

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

FORM 10-K

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

For the fiscal year ended December 25, 2010.

OR

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

For the transition period of _____ to _____.

Commission File No.: 0-22684

UNIVERSAL FOREST PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-1465835
(I.R.S. Employer
Identification No.)

2801 East Beltline, N.E., Grand Rapids, Michigan
(Address of principal executive offices)

49525
(Zip Code)

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

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

Title Of Each Class
Common Stock, no par value

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

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

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

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

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

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

The aggregate market value of the common stock held by non-affiliates of the registrant (i.e. excluding shares held by executive officers, directors, and control persons as defined in Rule 405, 17 CFR 230.405) on June 26, 2010 was \$551,897,562 computed at the closing price of \$31.90 on that date.

As of January 29, 2011, 19,347,608 shares of the registrant's common stock, no par value, were outstanding.

Documents incorporated by reference:

- (1) Certain portions of the registrant's Annual Report to Shareholders for the fiscal year ended December 25, 2010 are incorporated by reference into Part I and II of this Report.
- (2) Certain portions of the registrant's Proxy Statement for its 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

ANNUAL REPORT ON FORM 10-K
DECEMBER 25, 2010
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PART I

Item 1. Business.

General Development of the Business.

Universal Forest Products, Inc. (the “Company”) was organized as a Michigan corporation in 1955 and is a holding company that provides capital, management and administrative resources to subsidiaries that design, manufacture and market wood and wood-alternative products for DIY/retail home centers and other retailers, structural lumber products for the manufactured housing industry, engineered wood components for the site-built construction market, and specialty wood packaging and components for various industries. The Company’s consumer products subsidiary offers a large portfolio of outdoor living products, including wood composite decking, decorative balusters, post caps and plastic lattice, and its garden group offers an array of products, such as trellises and arches, to retailers nationwide. The Company’s subsidiaries also provide framing services for the site-built market and forming products for concrete construction. The Company is headquartered in Grand Rapids, Michigan, and its subsidiaries operate facilities throughout North America. For more about Universal Forest Products, Inc. go to www.ufpi.com.

Information relating to current developments in our business is incorporated by reference from our Annual Report to Shareholders for the fiscal year ended December 25, 2010 (“2010 Annual Report”) under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Selected portions of the 2010 Annual Report are filed as Exhibit 13 with this Form 10-K Report.

Financial Information About Segments.

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

During 2010, we undertook a reorganization of our former Eastern division operating segment that occurred in two stages. The first stage involved a management restructuring whereby the division was divided into Northern and Southern operating segments during the first quarter of fiscal 2010. This realignment was further refined commencing on December 25, 2010 with a reorganization of the Northern and Southern operating segments into newly created Eastern and Atlantic divisions to better align management oversight with strategic growth opportunities and operational initiatives.

Our operating segments consist of the Eastern, Western, Atlantic, Consumer Products and Distribution divisions. In accordance with ASC 280, due to the similar economic characteristics, nature of products, distribution methods, and customers, we have aggregated our Eastern and Western operating segments into one reportable segment. The Atlantic division is considered a separate reportable segment. Our other divisions do not collectively form a reportable segment because their respective operations are dissimilar and they do not meet the applicable quantitative requirements. These operations have been included in the “All Other”. Separate Financial information about industry segments is incorporated by reference from Note P of the Consolidated Financial Statements presented under Item 8 herein.

Narrative Description of Business.

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

DIY/Retail Market. The customers comprising this market are primarily national home center retailers, retail-oriented regional lumberyards and contractor-oriented lumberyards. Generally, terms of sale are established for annual periods, and orders are placed with our regional facilities in accordance with established terms. One customer, The Home Depot, accounted for approximately 28% of our total sales in fiscal 2010, 32% in 2009, and 27% in 2008.

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

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

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

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

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

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

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

Competition in this market is primarily fragmented, but we do compete with a small number of national and regional retail contractor yards who also manufacture components and provide framing services, as well as regional manufacturers of components. Our long-term objective is to continue to increase our manufacturing capacity and framing capabilities for this market in certain regions we do not currently serve in order to expand our national presence. We believe our primary competitive advantages relate to the engineering and design capabilities of our regional staff, customer relationships, purchasing and manufacturing expertise, product quality and timeliness of delivery.

Manufactured Housing Market. The customers comprising the manufactured housing market are producers of mobile, modular and prefabricated homes and recreational vehicles. Products sold to customers in this market consist primarily of roof trusses, lumber cut and shaped to the customer's specification, plywood, particle board and dimensional lumber, all intended for use in the construction of manufactured housing. Sales are made by personnel located at each regional facility based on customer orders. We entered the distribution business through strategic business acquisitions and distribute certain products such as siding, electrical and plumbing to manufactured housing and RV customers.

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

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

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

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

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

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On December 25, 2010 and December 26, 2009, we estimate that backlog orders associated with the site-built construction business approximated \$51.2 million and \$66.4 million, respectively. With respect to the former, we expect that these orders will be primarily filled within the current fiscal year, however, it is possible that some orders could be canceled.

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

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

Employees. On December 25, 2010, we had approximately 5,100 employees.

Financial Information About Geographic Areas.

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

Available Information.

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

Reports to Security Holders.

Not applicable.

Enforceability of Civil Liabilities Against Foreign Persons.

Not applicable.

Item 1A. Risk Factors.

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

We may be impacted by a decline in the value of the U.S. dollar. With unprecedented debt levels in the U.S., it may be difficult for the U.S. to maintain the value of its currency. We purchase a variety of raw materials and finished goods from sources around the world. Our purchase prices could increase if the U.S. dollar declines in value.

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

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

Our ability to achieve sales and margin goals, particularly on sales to the site-built construction and manufactured housing markets, is impacted by housing starts and industry production of manufactured homes. If housing starts and manufactured housing production declines significantly, our financial results could be negatively impacted.

A significant portion of our sales are concentrated with one customer. Our sales to The Home Depot comprised 28% of our total sales in 2010, 32% in 2009, and 27% in 2008.

Current economic and credit market conditions have increased the risk that we may not collect a greater percentage of our receivables. Economic and credit conditions may significantly impact our bad debt expense. We continue to monitor our customers’ credit profiles carefully and make changes in our terms when necessary in response to this heightened risk.

