)	95,478	89,714	75,502	70,271	59,106
Earnings from continuing operations before income taxes	25,982	29,803	23,951	18,950	17,592
Net earnings from continuing operations	16,957	17,832	14,388	11,450	10,622
Diluted earnings per share from continuing operations	$ 0.930	$ 0.980	$ 0.800	$ 0.640	$ 0.680
Dividends per share (5)	$ 0.065	$ 0.060	$ 0.105	$ 0.050	$ 0.050
Weighted average shares outstanding with common stock equivalents (4)	18,234	18,121	18,047	18,022	15,680
CONSOLIDATED BALANCE SHEET DATA (1)					
Working capital	$ 89,783	$ 90,639	$ 83,533	$ 78,878	$ 45,744
Total assets	229,383	198,866	180,791	172,034	188,106
Long-term debt and capital lease obligations	49,541	55,854	59,209	64,037	28,823
Shareholders' equity	115,898	100,815	84,597	72,888	62,850
STATISTICS (1)					
Gross profit as a percentage of net sales	9.0%	10.1%	10.0%	7.9%	9.0%
Net earnings from continuing operations as a percentage of net sales	1.6%	2.0%	1.9%	1.3%	1.6%
Return on shareholders' equity	16.8%	21.0%	19.7%	18.2%	29.9%
Current ratio	2.32	3.30	3.38	3.13	1.46
Debt to equity ratio	.43	.55	.70	.88	.46
Book value per common share	$ 6.65	$ 5.82	$ 4.89	$ 4.23	$ 3.67

(1) The financial data included herein has been restated for all periods presented to include the results of Consolidated Building Components, Inc. ("CBC"). CBC merged with a subsidiary of the Company on December 22, 1997, and has been accounted for as a pooling of interests. (See Note B of Notes to Consolidated Financial Statements.)

(2) The 1993 financial data for the Company included herein has been restated to reflect the balances and activities of Universal Restaurants, Inc., a former subsidiary, as discontinued operations.

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

(4) Includes the effect of common stock to be issued pursuant to the exercise of outstanding options.

(5) On December 15, 1995, the Company paid a special, one-time cash dividend of $0.05 per share.

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

RISK FACTORS

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

LUMBER MARKET VOLATILITY. The Company experiences significant fluctuations in the cost of lumber products from primary producers. While the Company attempts to minimize its risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect the Company's financial results.

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

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

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

FLUCTUATIONS IN LUMBER PRICES

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

The following table presents the Random Lengths framing lumber composite price for the years ended December 27, 1997, December 28, 1996 and December 30, 1995:

	RANDOM LENGTHS AVERAGE $/MBF		
	1997	1996	1995
January	$436	$329	$379
February	444	347	383
March	433	353	358
April	457	374	335
May	444	420	313
June	430	409	292
July	429	402	328
August	413	443	330
September	393	443	346
October	378	421	321
November	379	459	324
December	370	428	332
Annual average	$417	$402	$337
Annual percentage change	3.7%	19.3%	N/A

The Random Lengths composite price is a weighted average of nine key framing lumber prices chosen from major producing areas and species. The composite price is designed as a broad measure of price movement in the commodity lumber market ("Lumber Market"). Although the average Lumber Market increased only 3.7%, comparing 1997 with 1996, differences in the trend of the Lumber Market resulted in lower gross margins in 1997 compared to 1996. The effects of the Lumber Market on the Company's results of operations are discussed below under the captions "Net Sales" and "Cost of Goods Sold and Gross Profit."

SEASONALITY

The Company's business is seasonal in nature and results of operations vary from quarter to quarter. The demand for many of the Company's products is highest during the period of April to August. Accordingly, the Company's sales tend to be greater during its second and third quarters. To support this sales peak, the Company builds its inventory of finished goods throughout the winter and spring. Therefore, quantities of raw materials and finished goods inventories tend to be at their highest, relative to sales, during the Company's first and fourth quarters. As a result, the Company's financial performance may be negatively affected by prolonged declines in the Lumber Market during its primary selling season. However, the Company maintains supply programs with vendors which are intended to decrease this potential impact. These programs allow the Company to carry a lower investment in inventories, and include those materials which are most susceptible to adverse changes in the Lumber Market.

BUSINESS COMBINATIONS

The Company established strategic objectives which include manufacturing and distributing engineered building components for commercial and residential builders, a new market for the Company, and increasing its sales of wood packaging products to industrial users. Management plans to accomplish these objectives through internal growth and by acquiring profitable market leaders with strong management. In line with this strategy, the Company has completed the following acquisitions:

- - On September 29, 1997, a subsidiary of the Company acquired certain assets of American I-Joist, Inc. ("AIJ"), a manufacturer of engineered I-joists for commercial and residential builders. AIJ is located in Albuquerque, New Mexico. The assets were acquired for approximately $200,000 in cash.

- - On December 22, 1997, a subsidiary of the Company completed its merger with Consolidated Building Components, Inc. ("CBC"), a manufacturer of engineered trusses, wall panels and I-joist products for commercial and residential builders and producers of manufactured homes. CBC operates two plants in Northwest Pennsylvania. The Company issued approximately 398,000 shares of its common stock in exchange for all of the stock of CBC. This transaction has been accounted for as a pooling of interests; therefore, prior financial statements have been restated to reflect this merger for all periods presented. Annual sales of CBC totaled approximately $24 million in 1997.

- - Subsequent to December 27, 1997, a partnership of the Company acquired substantially all of the assets of Structural Lumber Products, Inc. ("SLP"), a manufacturer of engineered trusses and wall panels for residential builders. SLP operates plants in San Antonio, Austin and Dallas, Texas. The total purchase price of the transaction was approximately $18.5 million, funded through the Company's lines of credit. Annual sales of SLP totaled approximately $25 million in 1997.

In addition, on February 2, 1998, the Company acquired a treating plant and real estate in Lodi, OH for approximately $1.3 million.

RESULTS OF OPERATIONS

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

	YEARS ENDED DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	91.0	89.9	90.0
Gross profit	9.0	10.1	10.0
Selling, general, and administrative expenses	6.0	6.4	6.5
Reorganization costs	0.2		
Earnings from operations	2.8	3.7	3.5
Other expense, net	0.4	0.3	0.3
Earnings before income taxes	2.4	3.4	3.2
Income taxes	0.8	1.4	1.3
Net earnings	1.6%	2.0%	1.9%

REORGANIZATION AND OTHER COSTS. In the fourth quarter of 1997, the Company announced a plan of reorganization. In 1998, the Company specifically plans to:

- - Consolidate the management of its operating companies from five regional companies down to two integrated divisions.

- - Consolidate its regional purchasing operations from five offices down to two.

- - Consolidate its Southern California operations from two plants down to one.

- - Permanently discontinue its treating operations in North East, Maryland.

- - Discontinue manufacturing and/or selling certain products and product lines.

Management believes the reorganization will allow the Company to be more efficient in its procurement of raw materials, improve the utilization of its assets, and take advantage of its national presence to create new business opportunities with national customers and vendors.

These planned activities resulted in a reorganization charge in 1997 which incorporates the cost of:

- - Employee severance agreements.