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

We may be adversely affected by the impact of environmental and safety regulations. We are subject to the requirements of federal, state, and local environmental and occupational health and safety laws and regulations. There can be no assurance that we are at all times in complete compliance with all of these requirements. We have made and will continue to make capital and other expenditures to comply with environmental regulations. If additional laws and regulations are enacted, which restrict our ability to manufacture and market our products, including our treated lumber products, it could adversely affect our sales and profits. If existing laws are interpreted differently, it could also increase our financial costs. Current legislation requiring the use of alternate fuel and energy sources is expected to increase our energy costs by 10 to 25%. If additional laws and regulations regarding carbon emission, mandating the use of more expensive energy choices, cap and trade, or taxes and fees on resource use are enacted, it will significantly increase our costs of operation, raise costs to our customers, and create a further barrier to demand for United States manufactured products.

The current version of Health Care legislation will dramatically increase our costs. The Health Care legislation enacted in 2010 and future regulations called for under the legislation may have a significant cost implication for our company.

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

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

Inbound and outbound transportation costs represent a significant part of our cost structure. A rapid and prolonged increase in fuel prices will significantly increase our costs. While we attempt to pass these costs along to our customers, there can be no assurance that they would agree to these price increases.

New alternatives may be developed to replace traditional treated wood products. The manufacturers of wood preservatives continue to develop new preservatives. While we believe treated products are reasonably priced relative to alternative products such as composites or vinyl, new alternatives may impact the sales of treated wood products. In addition, new preservatives could increase our cost of treating products in the future.

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Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters building is located in suburban Grand Rapids, Michigan. We currently have approximately 60 facilities located throughout the United States, Canada, and Mexico. Depending upon function and location, these facilities typically utilize office space, manufacturing space, treating space and covered storage.

We own all of our properties, free from any significant mortgage or other encumbrance, except for approximately 17 regional facilities which are leased. We believe all of these operating facilities are adequate in capacity and condition to service existing customer locations.

Item 3. Legal Proceedings.

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

Item 4. (Removed and Reserved).

Not applicable.

Additional Item: Executive Officers of the Registrant.

The following table lists the names, ages, and positions of our executive officers as of February 1, 2011. Executive officers are elected annually by the Board of Directors at the first meeting of the Board following the annual meeting of shareholders.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael B. Glenn	59	Chief Executive Officer, Universal Forest Products, Inc.
Patrick M. Webster	51	President and Chief Operating Officer, Universal Forest Products, Inc.
C. Scott Greene	54	President, UFP Eastern Division, Inc.
Robert W. Lees	57	President, UFP Atlantic Division, LLC.
Allen T. Peters	43	President, UFP Western Division, Inc.
Robert D. Coleman	56	Executive Vice President of Manufacturing, Universal Forest Products, Inc.
Matthew J. Missad	50	Executive Vice President and Secretary, Universal Forest Products, Inc.
Michael R. Cole	44	Chief Financial Officer and Treasurer, Universal Forest Products, Inc.
Ronald G. Klyn	53	Chief Information Officer, Universal Forest Products, Inc.
Joseph F. Granger	45	Executive Vice President of Sales and Marketing, Universal Forest Products, Inc.
Michael F. Mordell	53	Executive Vice President of UFP Purchasing, Inc.

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Michael B. Glenn joined us in 1974. Effective January 1, 2000, Mr. Glenn was promoted to President and Chief Operating Officer of the Company. On July 1, 2006, Mr. Glenn became Chief Executive Officer of the Company.

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

C. Scott Greene joined us in 1991. During early 2000, Mr. Greene became President of UFP Eastern Division, Inc. On January 1, 2010, Mr. Greene became President of UFP Northern Division, Inc. which was subsequently realigned and is now UFP Eastern Division, Inc.

Robert W. Lees joined us in 1977. In 1986 he became Regional Vice President of our Northeast Region. On January 1, 2010, Mr. Lees became President of UFP Atlantic Division, LLC.

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

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

Matthew J. Missad joined us in 1985. In February 1996, Mr. Missad was promoted to Executive Vice President of the Company.

Michael R. Cole, CPA, CMA, joined us in 1993. On July 19, 2000, Mr. Cole became Chief Financial Officer of the Company.

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

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

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

PART II

The following information items in this Part II, which are contained in the 2010 Annual Report, are specifically incorporated by reference into this Form 10-K Report. These portions of the 2010 Annual Report that are specifically incorporated by reference are filed as Exhibit 13 with this Form 10-K Report.

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

- (a) The information relating to market, holders and dividends is incorporated by reference from the 2010 Annual Report under the captions “Price Range of Common Stock and Dividends” and “Stock Performance Graph.”

There were no recent sales of unregistered securities.

- (b) Not applicable.
(c) Issuer purchases of equity securities during the fourth quarter.

<u>Fiscal Month</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
September 26 — October 30, 2010 ⁽¹⁾				2,988,229
October 31 — November 27, 2010				2,988,229
November 28 — December 25, 2010				2,988,229

- (a) Total number of shares purchased.
(b) Average price paid per share.
(c) Total number of shares purchased as part of publicly announced plans or programs.
(d) Maximum number of shares that may yet be purchased under the plans or programs.
(1) On November 14, 2001 the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2.5 million shares of our common stock. On October 14, 2010, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. The total number of shares that may be repurchased under the program is almost 3 million shares.

Item 6. Selected Financial Data.

The information required by this Item is incorporated by reference from the 2010 Annual Report under the caption “Selected Financial Data.”

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

The information required by this item is incorporated by reference from the 2010 Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

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

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

On December 25, 2010, the estimated fair value of our long-term debt, including the current portion, was \$55.9 million, which was \$0.6 million greater than the carrying value. The estimated fair value is based on rates anticipated to be available to us for debt with similar terms and maturities. The estimated fair value of notes payable included in current liabilities and the revolving credit facility approximated the carrying values.

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

<i>(\$US equivalents, in thousands)</i>	2011	2012	2013	2014	2015	Thereafter	Total
Long-term Debt:							
Fixed Rate (\$US)	\$ 712	\$ 40,270					\$ 40,982
Average interest rate	5.6%	6.2%					
Variable Rate (\$US)		\$ 2,109				\$ 12,200	\$ 14,309
Average interest rate ⁽¹⁾		1.2%				0.53%	

(1) Average of rates at December 25, 2010.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item is incorporated by reference from the 2010 Annual Report under the following captions:

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

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

None.

Item 9A. Controls and Procedures.

- (1) Evaluation of Disclosure Controls and Procedures. With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15e and 15d — 15e) as of the year ended December 25, 2010 (the “Evaluation Date”), have concluded that, as of such date, our disclosure controls and procedures were effective.
- (2) Management’s Annual Report on Internal Control Over Financial Reporting. Management’s Annual Report on Internal Control Over Financial Reporting is included in the 2010 Annual Report under the caption “Management’s Annual Report on Internal Control Over Financial Reporting” and is incorporated herein by reference. Our independent registered public accounting firm’s attestation Report on our internal control over financial reporting is also included in the 2010 Annual Report in the caption “Report of Independent Registered Public Accounting Firm On Internal Control over Financial Reporting” and is incorporated herein by reference.
- (3) Changes in Internal Controls. During the fourth quarter ended December 25, 2010, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance.**

Information relating to our directors, compliance with Section 16(a) of the Securities and Exchange Act of 1934 and various corporate governance matters is incorporated by reference from our definitive Proxy Statement for the year ended December 25, 2010 for the 2011 Annual Meeting of Shareholders, as filed with the Commission (“2010 Proxy Statement”), under the captions “Election of Directors,” “Corporate Governance and Board Matters,” and “Section 16(a) Beneficial Ownership Reporting Compliance.” Information relating to executive officers is included in this report in the last Section of Part I under the caption “Additional Item: Executive Officers of the Registrant.” Information relating to our code of ethics is included in this report in Part I, Item 1 under the caption “Available Information”.

Item 11. Executive Compensation.

Information relating to director and executive compensation is incorporated by reference from the 2011 Proxy Statement under the caption “Executive Compensation.” The “Personnel and Compensation Committee Report” included in the 2011 Proxy Statement is incorporated hereby by reference for the purpose of being furnished herein and is not and shall not be deemed to be filed under the Securities Exchange Act of 1934, as amended.

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

Information relating to security ownership of certain beneficial owners and management is incorporated by reference from our 2011 Proxy Statement under the captions “Ownership of Common Stock” and “Securities Ownership of Management.”

Information relating to securities authorized for issuance under equity compensation plans as of December 25, 2010, is as follows:

	Number of shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of shares remaining available for future issuance under equity compensation plans [excluding shares reflected in column (a)] ⁽¹⁾
	(a)	(b)	(c)
Equity compensation plans approved by security holders	359,997	\$ 24.04	2,706,160
Equity compensation plans not approved by security holders	none		

(1) The number of shares remaining available for future issuance under equity compensation plans, excluding options, warrants, or similar rights, as of December 25, 2010, is as follows: 165,383 shares for our 2002 Employee Stock Purchase Plan, 58,501 shares for our Directors’ Retainer Stock Plan, and 2,501 shares for our Employee Stock Gift Program. In addition, of the remaining 2,479,775 shares available for future issuance under our Long-Term Stock Incentive Plan, those awards may be made in the form of options as well as stock appreciation rights, restricted stock, performance shares, or other stock-based awards.

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

Information relating to certain relationships and related transactions, and director independence is incorporated by reference from the 2011 Proxy Statement under the captions “Election of Directors”, “Affirmative Determination Regarding Director Independence and Other Matters” and “Related Party Transactions.”

Item 14. Principal Accounting Fees and Services.

Information relating to the types of services rendered by our Independent Registered Public Accounting Firm and the fees paid for these services is incorporated by reference from our 2011 Proxy Statement under the caption “Independent Registered Public Accounting Firm — Disclosure of Fees.”

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **1. Financial Statements.** The following are incorporated by reference, under Item 8 of this report, from the 2010 Annual Report:

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

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

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

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

(c) Not applicable.

SIGNATURES

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

Dated: February 22, 2011

UNIVERSAL FOREST PRODUCTS, INC.

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

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 22nd day of February, 2011, by the following persons on behalf of us and in the capacities indicated.

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

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

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

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

/s/ Dan M. Dutton
Dan M. Dutton, Director

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

/s/ John W. Garside
John W. Garside, Director

/s/ Michael B. Glenn
Michael B. Glenn, Director

/s/ Gary F. Goode
Gary F. Goode, Director

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

/s/ Mark A. Murray
Mark A. Murray, Director

/s/ William R. Payne
William R. Payne, Director

/s/ Louis A. Smith
Louis A. Smith, Director

EXHIBIT INDEX

<u>Exhibit #</u>	<u>Description</u>
3	Articles of Incorporation and Bylaws. (a) Registrant's Articles of Incorporation were filed as Exhibit 3(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference. (b) Registrant's Bylaws were filed as Exhibit 3(b) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
4	Instruments Defining the Rights of Security Holders. (a) Specimen form of Stock Certificate for Common Stock was filed as Exhibit 4(a) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
10	Material Contracts. *(a)(5) Conditional Share Grant Agreement with William G. Currie dated April 17, 2002. *(a)(6) Form of Conditional Share Grant Agreement utilized under the Company's Long Term Stock Incentive Plan. *(a)(7) Consulting and Non-Compete Agreement with William G. Currie, dated December 17, 2007 was filed as Exhibit 10(a)(7) to a Form 10-K, Annual Report for the year ended December 29, 2007 and the same is incorporated herein by reference. *(a)(8) Employment, Consulting (and Non-Competition) Agreement with Robert K. Hill, dated June 15, 2007 was filed as Exhibit 10(a)(8) to a Form 10-K, Annual Report for the year ended December 29, 2007 and the same is incorporated herein by reference. (b) Form of Indemnity Agreement entered into between the Registrant and each of its directors was filed as Exhibit 10(b) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference. *(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.