- - Writing down fixed assets, which will be abandoned or sold, to their net realizable value.

- - Future lease payments for facilities which will be abandoned.

- - Writing down inventory of a discontinued product line to its net realizable value.

- - Future environmental costs at the discontinued treating plant.

At December 27, 1997, the reorganization costs consisted of the following amounts (in thousands):

Employee benefits	$ 448
Fixed assets	306
Leases	216
Inventory	202
Environmental	526
	$1,698

The Company expects to incur additional costs and capital expenditures related to the reorganization in the future totaling approximately $1.2 million and $3.5 million, respectively.

In addition to reorganization costs, the Company incurred other costs totaling approximately $1.6 million related to writing down inventory of an unprofitable product line and certain real estate to net realizable value. The following table presents, for the periods indicated, the components of the

Company's Consolidated Statement of Earnings as a percentage of net sales, excluding reorganization and other costs.

	YEARS ENDED DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	91.0	89.9	90.0
Gross profit	9.0	10.1	10.0
Selling, general, and administrative expenses	5.9	6.4	6.5
Earnings from operations	3.1	3.7	3.5
Other expense, net	0.3	0.3	0.3
Earnings before income taxes	2.8	3.4	3.2
Income taxes	1.0	1.4	1.3
Net earnings	1.8%	2.0%	1.9%

The discussion of the Company's results of operations which follows excludes the reorganization and other costs discussed above.

NET SALES. The Company manufactures, treats, and distributes lumber and other products to the do-it-yourself (DIY), manufactured housing, wholesale lumber, industrial and commercial and residential building markets. Its sales comprise a single industry segment. The Company's objectives relative to sales, as outlined in its "Performance 2002" strategic plan, include:

- - Diversifying its end market sales mix by increasing sales to the industrial market and penetrating the commercial and residential engineered building components market.

- - Maximizing its sales of "value-added" products. Value-added product sales consist primarily of items sold to the DIY market under the Company's Fence Fundamentals(TM), Lattice Basics(TM), Deck Necessities(R), Outdoor Essentials(R), Storage Solutions(TM), and YardLine(R) trade names, trusses sold to the manufactured housing market, industrial packaging products sold to the industrial market, engineered building components sold to the commercial and residential market, and non-commodity distributed products. Value-added products generally carry higher net margins than sales of commodity-based products and are less susceptible to Lumber Market volatility. A long-term goal of the Company is to achieve a ratio of value-added sales to total sales of at least 50%.

- - Increasing unit sales to each of the Company's existing markets, except the wholesale market. The Company is not emphasizing sales to the wholesale market as a result of its goals to increase its ratio of value-added product sales to total sales and sell directly to retail customers.

In order to measure its progress in attaining these objectives, management analyzes the following financial data relative to sales:

- - Sales by market classification.

- - The percentage change in sales attributable to changes in overall selling prices versus changes in the quantity of units shipped.

- - The ratio of value-added product sales to total sales.

This information is presented in tables which follow.

The following table presents, for the periods indicated, the Company's net sales (in thousands) and percentage of total net sales by market classification.

	YEARS ENDED					
	DECEMBER 27,		DECEMBER 28,		DECEMBER 30,	
MARKET CLASSIFICATION	1997	%	1996	%	1995	%
DIY	$ 524,628	49.2%	$440,269	49.4%	$372,595	9.4%
Manufactured Housing	407,653	38.2	345,418	38.8	281,200	7.3
Wholesale Lumber	63,422	6.0	48,988	5.5	51,456	6.8
Industrial	55,479	5.2	42,168	4.7	39,921	5.3
Commercial and Residential	15,118	1.4	14,387	1.6	9,294	1.2
Total	$1,066,300	100.0%	$891,230	100.0%	$754,466	100.0%

The following table estimates the Company's percentage change in net sales from 1996 to 1997 and from 1995 to 1996 which were attributable to changes in overall selling prices versus changes in units shipped.

	% CHANGE		
	IN SALES	IN SELLING PRICES	IN UNITS
1996 versus 1997	20%	6%	14%
1995 versus 1996	18%	11%	7%

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

	VALUE-ADDED	COMMODITY-BASED
1997	28.6%	71.4%
1996	28.7%	71.3%

The Company implemented a new sales information system in the third quarter of 1997, improving its ability to analyze sales by product and market. As a result of this new system, and with consideration to the strategic objectives outlined above, management reclassified certain products between the value-added and commodity-based categories. Under the prior classifications, value-added sales to total sales in 1997, 1996 and 1995 were 29.9%, 30.3% and 31.2%, respectively. In addition, the system does not have the necessary data available to calculate a restated value-added sales to total sales percentage for 1995.

DIY. Net sales to the DIY market increased approximately $84.4 million, or 19%, in 1997 compared to 1996, due to an increase in unit sales, combined with an overall increase in selling prices attributable to the higher level of the Lumber Market in 1997 compared to 1996. The increase in unit sales is primarily attributable to overall growth in the DIY industry, combined with an increase in sales to certain national retail chains. The Company has strong relationships with these national customers, centered around its ability to provide quality products and services at competitive prices. As these national retail customers continue to capture additional market share in the industry, management believes it is well positioned to increase its market share.

Net sales to the DIY market increased approximately $67.7 million, or 18%, in 1996 compared to 1995, primarily due to a 19% increase in the average monthly Lumber Market comparing 1996 with 1995, which, in turn, increased the overall selling prices of the Company's commodity-based products.

MANUFACTURED HOUSING. Net sales to the manufactured housing market increased approximately $62.2 million, or 18%, in 1997 compared to 1996, due to an increase in unit sales, combined with an overall increase in selling prices attributable to the higher level of the Lumber Market in 1997 compared to 1996. The unit sales increase is attributable to the acquisition of three plants from Hi-Tek Forest Products, Inc. ("Hi-Tek") on October 1, 1996. Hi-Tek was a former competitor of the Company in the manufactured housing market.

Net sales to the manufactured housing market increased approximately $64.2 million, or 23%, in 1996 compared to 1995, due to an increase in the Lumber Market which substantially increased the selling prices of the Company's products, supplemented by an increase in unit sales. Unit shipments improved further in the fourth quarter of 1996, compared to the same period of 1995, as a result of the acquisition of Hi-Tek.

WHOLESALE. Net sales to the wholesale market increased approximately $14.4 million, or 29%, in 1997 compared to 1996, primarily due to an increase in unit sales. Although the Company is not focusing on growing its sales to the wholesale market, it continues to supply its existing customers and take advantage of opportunities for new business when these sales provide favorable net margins. Net sales to the wholesale lumber market decreased $2.5 million, or 5%, in 1996 compared to 1995, as a decrease in unit sales offset the effect of the higher Lumber Market in 1996.

INDUSTRIAL. Net sales to the industrial market increased approximately $13.3 million, or 32%, in 1997 compared to 1996, due to an increase in unit sales, combined with an increase in overall selling prices attributable to the higher level of the Lumber Market in 1997 compared to 1996. In 1997, new sales positions and sales incentive programs were created to grow sales to this market. In many cases, products sold to this market are produced from the byproducts of manufactured products sold to other markets. Therefore, products produced and distributed to this market provide the Company with opportunities to improve its raw material yields. In addition, this market is less susceptible to seasonal and cyclical fluctuations. The Company plans to continue to grow its sales to this market in the future through internal expansion and strategic acquisitions. Net sales to the industrial market increased $2.2 million, or 6%, in 1996 compared to 1995.