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<u>Exhibit #</u>	<u>Description</u>
	* ^(e) (2) Form of Officers' Stock Option Agreement was filed as Exhibit 10 ^(e) (2) to a Registration Statement on Form S-1 (No. 33-69474) and the same is incorporated herein by reference.
	* ^(f) Performance Bonus Plan Summary Plan Description
	* ^(g) Universal Forest Products, Inc. Deferred Compensation Plan
	⁽ⁱ⁾ (5) Series 2004-A, Credit Agreement dated February 12, 2007 was filed as Exhibit 10 ⁽ⁱ⁾ to a Form 8-K Current Report dated February 15, 2007 and the same is incorporated herein by reference. Schedules and Exhibits to such Agreement were filed as Exhibit 10 ⁽ⁱ⁾ (5) to a Form 10-Q dated September 26, 2009 and the same is incorporated herein by reference.
	^(j) (2) Series 2002-A, Senior Note Agreement dated December 18, 2002. Schedules and Exhibits to such Agreement were filed as Exhibit 10 ^(j) (2) to a Form 10-Q dated September 26, 2009 and the same is incorporated herein by reference.
13	Selected portions of the Company's Annual Report to Shareholders for the fiscal year ended December 25, 2010.
14	Code of Ethics for Senior Financial Officers
	^(a) Code of Ethics for Chief Financial Officer.
21	Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
31	Certifications.
	^(a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
	^(b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32	Certifications.
	^(a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
	^(b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

* Indicates a compensatory arrangement.

CONDITIONAL SHARE GRANT AGREEMENT

AGREEMENT made this 17th day of April, 2002, between UNIVERSAL FOREST PRODUCTS, INC., a Michigan corporation (the "Company"), and WILLIAM G. CURRIE (the "Employee").

RECITALS

The Universal Forest Products, Inc. Long-Term Incentive Plan authorizes the award of shares of stock to key employees of the Company upon such terms and conditions as may be determined by the Committee or the Board of Directors.

The Committee has approved the conditional grant of shares to the Employee upon the terms and conditions set forth in this Agreement. The Company and Employee desire to confirm in this Agreement the terms, conditions, and restrictions applicable to the grant of restricted stock.

NOW, THEREFORE, intending to be bound, the parties agree as follows:

1. DEFINITIONS

- 1.1 "Board" means the Board of Directors of the Company.
- 1.2 "Change in Control" means an occurrence of a nature with respect to the Company that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act. Without limiting the inclusiveness of the definition in the preceding sentence, a Change in Control shall be deemed to have occurred as of the first day that any one or more of the following conditions is satisfied:
 - (a) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or
 - (b) At any time a majority of the Board of Directors of the Company is comprised of other than Continuing Directors (for purposes of this section, the term Continuing Director means a director who was either (i) first elected or appointed as a director prior to the Effective Date of this Agreement; or (ii) subsequently elected or appointed as a director if such director was nominated or appointed by at least a majority of the then Continuing Directors); or
 - (c) Any of the following occur:

- (i) Any merger or consolidation of the Company, other than a merger or consolidation in which the voting securities of the Company immediately prior to the merger or consolidation continue to represent (either by remaining outstanding or being converted into securities of the surviving entity) fifty percent (50%) or more of the combined voting power of the Company or surviving entity immediately after the merger or consolidation with another entity;
- (ii) Any sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a series of related transactions) of assets or earning power aggregating more than fifty percent (50%) of the assets or earning power of the Company on a consolidated basis;
- (iii) Any liquidation or dissolution of the Company;
- (iv) Any reorganization, reverse stock split, or recapitalization of the Company which would result in a Change in Control; or
- (v) Any transaction or series of related transactions having, directly or indirectly, the same effect as any of the foregoing; or any agreement, contract, or other arrangement providing for any of the foregoing.

1.3 "Committee" means the Committee appointed by the Board to administer the Plan.

1.4 "Common Stock" means the common stock of the Company.

1.5 "Company" means Universal Forest Products, Inc., a Michigan corporation, its successors and assigns.

1.6 "Effective Date of this Agreement" means April 17, 2002.

1.7 "Plan" means the Universal Forest Products, Inc. Long-Term Incentive Plan.

1.8 "Shares" means the shares of Common Stock awarded, issued and delivered to Employee under this Agreement. If, as a result of a stock split, stock dividend, combination of stock, or any other change or exchange of securities, by reclassification, reorganization, recapitalization or otherwise, the Shares shall be increased or decreased, or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or another corporation, the term "Shares" shall mean and include the shares of stock or other securities issued with respect to the Shares.

2. CONDITIONAL GRANT AWARD

2.1 Conditional Grant. The Company hereby agrees to grant ten thousand (10,000) shares of Common Stock (the "Shares") to Employee immediately upon the satisfaction of the terms and conditions set forth in Section 3 of this Agreement. The award of Shares shall be effective as of the Grant Date, as defined in Section 3 below. The Company agrees to issue and deliver to Employee a certificate representing the Shares promptly upon the Grant Date.

2.2 Acceptance. Employee accepts this conditional award of Shares.

3. CONDITIONS TO GRANT. The Company shall grant the Shares to Employee upon the first to occur of the following conditions (the effective date of which shall be referred to in this Agreement as the Grant Date), provided that Employee has been in the continuous employment of the Company from the Effective Date of this Agreement until the Grant Date:

- (a) Upon the 65th birthday of Employee;
- (b) Upon a Change in Control; or
- (c) Upon Employee's death.

4. ACQUISITION WARRANTIES. In order to induce the Company to issue and deliver the Shares on the terms of this Agreement, Employee warrants to and agrees with the Company as follows:

4.1 No Participating Interest. The Employee is acquiring the Shares for Employee's own account, and has not made any arrangement to convey any interest in the Shares to any person.

4.2 Ability to Evaluate. Because of Employee's knowledge and experience in financial and business matters, Employee is capable of evaluating the merits and risks of acquiring the Shares under the arrangements prescribed by this Agreement.

4.3 Familiarity with Company. Employee is familiar with the business, financial condition, earnings and prospects of the Company, and confirms that the Company has not made any representation regarding the foregoing matters or the merits of this Agreement.

4.4 All Questions Answered. Employee understands all of the terms of this Agreement and the consequences to Employee of any actions which may be taken under this Agreement. Employee confirms there are no questions relating to any such matters which have not been answered to Employee's complete satisfaction.

4.5 Rights as Shareholder. Employee shall have no rights as a shareholder with respect to the Shares unless and until the Grant Date.

5. GENERAL PROVISIONS

5.1 No Right to Employment. This Agreement is not an employment contract. Neither the Plan nor this Agreement or anything else changes the at will employment status of Employee.

5.2 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid and enforceable, but if any provision of this Agreement shall be held to be prohibited or unenforceable under applicable law (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law, and (b) all other provisions of this Agreement shall remain in full force and effect.

5.3 Captions. The captions used in this Agreement are for convenience only, do not constitute a part of this Agreement and all of the provisions of this Agreement shall be enforced and construed as if no captions had been used.

5.4 Complete Agreement. This Agreement contains the complete agreement between the parties relating in any way to the subject matter of this Agreement and supersedes any prior understandings, agreements or representations, written or oral, which may have related to such subject matter in any way.

5.5 Notices.

(a) Procedures Required. Each communication given or delivered under this Agreement must be in writing and may be given by personal delivery or by certified mail. A written communication shall be deemed to have been given on the date it shall be delivered to the address required by this Agreement.

(b) Communications to the Company. Communications to the Company shall be addressed to it at the principal corporate headquarters and marked to the attention of the Company's president.

(c) Communications to Employee. Every communication to Employee shall be addressed to Employee at the address given immediately below the Employee's signature to this Agreement, or to such other address as Employee shall specify to the Company.

5.6 Assignment. This Agreement is not assignable by Employee during Employee's lifetime. This Agreement shall be binding upon and inure to the benefit of (a) the successors and assigns of the Company, and (b) any person to whom Employee's rights under this Agreement may pass by reason of Employee's death.

5.7 Amendment. This Agreement may be amended, modified or terminated only by written agreement between the Company and Employee.

5.8 Waiver. No delay or omission in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder. A waiver upon any one occasion shall not be construed as a bar or waiver of any right or remedy on any other occasion. All of the rights and remedies of the parties hereto, whether evidenced hereby or granted by law, shall be cumulative.

5.9 Choice of Law. This Agreement shall be deemed to be a contract made under the laws of the State of Michigan and for all purposes shall be construed in accordance with and governed by the laws of the State of Michigan.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

EMPLOYEE

UNIVERSAL FOREST PRODUCTS, INC.

William G. Currie

BY: _____

ITS: _____

ADDRESS:

1830 Beard Drive SE
Grand Rapids, MI 49546

CONDITIONAL SHARE GRANT AGREEMENT

AGREEMENT made as of this ____ day of _____, by UNIVERSAL FOREST PRODUCTS, INC., a Michigan corporation (the "Company"), and (the "Employee").

RECITALS

The Universal Forest Products, Inc. Long-Term Incentive Plan authorizes the award of shares of stock to key employees of the Company upon such terms and conditions as may be determined by the Committee or the Board of Directors.

The Committee has approved the conditional grant of shares to the Employee upon the terms and conditions set forth in this Agreement. The Company and Employee desire to confirm in this Agreement the terms, conditions and restrictions applicable to the grant of restricted stock.

NOW, THEREFORE, intending to be bound, the parties agree as follows:

1. DEFINITIONS

- 1.1 "Board" means the Board of Directors of the Company.
- 1.2 "Change in Control" means an occurrence of a nature with respect to the Company that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act. Without limiting the inclusiveness of the definition in the preceding sentence, a Change in Control shall be deemed to have occurred as of the first day that any one or more of the following conditions is satisfied:
 - (a) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or
 - (b) At any time a majority of the Board of Directors of the Company is comprised of other than Continuing Directors (for purposes of this section, the term Continuing Director means a director who was either (i) first elected or appointed as a director prior to the Effective Date of this Agreement; or (ii) subsequently elected or appointed as a director if such director was nominated or appointed by at least a majority of the then Continuing Directors); or
 - (c) Any of the following occur:

- (i) Any merger or consolidation of the Company, other than a merger or consolidation in which the voting securities of the Company immediately prior to the merger or consolidation continue to represent (either by remaining outstanding or being converted into securities of the surviving entity) fifty percent (50%) or more of the combined voting power of the Company or surviving entity immediately after the merger or consolidation with another entity;
- (ii) Any sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a series of related transactions) of assets or earning power aggregating more than fifty percent (50%) of the assets or earning power of the Company on a consolidated basis;
- (iii) Any liquidation or dissolution of the Company;
- (iv) Any reorganization, reverse stock split, or recapitalization of the Company which would result in a Change in Control; or
- (v) Any transaction or series of related transactions having, directly or indirectly, the same effect as any of the foregoing; or any agreement, contract, or other arrangement providing for any of the foregoing.

1.3 "Committee" means the Committee appointed by the Board to administer the Plan.

1.4 "Common Stock" means the common stock of the Company.

1.5 "Company" means Universal Forest Products, Inc., a Michigan corporation, its successors and assigns.

1.6 "Effective Date of this Agreement" means _____.

1.7 "Plan" means the Universal Forest Products, Inc. Long-Term Incentive Plan.

1.8 "Shares" means the shares of Common Stock awarded, issued and delivered to Employee under this Agreement. If, as a result of a stock split, stock dividend, combination of stock, or any other change or exchange of securities, by reclassification, reorganization, recapitalization or otherwise, the Shares shall be increased or decreased, or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or another corporation, the term "Shares" shall mean and include the shares of stock or other securities issued with respect to the Shares.

2. CONDITIONAL GRANT AWARD

2.1 Conditional Grant. The Company hereby agrees to grant _____ shares of Common Stock (the "Shares") to Employee immediately upon the satisfaction of the terms and conditions set forth in Section 3 of this Agreement. The award of Shares shall be effective as of the Grant Date, as defined in Section 3 below. The Company agrees to issue and deliver to Employee a certificate representing the Shares promptly upon the Grant Date.

2.2 Acceptance. Employee accepts this conditional award of Shares.

3. CONDITIONS TO GRANT

The Company shall grant the Shares to Employee upon the first to occur of the following conditions (the effective date of which shall be referred to in this Agreement as the Grant Date), provided that Employee has been in the continuous employment of the Company from the date of this Agreement until the Grant Date:

[SUBJECT TO COMPLETION]

4. ACQUISITION WARRANTIES

In order to induce the Company to issue and deliver the Shares on the terms of this Agreement, Employee warrants to and agrees with the Company as follows:

4.1 No Participating Interest. The Employee is acquiring the Shares for Employee's own account, and has not made any arrangement to convey any interest in the Shares to any person.

4.2 Ability to Evaluate. Because of Employee's knowledge and experience in financial and business matters, Employee is capable of evaluating the merits and risks of acquiring the Shares under the arrangements prescribed by this Agreement.

4.3 Familiarity with Company. Employee is familiar with the business, financial condition, earnings and prospects of the Company, and confirms that the Company has not made any representation regarding the foregoing matters or the merits of this Agreement.

4.4 All Questions Answered. Employee understands all of the terms of this Agreement and the consequences to Employee of any actions which may be taken under this Agreement. Employee confirms there are no questions relating to any such matters which have not been answered to Employee's complete satisfaction.