COMMERCIAL AND RESIDENTIAL. Sales to this market represent those of CBC, whose results have been pooled with the Company for prior periods. The increase in sales from 1995 to 1997 is primarily attributable to a new engineered joist product which CBC began to manufacture in 1996, and has allowed it to capture additional market share on its other engineered products.

COST OF GOODS SOLD AND GROSS PROFIT. Gross profit as a percentage of net sales decreased to 9.0% in 1997, compared to 10.1% in 1996. This decrease was primarily due to a combination of the following factors:

- - The Lumber Market was on a prolonged downward trend the final six months of 1997, compared to an upward trend in 1996 that existed the majority of the year (see Random Lengths chart on page 3). These market conditions caused the Company to realize a lower gross margin on the sale of commodity-based products in 1997 compared to 1996.

- - The effect of intense price competition in the manufactured housing market in certain geographic regions resulted in lower gross margins on the sale of trusses in 1997 compared to 1996.

Gross profit as a percentage of net sales increased to 10.1% in 1996 from 10.0% in 1995. The net increase was primarily due to a favorable Lumber Market trend comparing 1996 with 1995 which caused the Company to realize higher gross margins in 1996 on the sale of commodity-based products and other products whose selling prices are indexed to the Lumber Market. The positive gross margin impact mentioned above was offset by price competition on certain manufactured products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased approximately $6.3 million, or 11.1%, comparing 1997 to 1996. The net increase was primarily due to:

- - General increases in selling and administrative headcount to support the growth of the business.

- - Expenses added through the acquisition of Hi-Tek.

- - The creation of new centralized marketing, national sales, and manufacturing design departments.

- - Increased depreciation expense related to upgraded information systems.

These increases were offset by a decrease in accrued incentive compensation expenses related to return on investment objectives.

Selling, general and administrative expenses increased $8.3 million, or 17.1%, comparing 1996 and 1995. This increase is primarily due to an increase in accrued incentive compensation expenses related to profitability, additional selling and administrative headcount, higher management training expenses, and increased depreciation related to upgraded information systems.

OTHER EXPENSE, NET. Other expense, net is primarily comprised of interest expense and interest income. Net interest costs (interest expense less interest income) increased approximately $702,000, comparing 1997 to 1996, as average cash balances decreased and seasonal borrowings on lines of credit increased in 1997. This occurred as a result of greater working capital requirements from a growth in business and the acquisition of Hi-Tek on October 1, 1996.

Net interest costs (interest expense less interest income) decreased by approximately $501,000 comparing 1996 and 1995, as the Company continued to improve its working capital management in 1996 and avoided borrowing on its lines of credit for the entire year.

INCOME TAXES. The Company's effective tax rate in 1997 was 34.7%, compared to 40.2% in 1996, and 39.9% in 1995. Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes which can vary from year to year based on changes in income generated by the Company in each of the states in which it operates. Due to the reorganization it completed on December 28, 1996 to formalize its existing operating structure, the Company realized a reduction in its state income taxes for 1997. In addition, the Company recognized a lower effective tax rate in 1997 due to the extent of pre-tax earnings it pooled for CBC (a former S-Corporation) in 1997 compared to 1996 and 1995.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities in 1997 improved to $19.1 million from $3.7 million in 1996. This improvement was due to an increase in accounts payable comparing December 27, 1997 and December 28, 1996, resulting from the timing of payments to vendors at the end of the period. Due to the seasonality of its business, management believes the Company's cash cycle is a better indicator of its working capital management. The Company's cash cycle (days sales outstanding plus days supply of inventory less days payables outstanding) increased to 45.7 days in 1997 from 43.3 days in 1996 as the Company's average investment in inventories relative to sales has increased.

Capital expenditures totaled $13.6 million in 1997, primarily to replace existing machinery and equipment, upgrade information systems, improve production efficiencies, and expand current production capacity. The Company's largest capital expenditures were made to construct a new wood preservation facility and specialty products plant in Moultrie, Georgia and acquire real estate previously leased from the Company's profit sharing and 401(k) plan. Capital expenditures totaled $19.8 million in 1996, which includes $10.4 million spent on the October 1, 1996 acquisition of Hi-Tek.

Cash flows used in financing activities in 1997 consisted primarily of repayments of long-term debt, payments to repurchase common stock from certain officers of the Company, and dividends totaling $.065 per share. The Company had net borrowings of $4.5 million on lines of credit in 1997 and has approximately $115 million available on revolving credit facilities at December 27, 1997.

In October 1995, the Board of Directors approved a share repurchase program for up to one million shares. The number of shares which may be repurchased is limited to the amount of shares which will be issued in connection with employee benefit and stock option plans. Repurchases of 82,502 shares for $1,119,000 and 100,000 shares for $822,000 were made in 1997 and 1996, respectively.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

The Company is self-insured for environmental impairment liability, and accrues for the estimated cost of remedial actions when situations requiring such action arise. The Company owns and operates seventeen facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, the Company may, under various federal, state and local environmental laws, ordinances and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages and expenses. Remediation activities are currently being conducted or planned at the Company's Granger, Indiana; North East, Maryland; Union City, Georgia; and Elizabeth City, North Carolina treatment facilities.

The Company has accrued, in other long-term liabilities, amounts totaling $1.5 million (exclusive of the amount discussed under the caption "Reorganization and Other Charges") and $1.7 million at December 27, 1997 and December 28, 1996, respectively, representing the estimated costs to complete remediation efforts currently in process and those expected to occur in the future. The Company believes that the potential future costs of known remediation efforts will not have a material adverse effect on its future financial position, results of operations or liquidity.

"THE YEAR 2000"
The Company has undertaken a complete review of its business and financial systems, and has concluded it will not have any material "Year 2000" issues with the computer programs which drive these systems. Accordingly, management does not expect to incur any significant programming costs in this area. The Company intends to review its other ancillary systems and the systems of its significant customers and vendors in 1998 to ensure there are no material issues with respect to these programs.

NEW ACCOUNTING STANDARDS
In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. This Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. This Statement further requires that an entity display an amount representing total comprehensive income for the period in that financial statement. This Statement also requires that an entity classify items of other comprehensive income by their nature in a financial statement. For example, other comprehensive income may include foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities. Reclassification of financial statements for earlier periods, provided for comparative purposes, is required. Based on current accounting standards, this Statement is not expected to have a material impact on the Company's consolidated financial statements. The Company will adopt this accounting standard effective January 1, 1998, as required.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective for fiscal years beginning after December 15, 1997. This Statement establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined 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. This Statement requires reporting segment profit or loss, certain specific revenue and expense items and segment assets. It also requires reconciliations of total segment revenues, total segment profit or loss, total segment assets, and other amounts disclosed for segments to corresponding amounts reported in the consolidated financial statements. Restatement of comparative information for earlier periods presented is required in the initial year of application. Interim information is not required until the second year of application, at which time comparative information is required. The Company has not determined the impact that the adoption of this new accounting standard will have on its consolidated financial statement disclosures, but will adopt this accounting standard effective January 1, 1998, as required.