4.5 Rights as Shareholder. Employee shall have no rights as a shareholder with respect to the Shares unless and until the Grant Date.

5. GENERAL PROVISIONS

5.1 No Right to Employment. This Agreement is not an employment contract. Neither the Plan nor this Agreement or anything else changes the at will employment status of Employee.

5.2 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid and enforceable, but if any provision of this Agreement shall be held to be prohibited or unenforceable under applicable law (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law, and (b) all other provisions of this Agreement shall remain in full force and effect.

5.3 Captions. The captions used in this Agreement are for convenience only, do not constitute a part of this Agreement and all of the provisions of this Agreement shall be enforced and construed as if no captions had been used.

5.4 Complete Agreement. This Agreement contains the complete agreement between the parties relating in any way to the subject matter of this Agreement and supersedes any prior understandings, agreements or representations, written or oral, which may have related to such subject matter in any way.

5.5 Notices.

(a) Procedures Required. Each communication given or delivered under this Agreement must be in writing and may be given by personal delivery or by certified mail. A written communication shall be deemed to have been given on the date it shall be delivered to the address required by this Agreement.

(b) Communications to the Company. Communications to the Company shall be addressed to it at the principal corporate headquarters and marked to the attention of the Company's president.

(c) Communications to Employee. Every communication to Employee shall be addressed to Employee at the address given immediately below the Employee's signature to this Agreement, or to such other address as Employee shall specify to the Company.

5.6 Assignment. This Agreement is not assignable by Employee during Employee's lifetime. This Agreement shall be binding upon and inure to the benefit of (a) the successors and assigns of the Company, and (b) any person to whom Employee's rights under this Agreement may pass by reason of Employee's death.

5.7 Amendment. This Agreement may be amended, modified or terminated only by written agreement between the Company and Employee.

5.8 Waiver. No delay or omission in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder. A waiver upon any one occasion shall not be construed as a bar or waiver of any right or remedy on any other occasion. All of the rights and remedies of the parties hereto, whether evidenced hereby or granted by law, shall be cumulative.

5.9 Choice of Law. This Agreement shall be deemed to be a contract made under the laws of the State of Michigan and for all purposes shall be construed in accordance with and governed by the laws of the State of Michigan.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

EMPLOYEE

UNIVERSAL FOREST PRODUCTS, INC.

BY _____

ITS _____

ADDRESS:

**PERFORMANCE BONUS PLAN
SUMMARY PLAN DESCRIPTION**

- A. **ELIGIBILITY REQUIREMENTS.** A participant must be salaried and employed by the Company at the beginning of the new calendar year in order to participate in the Company Salaried Performance Bonus Plan (the "Plan"). Employees compensated under other incentive programs may be excluded from the Plan.
- B. **BONUS CALCULATION.** A participant's bonus is calculated as follows [(Participant's Percentage "PP")(Bonus Pool "BP") = Participant's Bonus Amount]:
1. The participant's base percentage of the bonus pool is determined at the beginning of the year. The participant may also be eligible for a portion of any unallocated percentage. This unallocated portion, called the discretionary percentage, is allocated after the close of the year based on individual performance and other subjective standards. The total of the base percentage and the discretionary percentage for each participant equals the total Participant's Percentage "PP".
 2. The bonus pool is calculated by multiplying the Pre-Bonus Operating Profit (PBOP) for the business unit times the bonus rate factor. The bonus rate factor is determined by the Pre-Bonus Return on Investment (PBROI) of the business unit.
 3. The PBROI of a business unit is determined by dividing PBOP, minus income taxes, by the business unit's Investment.
 4. The bonus rate factor is listed on the rate chart for the business unit.
- C. **BONUS LIMITATIONS.** If the calculated bonus for a participant exceeds the participant's base salary, the maximum amount of bonus the participant may receive is limited to 1.75 times his or her current base salary.

UNIVERSAL FOREST PRODUCTS, INC.

DEFERRED COMPENSATION PLAN

(Restated effective January 1, 2009)

Prepared by:
Miller Johnson
250 Monroe Avenue, N.W., Suite 800
P.O. Box 306
Grand Rapids, MI 49501-0306
(616) 831-1700

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**UNIVERSAL FOREST PRODUCTS, INC.
DEFERRED COMPENSATION PLAN**

Article 1

Establishment and Purpose

1.1 History of the Plan

Universal Forest Products, Inc. (the “Company”) established the Universal Forest Products, Inc. Deferred Compensation Plan (the “Plan”) as of December 27, 1995. The Plan has periodically been amended.

1.2 This Document

By this document, the Company is amending and restating the Plan as of January 1, 2009.

1.3 Purpose

The Company desires to retain the services of a select group of executives who contribute to the profitability and success of the Company. The Company maintains the Plan to provide the executives who participate in the Plan with the opportunity to defer a portion of their Compensation and have additional retirement income.

1.4 Status of Plan Under ERISA

The Plan is intended to be “unfunded” and maintained “primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees” for purposes of ERISA. Accordingly, the Plan is not intended to be covered by Parts 2 through 4 of Subtitle B of Title I of ERISA. The existence of any Trust Fund is not intended to change this characterization of the Plan.

1.5 Compliance with Section 409A

To the extent the Plan provides deferred compensation under Section 409A of the Code, the Plan is intended to comply with Section 409A. The Plan is intended to be interpreted consistent with the requirements of Section 409A of the Code.

Article 2

Definitions

The following terms shall have the meanings described in this Article unless the context clearly indicates another meaning. All references in the Plan to specific articles or sections shall refer to Articles or Sections of the Plan unless otherwise stated.

2.1 Account

“Account” means the bookkeeping record of the Participant’s benefits under the terms of the Plan.

2.2 Administrative Committee

“Administrative Committee” means the administrative committee periodically appointed by the Board of Directors to assist the Plan Administrator with the day-to-day operation of the Plan.

2.3 Base Salary

“Base Salary” means a Participant’s regular wage or salary from the Company, not including commissions, Bonuses or other types of irregular compensation. Base Salary excludes any amounts earned before a Participant’s election to make Elective Deferrals from such wage or salary.

2.4 Beneficiary

“Beneficiary” means the beneficiary designated in writing by the Participant to receive benefits from the Plan in the event of his death. The Beneficiary shall be designated on a form provided by the Plan Administrator, and the Participant may change the Beneficiary designation at any time by signing and delivering a new form to the Plan Administrator.