FORWARD OUTLOOK

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

DIY. DO-IT-YOURSELF RETAILING, in its November 1997 edition, estimated a 10.6% increase in total retail sales by home improvement retailers comparing 1997 with 1996. The publication also forecasts the following sales for 1998 through 2001 (in billions), which result in a compounded annual growth rate of 4.0%.

1998	$145.1
1999	$152.7
2000	$159.0
2001	$165.3

In addition, the consolidation within the DIY industry continued in 1998 as top performers obtained additional market share. The Company feels it is in a position to capitalize on these industry conditions as a result of its national distribution capabilities, strong relationships with top performing customers, and diversified product offering. The Company's goal is to continue to grow sales to this market with an emphasis on new value-added products.

MANUFACTURED HOUSING. MANUFACTURED HOME MERCHANDISER, in its January 1998 edition, estimated a decrease in industry shipments to retailers of 3.3% in 1997 compared to 1996. The publication also forecasted growth in this market of 2.0% in 1998.

Industry shipments declined in 1997 due to excess inventory at a retail level during the year. Retailers have currently sold through this excess inventory, therefore, industry shipments are expected to increase in 1998. The Company believes this industry will continue to experience long-term growth as manufactured homes continue to be an attractive alternative to conventional homes as a result of high product quality and affordability. Due to its national presence and customer relationships, management believes the Company is well-positioned to capitalize on industry growth. In addition, the Company is currently finalizing research and development activities associated with a new value-added product line for the manufactured housing market.

INDUSTRIAL. A key strategic objective of the Company is to increase its sales of wood packaging products to industrial users. In 1997, the Company increased its unit sales to this market by 22% through internal growth attributable to new sales positions and incentive programs. Management plans to continue to accomplish its growth objectives for this market through internal expansion and strategic acquisitions.

COMMERCIAL AND RESIDENTIAL. Another key strategic objective of the Company is to manufacture engineered building components for commercial and residential builders. Management believes this market compliments its manufactured housing business and provides the Company with national growth opportunities in a familiar product line. Management plans to continue to accomplish its growth objectives for this market through internal growth and strategic acquisitions.

GROSS PROFIT. Management believes the following factors may impact the Company's gross profits in the future:

- - Current economic conditions in Asia may result in an excess supply of spruce-pine-fir for Canadian producers. As a result, commodity pricing for this species may experience a short-term decline. Since the selling prices of many of the Company's commodity-based and other products are indexed to the Lumber Market for this species, a prolonged decline may adversely impact gross margins on these products. In addition, this situation may cause a similar effect on other species the Company buys and sells. However, management believes the unique supply programs it maintains with vendors reduce its exposure. In addition, while a declining Lumber Market generally subjects most of the products the Company sells to the DIY and manufactured housing market to risks of lower gross margins, it has the opposite effect for products sold to the commercial and residential market. Selling prices of these products are generally quoted based on the current Lumber Market and then fixed for a specified time period or quantity. Therefore, a falling Lumber Market generally results in selling prices being set at a higher level than the subsequent cost of the lumber, which positively impacts gross margins.

- - The Company recently completed two acquisitions of manufacturers which supply the commercial and residential market.

- - Intense price competition in the manufactured housing market is expected to continue in the short-term, however, management does not expect any additional gross margin declines on products sold to this market. In addition, management continues to pursue manufacturing initiatives which will lower its production costs per unit.

- - The Company has a key long-term strategic objective of increasing its ratio of value-added sales to total sales to 50%. Management believes its acquisition strategy and recent efforts in new product development will help it make progress toward this objective. Achievement of this goal is dependent upon, in part, certain factors that are beyond the control of management.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. A goal of the Company is to continue to contain these costs despite a period of expected growth, therefore, management expects these costs to decline relative to sales in the foreseeable future. In addition, the recent reorganization to streamline management and consolidate purchasing operations is expected to result in expense reductions commencing in 1998.

LIQUIDITY AND CAPITAL RESOURCES. Management expects to spend between $18 million to $20 million related to capital expenditures in 1998, primarily related to new business expansion and upgrading machinery and equipment. In addition, the Company will continue to pursue its acquisition strategy in 1998, and may finance any future acquisitions by using its lines of credit, borrowing additional long-term debt, issuing common stock, or by using a combination of these methods.

In 1998, it is expected that the Company will continue with its current dividend policy of $.035 per share paid semi-annually. In addition, the Company will pay amounts due on long-term debt totaling approximately $9.8 million.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries as of December 27, 1997 and December 28, 1996, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 27, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the consolidated financial position of Universal Forest Products, Inc. and subsidiaries as of December 27, 1997 and December 28, 1996, and the results of their consolidated operations and their cash flows for each of the three years in the period ended December 27, 1997, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Grand Rapids, Michigan
January 27, 1998

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	NOTE	DECEMBER 27, 1997	DECEMBER 28, 1996
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	B	$ 3,157	$ 1,330
Accounts receivable (net of allowance for doubtful accounts of $449 and $521)	B	35,616	33,642
Inventories:			
Raw materials	B	38,240	33,446
Finished goods	B	72,923	56,950
		111,163	90,396
OTHER CURRENT ASSETS	B	426	474
PREPAID INCOME TAXES	L	3,134	
DEFERRED INCOME TAXES	L	4,141	4,186
Total Current Assets		157,637	130,028
OTHER ASSETS	B, F, J	4,474	4,092
NON-COMPETE AGREEMENTS	B, O	2,525	3,052
PROPERTY, PLANT & EQUIPMENT:			
Land and improvements	B, M	16,113	14,515
Buildings and improvements	B, M	37,030	35,240
Machinery, equipment and office furniture	B, M	58,214	52,135
Construction in progress		5,358	4,836
		116,715	106,726
Less accumulated depreciation and amortization	B, M	(51,968)	(45,032)
		64,747	61,694
		$ 229,383	$ 198,866

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	NOTE	DECEMBER 27, 1997	DECEMBER 28, 1996
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Notes payable	D	$ 4,500	
Accounts payable	B	34,053	$ 15,203
Accrued liabilities:			
Compensation and benefits	B, K	16,345	17,736
Income taxes	L		811
Other	B, C	3,167	1,986
Current portion of long-term debt and capital lease obligations	B, E, M	9,789	3,653
Total Current Liabilities		67,854	39,389
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	B, E, M	39,752	52,201
DEFERRED INCOME TAXES	B, L	1,766	2,389
OTHER LIABILITIES	F, O, N	4,113	4,072
COMMITMENTS AND CONTINGENCIES	N		
SHAREHOLDERS' EQUITY:			
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none			
Common stock, no par value; shares authorized 40,000,000; issued and outstanding, 17,572,262 and 17,438,124	B, G, H	17,572	17,438
Additional paid-in capital	B, G	29,855	28,446
Retained earnings	B	70,253	56,426
Foreign currency translation adjustment		(882)	(830)
		116,798	101,480
Officers' stock notes receivable	I	(900)	(665)
		115,898	100,815
		$ 229,383	$ 198,866

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share amounts)

	NOTE	YEARS ENDED DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995
Net sales	B	$ 1,066,300	$ 891,230	$ 754,466
Cost of goods sold	B, K, M	970,822	801,516	678,964
Gross profit		95,478	89,714	75,502
Selling, general and administrative expenses	B, K, M	63,461	57,122	48,787
Reorganization costs	C	1,698		
Earnings from operations		30,319	32,592	26,715
Other expense (income):				
Interest expense	B, D, E	4,305	4,248	4,950
Interest income		(368)	(1,013)	(1,214)
Other, net	B	400	(446)	(972)
Total other expense		4,337	2,789	2,764
Earnings before income taxes		25,982	29,803	23,951
Income taxes	B, L	9,025	11,971	9,563
Net earnings		$ 16,957	$ 17,832	$ 14,388
Earnings per share -- basic		$ 0.97	$ 1.02	$ 0.83
Earnings per share -- diluted		$ 0.93	$ 0.98	$ 0.80
Weighted average shares outstanding		17,528	17,428	17,439
Weighted average shares outstanding with common stock equivalents		18,234	18,121	18,047

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OFFICERS' STOCK NOTES RECEIVABLE	TOTAL
BALANCE AT DECEMBER 31, 1994						
As previously reported	$ 7,040	$28,605	$27,265	$(533)	$(809)	$ 71,568
Pooling of interests with CBC	398	(355)	1,078			1,121
RESTATED BALANCE AT DECEMBER 31, 1994	$17,438	$28,250	$28,343	$(533)	$(809)	$ 72,689
Net earnings			14,388			14,388
Cash dividends -- $.105 per share			(1,789)			(1,789)
CBC shareholder distributions			(300)			(300)
Issuance of 1,381 shares	1	10				11
Foreign currency translation adjustment				(465)		(465)
Payments received on officers' stock notes receivable					63	63
BALANCE AT DECEMBER 30, 1995	$17,439	$28,260	$40,642	$(998)	$(746)	$ 84,597
Net earnings			17,832			17,832
Cash dividends -- $.06 per share			(1,022)			(1,022)
CBC shareholder distributions			(304)			(304)
Issuance of 98,971 shares	99	186				285
Repurchase of 100,000 shares	(100)		(722)			(822)
Foreign currency translation adjustment				168		168
Payments received on officers' stock notes receivable					81	81
BALANCE AT DECEMBER 28, 1996	$17,438	$28,446	$56,426	$(830)	$(665)	$100,815
Net earnings			16,957			16,957
Cash dividends -- $.065 per share			(1,116)			(1,116)
CBC shareholder distributions			(978)			(978)
Issuance of 216,640 shares	217	796				1,013
Repurchase of 82,502 shares	(83)		(1,036)			(1,119)
Tax benefits from non-qualified stock options exercised		613				613
Foreign currency translation adjustment				(52)		(52)
Issuance of officers' stock notes receivable					(400)	(400)
Payments received on officers' stock notes receivable					165	165
BALANCE AT DECEMBER 27, 1997	$17,572	$29,855	$70,253	$(882)	$(900)	$115,898

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

		YEARS ENDED		
	NOTE	DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	B	$ 16,957	$ 17,832	$ 14,388
Adjustments to reconcile net earnings to net cash provided by operations:				
Depreciation and amortization of capital leases	B	9,515	8,625	7,835
Amortization of non-compete agreements and goodwill		527	121	
Deferred income taxes	B, L	(578)	(635)	1,117
Loss (gain) on sale of property, plant and equipment		683	15	(272)
Stock Gift Program expense	G	5	5	4
Changes in:				
Accounts receivable	B	(1,974)	(5,600)	4,574
Inventories	B	(20,767)	(20,502)	13,018
Other	B	20	(1,024)	208
Accounts payable	B	18,850	(522)	(945)
Accrued liabilities	B	(4,156)	5,388	2,203
Net cash provided by operations		19,082	3,703	42,130
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	B	(13,631)	(9,346)	(15,800)
Acquisition of certain net assets of Hi-Tek	B		(10,413)	
Proceeds from sale of property, plant and equipment	B	380	233	1,382
Purchases of notes receivable			(164)	
Collection of notes receivable	I	618	298	347
Purchases of other assets		(205)	(4)	(33)
Net cash used in investing activities		(12,838)	(19,396)	(14,104)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net borrowings (repayments) of notes payable	B, D	4,500		(1,600)
Proceeds from issuance of long-term debt	B, E		984	1,354
Repayment of long-term debt	B, E	(6,312)	(3,815)	(4,287)
Proceeds from issuance of common stock	G	608	280	7
Cash dividends paid		(1,116)	(1,022)	(1,789)
CBC shareholder distributions	B	(978)	(96)	(300)
Repurchase of common stock	G	(1,119)	(822)	
Net cash used in financing activities		(4,417)	(4,491)	(6,615)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,827	(20,184)	21,411
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,330	21,514	103
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 3,157	$ 1,330	$ 21,514

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)

		YEARS ENDED		
	NOTE	DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	B	$ 4,347	$ 4,247	$ 4,963
Income taxes	B	12,934	10,984	8,174
NON-CASH INVESTING ACTIVITIES:				
Officers' stock note receivable	I	400		
Property, plant and equipment acquired through capital leases and long-term debt	E		59	59
Net book value of assets disposed through lease termination agreement	M			864
Real estate received in lieu of note receivable			347	
Assumption of accounts payable with the acquisition of certain net assets of Hi-Tek	B		495	
NON-CASH FINANCING ACTIVITIES:				
CBC distribution of real estate, net of mortgage	B		208	

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS. Universal Forest Products, Inc. (the "Company") manufactures, treats and distributes lumber products for the do-it-yourself (DIY), manufactured housing, industrial, and commercial and residential building markets. The Company's principal products are preservative-treated wood, dimension lumber, lattice, fence panels, deck components, engineered roof trusses and wall panels, and other building products. The Company currently operates manufacturing, treating and distribution facilities throughout North America and comprises a single industry segment. In 1997, 1996 and 1995 approximately 18%, 15% and 15% of net sales, respectively, were to a single customer.

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

FISCAL YEAR. The Company's fiscal year is a 52 or 53 week period, ending on the Saturday nearest to December 31. Unless otherwise stated, references to 1997, 1996 and 1995 relate to the years ended December 27, 1997, December 28, 1996 and December 30, 1995, respectively. Each of these fiscal years were comprised of 52 weeks.

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

The fair value estimates presented herein are based on pertinent information available to management as of December 27, 1997. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

USE OF ACCOUNTING ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Management believes its estimates to be reasonable, however, actual results could differ from these estimates.

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

INVENTORIES. Inventories are stated at the lower of average cost or market. Raw materials consist primarily of unfinished wood products expected to be manufactured or treated prior to sale, while finished goods represent various manufactured and treated wood products ready for sale.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment are stated at cost. Expenditures for renewals and betterments are capitalized, and maintenance and repairs are expensed as incurred. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets as follows:

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

FOREIGN CURRENCY TRANSLATION. The functional currency for the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date. For revenues, expenses, gains and losses, the transaction date exchange rate is used. Gains or losses resulting from the translation are included as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions were not material in 1997, 1996 or 1995, and are reflected in earnings from continuing operations.