If the Participant designates a trust as Beneficiary, the Plan Administrator shall determine the rights of the trustee without responsibility for determining the validity, existence, or provisions of the trust. Further, the Plan Administrator shall not have responsibility for the application of sums paid to the trustee or for the discharge of the trust.

If a Participant designates the Participant’s spouse as Beneficiary and the Participant and spouse are subsequently divorced, the judgment of divorce shall be considered to revoke the prior Beneficiary designation of the spouse.

The rules of this paragraph apply unless provided otherwise in the Participant’s Beneficiary designation form. If the Participant designates one primary Beneficiary and the Beneficiary dies after the Participant but before benefit payments are completed, any remaining benefits shall be payable to the secondary Beneficiary. If the Participant fails to designate a secondary Beneficiary or if no secondary Beneficiary survives the primary Beneficiary, any remaining benefits shall be payable to the deceased primary Beneficiary’s heirs in the manner described in the next paragraph. If the Participant designates more than one primary Beneficiary or more than one secondary Beneficiary and a Beneficiary dies before benefit payments are completed, the share payable to the deceased Beneficiary shall be paid to the deceased Beneficiary’s heirs in the manner described in the next paragraph as if the Beneficiary was the Participant.

If the Participant fails to designate a Beneficiary, or if no designated Beneficiary survives the Participant, payment shall be made to the Participant’s estate.

The facts shown by the records of the Plan Administrator at the time of death shall be conclusive as to the identity of the proper payee, and the records of Trustee shall be conclusive as to the amount properly payable. The distribution made in accordance with such state of facts shall constitute a complete discharge of all obligations under the provisions of the Plan.

2.5 Board

“Board” means the governing body of Universal Forest Products, Inc.

2.6 Bonus

“Bonus” means a payment of cash compensation other than Base Salary or commissions to a Participant on or about March 15 each year as a reward for exceptional performance during the prior Calendar Year.

2.7 Calendar Year

“Calendar Year” means the period of January 1 through the following December 31.

2.8 Change in Control

“Change in Control” means that one of the following events has occurred with regard to Universal Forest Products, Inc.:

(a) Sale of 40% or more of the material operating assets of Universal Forest Products, Inc. to a person or entity not affiliated with Universal Forest Products, Inc.;

(b) The acquisition of more than 30% of the common stock of Universal Forest Products, Inc. by a person, entity or group of people or entities acting as a group for voting or control purposes, who are not affiliated with Universal Forest Products, Inc.; or

(c) Replacement of a majority of the members of the Board during a 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the appointments or elections.

For purposes of the Plan, Universal Forest Products, Inc. is “affiliated with” another person if that person has an ownership interest in Universal Forest Products, Inc. Universal Forest Products, Inc. is “affiliated with” another entity if the other entity has an ownership interest in Universal Forest Products, Inc.

2.9 Code

“Code” means the Internal Revenue Code of 1986, as amended.

2.10 Company

“Company” means Universal Forest Products, Inc. and its wholly owned subsidiaries and affiliates, except to the extent that any such subsidiary or affiliate maintains its own plan providing similar benefits or is expressly excluded from participation under the Plan, and any successor thereto.

2.11 Compensation

“Compensation” means the sum of the following:

(a) A Participant’s wages and other payments which are reported on IRS Form W-2. However, this amount shall be determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code).

(b) An Employee’s salary deferral contributions to a Code Section 401(k) plan.

(c) A Participant’s pay reduction contributions to a cafeteria plan under Section 125 of the Code.

(d) A Participant’s pay reduction contributions to a qualified transportation fringe benefit plan under Section 132(f) of the Code.

(e) A Participant’s pay reduction contributions to a simplified employee pension plan under Section 402(h)(1)(B) of the Code.

2.12 Determination Period

“Determination Period” means with respect to an Employee who has a Separation from Service from the Company between January 1 and March 31, the second Calendar Year preceding the Calendar Year during which the Separation from Service occurred. If the Employee has a Separation from Service between April 1 and December 31, the Determination Period is the preceding Calendar Year.

2.13 Distributable Event

“Distributable Event” means a “triggering” event for a distribution to a Participant. A Participant’s Distributable Events are described in Section 5.1.

2.14 Elective Deferrals

“Elective Deferrals” are the amounts by which a Participant agrees to reduce his Base Salary or Bonus in order to have amounts credited to his Account.

2.15 Employee

“Employee” means any individual who, for tax purposes, is considered to be a common-law employee of the Company. An individual who is treated by the Company as an independent contractor for tax purposes is not an Employee.

2.16 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.17 Investment Results

“Investment Results” means the hypothetical earnings, gains and losses achieved by an investment fund elected by a Participant under Section 4.3. The Investment Results for a Participant shall be determined as if the portion of his Account which was deemed to be invested in the investment fund had actually been invested in the investment fund during the relevant time period.

2.18 Key Employee

“Key Employee” means any Employee who at any time during the Determination Period was:

(a) An officer of the Company or a Related Employer whose annual Compensation from the Company and all Related Employers is more than \$145,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2007);

(b) A person having more than a 5% ownership interest in the Company or a Related Employer; or

(c) A person having more than a 1% ownership interest in the Company or a Related Employer and whose annual Compensation from the Company and all Related Employers is more than \$150,000.

The determination of who is a Key Employee shall be made in accordance with Sections 409A and 416(i)(1) of the Code and the applicable regulations and guidance.

2.19 Participant

“Participant” means an Employee or former Employee of the Company who has met the requirements for participation under Article 3, and who is or may become eligible to receive benefits from the Plan.

2.20 Plan

“Plan” means the Universal Forest Products, Inc. Deferred Compensation Plan.

2.21 Plan Administrator

“Plan Administrator” means the fiduciary responsible for the operation and administration of the Plan as provided in Article 7. Universal Forest Products, Inc. shall be the Plan Administrator.

2.22 Plan Year

“Plan Year” means the 12-consecutive-month period beginning on January 1 and ending on the following December 31.

2.23 Related Employer

“Related Employer” means:

(a) Any member of a controlled group of corporations in which the Company is a member, as defined in Section 414(b) of the Code, but substituting “at least 20%” for “at least 80%” each place it appears in Section 414(b) of the Code and the Treasury regulations issued thereunder; or

(b) Any other trade or business under common control of or with the Company, as defined in Section 414(c) of the Code, but substituting “at least 20%” for “at least 80%” each place it appears in Section 414(b) of the Code and the Treasury regulations issued thereunder.