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

REVENUE RECOGNITION AND ALLOWANCE FOR DOUBTFUL ACCOUNTS. Revenue is recognized at the time the product is shipped to the customer. The Company accrues for bad debt expense based on its history of accounts receivable write-offs to sales. Individual accounts receivable balances are evaluated on a monthly basis, and those balances considered to be uncollectible are recorded to the allowance. Collections of amounts previously written off are recorded as an increase to the allowance. Bad debt expense amounted to approximately $728,000, $707,000 and $143,000, for 1997, 1996 and 1995, respectively.

EARNINGS PER COMMON SHARE. In March 1997, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings Per Share." SFAS 128 requires companies with complex capital structures that have publicly held common stock or common stock equivalents to present both basic and diluted earnings per share ("EPS") on the face of the income statement. The presentation of basic EPS replaces the presentation of primary EPS previously required by Accounting Principles Board Opinion No. 15 ("APB No. 15"), "Earnings Per Share." Basic EPS is calculated as income available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS (previously referred to as fully diluted EPS) is calculated using an approach similar to the "if converted" method for convertible securities and the treasury stock method for options and warrants as previously prescribed by APB No. 15. This new statement is effective for financial statements issued for the interim and annual periods ending after December 15, 1997.

Pursuant to the above-mentioned accounting standard, basic EPS is calculated based on the weighted average number of common shares outstanding during the periods presented, while 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 in 1989 and 1993 (see Note H), 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).

	FOR THE YEAR-ENDED 12/27/97			FOR THE YEAR-ENDED 12/28/96		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
NET EARNINGS	$16,957			$17,832		
BASIC EPS						
Income available to common shareholders	16,957	17,528	$0.97	17,832	17,428	$1.02
EFFECT OF DILUTIVE SECURITIES						
Options		706			693	
DILUTED EPS						
Income available to common shareholders and assumed conversions	$16,957	18,234	$0.93	$17,832	18,121	$0.98

	FOR THE YEAR-ENDED 12/30/95		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
NET EARNINGS	$14,388		
BASIC EPS			
Income available to common shareholders	14,388	17,439	$0.82
EFFECT OF DILUTIVE SECURITIES			
Options		608	
DILUTED EPS			
Income available to common shareholders and assumed conversions	$14,388	18,047	$0.80

There were no securities excluded from the diluted EPS computation.

STOCK-BASED COMPENSATION. Effective January 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation," and as permitted by this Standard, continues to apply the recognition and measurement principles of Accounting Principles Board Opinion No. 25 to its stock-based compensation. The Company has determined that stock-based compensation expense calculated under SFAS No. 123 is not significant in relation to reported net income and earnings per share.

RECLASSIFICATIONS. Certain reclassifications have been made in the 1995 and 1996 consolidated financial statements to conform to the classifications used in 1997.

B. BUSINESS COMBINATIONS
Effective October 1, 1996, the Company acquired certain assets of Hi-Tek Forest Products, Inc. ("Hi-Tek") for approximately $10,908,000 and assumed accounts payable totaling approximately

$495,000 (the "Acquisition"). The aggregate purchase price, funded through the Company's cash balances, consisted of the following amounts (in thousands):

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

The non-compete agreement spans a five year time period, covers the geographic regions in which the acquired plants operate, and is being amortized over the five year term of the agreement on a straight-line basis. The acquired operations are located in Bend, Oregon; Boise, Idaho; and Corona, California. The acquisition has been accounted for as a purchase. Accordingly, the aggregate purchase price has been allocated to assets acquired and accounts payable assumed, based on their estimated fair market values. Hi-Tek's results of operations since the date of the acquisition are included in the Company's earnings from operations.

On September 29, 1997, a subsidiary of the Company acquired certain assets of American I-Joist, Inc. ("AIJ"). A manufacturer of engineered I-joists for commercial and residential builders. AIJ is located in Albuquerque, New Mexico. The assets were acquired for approximately $200,000 in cash.

On December 22, 1997, a subsidiary of the Company completed a merger with Consolidated Building Components, Inc. ("CBC"), a manufacturer of engineered trusses, wall panels and I-joist products for commercial and residential builders and producers of manufactured homes. CBC operates two plants in Northwest Pennsylvania. The Company issued approximately 398,000 shares of its common stock in exchange for all of the stock of CBC. This transaction has been accounted for as a pooling of interests; therefore, prior financial statements have been restated to reflect this merger for all periods presented. Although CBC prepared its financial statements on a September 30 fiscal year-end, the restated financial statements for 1995, 1996 and 1997 include CBC amounts based on the Company's year-end. In addition, CBC's shareholders elected to be taxed as an S-Corporation; therefore, no provision for federal or state income taxes was included in CBC's financial statements for 1995, 1996 and 1997. A provision for deferred taxes was recorded by the Company on December 27, 1997 for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future.

Subsequent to December 27, 1997, a partnership of the Company acquired substantially all of the assets of Structural Lumber Products, Inc. ("SLP"), a manufacturer of engineered trusses and wall panels for residential builders. SLP operates plants in San Antonio, Austin and Dallas, Texas. The total purchase price of the transaction was approximately $18.5 million, funded through the Company's lines of credit. This transaction will be accounted for as a purchase, with the excess of the purchase price over the estimated fair value of the acquired assets, which approximates $13 million, to be recorded as goodwill.

C. REORGANIZATION COSTS
In the fourth quarter of 1997, the Company announced a plan of reorganization. In 1998, the Company specifically plans to:

- Consolidate the management of its operating companies from five regional companies down to two integrated divisions.

- Consolidate its regional purchasing operations from five offices down to two.

- Consolidate its Southern California operations from two plants down to one.

- Permanently discontinue its treating operations in North East, Maryland.

- Discontinue manufacturing and/or selling certain products and product lines.

These planned activities have resulted in a reorganization charge which incorporates the cost of:

- Employee severance agreements for 14 middle managers.

- Writing down fixed assets which will be abandoned or sold to their net realizable value.

- Future lease payments for facilities which will be abandoned.

- Writing down inventory of a discontinued product line to its net realizable value.

- Future environmental costs at the discontinued treating plant.

At December 27, 1997, the reorganization charge consisted of the following amounts (in thousands):

Employee benefits	$ 448
Fixed assets	306
Leases	216
Inventory	202
Environmental	526
	$1,698

D. NOTES PAYABLE
At December 27, 1997, the Company had unsecured lines of credit available with banks totaling $122,000,000, including amounts reserved for letters of credit. The agreements are subject to annual renewal. The Company had $4,500,000 outstanding on these lines on December 27, 1997, and had no amounts outstanding on December 28, 1996. Borrowings under the lines are at negotiated rates which are at or below each respective bank's prime rate. The average rates for 1997 and 1995 were 6.0% and 6.9%, respectively. The Company did not draw on its lines in 1996. A bank has extended letters of credit on the Company's behalf aggregating $2,650,000 at December 27, 1997.

E. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations are summarized as follows at December 27, 1997 and December 28, 1996 (amounts in thousands):

	1997	1996
Senior unsecured notes, $5,714 due annually commencing May 1998 through May 2004, interest due semi-annually at 7.15% per annum	$40,000	$40,000
Bank term loan, $119 due monthly through November 1999, interest due monthly at 7.75% per annum	2,738	4,286
Bank term loan, $500 due semi-annually through December 2001, interest due monthly at 5.25% per annum	4,000	5,000
Bank term loan, $350 due semi-annually through December 1999, interest due monthly at 9.67% per annum	1,400	2,100
Bank term loan, $350 due semi-annually through April 1997, interest due monthly at 9.89% per annum		350
Capital lease obligations, interest imputed at rates ranging from 7.25% to 8.00% per annum	826	823
Other	577	3,295
	49,541	55,854
Less current portion	9,789	3,653
Long-term portion	$39,752	$52,201

The terms of the senior unsecured note agreement require, in part, the Company to maintain a minimum net worth and comply with certain financial ratios. The agreement also restricts the amount of additional indebtedness the Company may incur and the amount of assets which may be sold.

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

At December 27, 1997, the principal maturities of long-term debt and capital lease obligations are as follows (in thousands):

1998	$ 9,789
1999	8,855
2000	6,826
2001	6,784
2002	5,747
Thereafter	11,540
	$49,541

At December 27, 1997, the estimated fair value of the Company's long-term debt, including the current portion, was approximately $49,685,000, which was approximately $144,000 more than the carrying value. The estimated fair value is based on rates anticipated to be available to the Company for debt with similar terms and maturities. The estimated fair value of notes payable included in current liabilities approximated the carrying value.

F. DEFERRED COMPENSATION

The Company has established a program whereby certain executives irrevocably elected to defer receipt of certain compensation in 1985 through 1988. Deferred compensation payments to these executives will commence upon their retirement from the Company. The Company has purchased life insurance on such executives, payable to the Company in amounts which, if assumptions made as to mortality experience, policy dividends and other factors are realized, will accumulate cash values adequate to reimburse the Company for all payments for insurance and deferred compensation obligations. In the event cash values are not sufficient to fund such obligations, the program allows the Company to reduce benefit payments to such amounts as may be funded by accumulated cash values.

G. COMMON STOCK

In April 1994, shareholders approved the Employee Stock Purchase Plan ("Stock Purchase Plan") and Director Retainer Stock Plan ("Stock Retainer Plan"). The Stock Purchase Plan allows eligible employees to purchase shares of Company stock at a share price equal to 90% of fair market value on the purchase date. In 1997, 1996 and 1995, 8,677, 3,471 and 831 shares, respectively, were issued under this Plan for amounts totaling approximately $113,000, $33,000 and $7,200, respectively. The Stock Retainer Plan allows eligible members of the Board of Directors to defer their retainer fees and receive shares of Company stock at the time of their retirement, disability or death. The number of shares to be received is equal to the amount of the retainer fee deferred multiplied by 110% divided by the fair market value of a share of Company stock at the time of deferral, and is increased for dividends declared. The Company has accrued approximately $123,000, $83,000 and $50,000 at December 27, 1997, December 28, 1996 and December 30, 1995, respectively, for amounts incurred under this Plan.

The Employee Stock Gift Program was approved by the Board of Directors in January 1994, and allows management to gift shares of stock to eligible employees based on length of service. The Company gifted 275, 500 and 550 shares of stock under this Plan in 1997, 1996 and 1995, respectively, and recognized the market value of the shares at the date of issuance as expense.

On October 27, 1995, the Board of Directors approved a share repurchase program for up to 1,000,000 shares of the Company's common stock. Repurchases are to be made to the extent of share issuances under the Company's employee benefit and stock option plans. In 1997 and 1996, the Company repurchased 82,502 and 100,000 shares, respectively, of its common stock for approximately $1,119,000 and $822,000, respectively.

In January 1997, the Company 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.

On April 22, 1997, the shareholders approved an amendment to the Company's Articles of Incorporation increasing authorized common stock from 25,000,000 shares to 40,000,000 shares. Apart from the shares of common stock reserved for issuance under the above-referenced plans and plans outlined in Note H, the Company does not have any present plan, understanding or agreement to issue additional shares of common stock.

On April 22, 1997, the shareholders approved the Long Term Stock Incentive Plan to succeed the Company's 1994 Employee Stock Option Plan. The Plan reserves a maximum of 1,100,000 shares, and provides for the granting of incentive stock options, reload options, stock appreciation rights, restricted stock, performance shares, and other stock-based awards. The term of the Plan is ten years. As of December 27, 1997, no awards had been granted under this Plan. On January 30, 1998, the Company granted incentive stock options under this Plan, as discussed in Note H.

At December 27, 1997, a total of 2,267,946 shares are reserved for issuance under the Plans mentioned above and under Note H below.

H. STOCK OPTIONS

On June 8, 1989, the Company granted non-qualified stock options to certain executive officers. In April 1997, two officers exercised all of their options and purchased 140,000 shares of stock for $364,400. In February 1996, a former officer exercised all of his options and purchased 60,000 shares of stock for $132,600. All of the non-qualified options granted under this plan have been exercised.

On June 1, 1993, shareholders approved the Incentive Stock Option Plan (the "Plan") for officers of the Company. Options for the purchase of all 1,200,000 shares of the Company's common stock authorized under the Plan have been granted. The Plan provides that the options are exercisable only if the officer is employed by the Company at the time of exercise and holds at least seventy-five percent of the individuals' shares held on April 1, 1993. The Plan also requires the option shares to be held for periods of six months to three years. In April 1997 and April 1996, officers exercised options and purchased 37,500 shares and 35,000 shares, respectively, for $131,250 and $113,750, respectively. The remaining options (shown below in thousands) are exercisable within thirty days of the anniversary of the Plan in the years and at the prices shown below:

PLAN ANNIVERSARY	NUMBERS OF SHARES	OPTION PRICE PER SHARE
1998	80	$3.75
1999	170	$4.00
2000	80	$4.25
2001	163	$4.50
2002	185	$5.00
2005	190	$5.75
2006	60	$6.00
2007	60	$6.25
2008	40	$6.50
	1,028	

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

In January 1998, the Company granted 346,506 incentive stock options under the recently approved Long-Term Stock Incentive Plan. Options were granted to 176 employees at option prices equal to or exceeding the market value of the stock on the date of each grant. The options are exercisable on various dates from 2001 through 2013, and the option recipients must be employed by the Company at the time of exercise.

I. OFFICERS' STOCK NOTES RECEIVABLE
Officers' stock notes receivable represent notes obtained by the Company from certain officers for the purchase of the Company's common stock. On January 1, 1997, the Company sold 30,188 shares of common stock to four officers in exchange for additional notes receivable totaling $399,991. Interest on the notes ranges from fixed rates of seven to eleven percent per annum and a variable rate of the prime rate less 10% (minimum 6%, maximum 12%). At December 27, 1997, payments on the notes are due as follows (in thousands):

1998	$ 88
1999	125
2000	85
2001	91
2002	123
Thereafter	388
	$900

J. LIFE INSURANCE
In September 1995, the Company acquired a second-to-die life insurance policy on its Chairman of the Board and his spouse, the Company's largest shareholders. The death benefit on the policy totals $8,700,000 and the Company is the beneficiary. The Company also maintains an officer's life insurance policy on the Chairman with a death benefit of approximately $1,300,000. The cash surrender value on these policies at December 27, 1997 is included in "Other Assets."

K. RETIREMENT PLAN
The Company has a profit sharing and 401(k) plan for the benefit of substantially all of its employees. Amounts contributed to the plan are made at the discretion of the Board of Directors. The Company contributed approximately $1,135,000, $1,528,000 and $1,506,000 in 1997, 1996 and 1995, respectively. In addition, the Company matched 25% of employee contributions, on a discretionary basis, totaling approximately $521,000, $440,000 and $393,000 in 1997, 1996 and 1995, respectively. The basis for matching contributions may not exceed the lesser of 6% of the employee's annual compensation or $10,000.

L. INCOME TAXES

Income tax provisions for the years ended December 27, 1997, December 28, 1996, and December 30, 1995 are summarized as follows (in thousands):

	1997	1996	1995
Currently payable:			
Federal	$9,247	$10,141	$6,830
State and local	356	2,465	1,616
	9,603	12,606	8,446
Net Deferred:			
Federal	(674)	(504)	884
State and local	96	(131)	233
	(578)	(635)	1,117
	$9,025	$11,971	$9,563

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

	1997	1996	1995
Statutory federal income tax rate	35.0 %	35.0%	35.0%
State and local taxes	1.4	4.9	5.4
Effect of pooling CBC	(1.5)	(0.1)	(0.6)
Other	(0.2)	0.4	.1
Effective income tax rate	34.7 %	40.2%	39.9%

The Company has no present intention of remitting undistributed earnings of foreign subsidiaries aggregating $1.6 million at December 27, 1997 and, accordingly, no deferred tax liability has been established relative to these earnings. If these amounts were not considered permanently reinvested, a deferred tax liability of approximately $200,000 would have been required.

Temporary differences which give rise to deferred tax assets and liabilities at December 27, 1997 and December 28, 1996 are as follows (in thousands):

	1997		1996	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Employee benefits	$ 2,374	$ (492)	$ 2,594	$ (453)
Depreciation		2,937		2,801
Inventory	900		538	
Accrued expenses	595	(372)	784	247
All other	272	(307)	270	(206)
	$ 4,141	$ 1,766	$ 4,186	$ 2,389

M. LEASES

Leased property included in the balance sheet at December 27, 1997 and December 28, 1996 is as follows (in thousands):

	1997	1996
Land and improvements	$ 276	$ 276
Buildings and improvements	319	319
Machinery and equipment	251	251
	846	846
Less accumulated amortization	(186)	(175)
	$ 660	$ 671

The Company leases certain real estate under operating lease agreements with original terms ranging from one to ten years. The Company is required to pay real estate taxes and other occupancy costs under these leases. Certain of these leases carry renewal options of five to fifteen years. The Company also leases motor vehicles and equipment under operating lease agreements, for periods of one to seven years. Future minimum payments under noncancellable leases at December 27, 1997 are as follows (in thousands):

	CAPITAL LEASES	OPERATING LEASES	TOTAL
1998	$866	$2,168	$3,034
1999	4	1,175	1,179
2000	2	553	555
2001	0	365	365
2002	0	43	43
Total minimum lease payments	872	$4,304	$5,716
Less imputed interest	(46)		
Present value of minimum lease payments	$826		

Rent expense was approximately $4,816,000, $3,718,000 and $3,363,000 in 1997, 1996 and 1995, respectively, including approximately $100,000 paid annually to the Company's profit-sharing plan for the lease of certain property in 1996 and 1995.

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

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

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

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

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

N. COMMITMENTS AND CONTINGENCIES

The Company is self-insured for environmental impairment liability and accrues an expense for the estimated cost of required remedial actions when situations requiring such action arise. The Company owns and operates a number of facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, the Company may, under various federal, state, and local environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Remediation activities are currently being conducted or planned at the Company's Granger, Indiana; North East, Maryland; Union City, Georgia; and Elizabeth City, North Carolina wood preservation facilities.

The Company has accrued, in other long-term liabilities, amounts totaling approximately $1,512,000 (exclusive of the amount discussed in Note C) and $1,738,000 at December 27, 1997 and December 28, 1996, respectively, representing the estimated costs to complete remediation efforts currently in process and those expected to occur in the future. The accrued costs include operating ground water reclamation wells, estimated costs of chemical treatments and consultant fees.

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

O. NON-COMPETE AGREEMENT WITH FORMER OFFICER

In February 1996, the Company entered into a consulting and non-compete agreement with one of its former officers. Included in the agreement are conditions that the former officer provide certain consulting services and agree not to compete with the Company for a period of eleven years. In consideration of these services and agreement not to compete, the Company will make future payments to the officer totaling $350,000 in 1998 and $100,000 in 1999. The non-competition asset is being amortized on a straight-line basis over the eleven year non-compete period.

P. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected financial information for all of the quarters during the years ended December 27, 1997 and December 28, 1996 (in thousands, except per share data):

	FIRST		SECOND		THIRD		FOURTH	
	1997	1996	1997	1996	1997	1996	1997	1996
Net sales	$219,450	$163,092	$348,060	$281,633	$292,264	$250,799	$206,526	$195,706
Gross profit	20,509	17,119	33,401	31,816	25,096	22,256	16,472	18,523
Net earnings (loss)	3,627	2,526	9,517	8,631	5,496	4,550	(1,683)	2,125
Diluted earnings (loss) per share	$0.20	$0.14	$0.52	$0.48	$0.30	$0.25	$(0.10)	$0.12

Amounts have been restated for all periods presented due to the acquisition of Consolidated Building Components, Inc. on December 22, 1997, which was accounted for as a pooling of interests. (See Note B of Notes to Consolidated Financial Statements.)

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

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

FISCAL 1997	HIGH	LOW
Fourth Quarter	17.750	12.500
Third Quarter	18.000	14.000
Second Quarter	14.750	12.250
First Quarter	14.875	11.875

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

There were approximately 6,200 shareholders of record as of March 1, 1998.

In 1997, the Company paid dividends on its common stock of $.03 per share in June, and $.035 per share in December. The Company intends to continue with its current dividend policy for the foreseeable future, and retain the balance of its earnings for use in the expansion of its business.

EXHIBIT 21

LIST OF REGISTRANT'S SUBSIDIARIES

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

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement No. 33-1465835 of Universal Forest Product, Inc. on Form S-8 of our report dated January 27, 1998, incorporated by reference in the Annual Report on Form 10-K of Universal Forest Products, Inc. for the year ended December 27, 1997.

DELOITTE & TOUCHE LLP
Grand Rapids, Michigan
March 27, 1998

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1,000

YEAR
DEC-27-1997
DEC-29-1996
DEC-27-1997
3,157
0
36,065
449
111,163
157,637
116,715
51,968
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17,572
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229,383
1,066,300
1,066,300
970,822
970,822
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