2.24 Separation from Service

“Separation from Service” means a “separation from service” under Section 409A of the Code. Generally, this occurs if the Employee is reasonably anticipated to have a substantial permanent reduction in the bona fide level of services provided to the Company and all Related Employers (whether provided as an employee or an independent contractor). The reduction shall be “substantial” only if the reduced bona fide level of services is less than 50% of the average bona fide level of services provided by the Employee to the Company and all Related Employers during the immediately preceding 36 months (or the Participant’s entire period of service, if less than 36 months).

2.25 Total Disability

“Total Disability” means the Participant meets one of the following requirements:

(a) The Participant is unable to engage in any substantial gainful activity by reason of any medically determinable mental or physical impairment which can be expected to result in death or can be expected to last for a continuous period of at least 12 months; or

(b) The Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a Company-sponsored disability plan.

The existence of a Total Disability shall be established by the certification of a physician or physicians selected by the Plan Administrator, unless the Plan Administrator determines that an examination is unnecessary. Alternatively, a Participant shall be considered to have a Total Disability if the Participant is determined to be disabled by the Social Security Administration.

2.26 Trust Agreement

“Trust Agreement” means the trust agreement used to establish the Trust Fund.

2.27 Trust Fund

“Trust Fund” means the assets held under the Trust Agreement.

2.28 Trustee

“Trustee” means the financial institution designated as trustee by the Company pursuant to Article 6.

2.29 UFP Stock

“UFP Stock” means shares of Universal Forest Products, Inc. Common Stock.

2.30 Year of Service

“Year of Service” means a 12-month period of employment with the Company or any Related Employer. Individual periods of service are aggregated at the rate of one month for each 30 days.

Article 3

Participation

3.1 Eligibility for Participation

The Administrative Committee, with the approval of the Board, shall determine the Employees who are eligible to participate in the Plan. An Employee shall begin to participate in the Plan on the date designated by the Administrative Committee. It is intended that participation be limited to Employees who will qualify as members of a “select group of management or other highly compensated employees” under Title I of ERISA. In general, the Employees who are eligible to participate are the officers, general managers of operations, operations managers, sales managers, and plant managers of the Company as well as select corporate department heads, purchasing directors, regional executive managers and senior managers of the Company.

As a condition for participation in the Plan, the Employee must sign a participation agreement provided by the Administrative Committee. The Employee shall acknowledge in the participation agreement that he is an unsecured creditor of the Company with regard to any benefits under the Plan and waive any right to a priority claim with regard to the benefits. The Employee may also be required to complete other forms as a condition for participation.

3.2 Termination of Active Participation

The Administrative Committee may remove an Employee from further active participation in the Plan. If this occurs, the Employee shall not have any additional amounts credited to his Account under Section 4.2. But amounts shall continue to be credited to a Participant's Account under Section 4.3 until the amounts credited to the Participant's Account are distributed.

Article 4

Amounts Credited to Accounts

4.1 Participants' Accounts

The Plan Administrator shall maintain an Account for each Participant to record the Participant's benefits under the terms of the Plan. A Participant's Account is for bookkeeping purposes only. The Company is not required to make contributions to the Trust Fund to fund the amounts credited to a Participant's Account.

Amounts shall be credited to a Participant's Account as provided in this Article.

4.2 Amounts Credited Based Upon Elective Deferrals

The Plan Administrator shall credit a Participant's Account with the amount of a Participant's Elective Deferrals as follows:

(a) Time of Election—Base Salary Before the beginning of each Calendar Year, a Participant may make a written election to make Elective Deferrals equal to a specified dollar amount of the Participant's Base Salary earned during that Calendar Year. But the following special rules apply:

(1) If an Employee initially becomes a Participant during a Calendar Year, the Employee may make an election within 30 days after the Employee becomes a Participant to make Elective Deferrals from any Base Salary earned after the election is made.

(2) If a Participant does not make a new election for a Calendar Year, no amount shall be deferred from the Participant's Base Salary for that Calendar Year.

Except as provided in subsection (e), a Participant's election to make Elective Deferrals from Base Salary earned during a Calendar Year is irrevocable during that Calendar Year.

(b) Time of Election—Bonus No later than June 30 of each Calendar Year, a Participant may make a written election to make Elective Deferrals equal to a specified percentage or dollar amount of the Participant's Bonus earned during that Calendar Year. If a Participant does not make a new election for a Calendar Year, no amount shall be deferred out of the Participant's Bonus for that Calendar Year.

Except as provided in subsection (e), a Participant's election to make Elective Deferrals from Bonuses earned during a Calendar Year is irrevocable after June 30 of the Calendar Year.

(c) Maximum Amount of Elective Deferrals A Participant may defer up to the following amounts otherwise payable to the Participant each Calendar Year:

(1) \$10,000 of Base Salary.

(2) 25% of Bonuses not to exceed \$100,000 for executive officers, \$50,000 for other officers, \$25,000 for general managers of operations, operations managers and corporate department heads, and \$10,000 for all other Participants.

The Plan Administrator may also periodically establish additional rules relating to a Participant's Elective Deferrals (for example, a minimum amount permitted).

(d) Crediting of Elective Deferrals to Accounts A Participant's Elective Deferrals shall be credited to his Account as soon as administratively feasible after the amounts otherwise would have been paid to the Participant.

(e) Suspension After Hardship Withdrawal Despite any other provision, if a Participant receives a hardship withdrawal under the Universal Forest Products, Inc. Employees' Profit Sharing and 401(k) Plan, a Participant shall not make any Elective Deferrals for six months after receipt of the hardship withdrawal. At the end of the six-month period, Elective Deferrals may only begin again if the Participant makes a new election in accordance with subsection (a) or (b), to defer his Base Salary or Bonus for a Calendar Year beginning at least six months after the hardship withdrawal was made.

(f) Elections Relating to In-Service Distributions A Participant may also make an election to receive an in-service distribution of the portion of the Bonus he elected to defer for any Calendar Year (but not Base Salary deferrals or investment earnings). The election will only be effective if:

- (1) The election is made by the deadline for making a Bonus deferral election for a Calendar Year;
- (2) The payment date is at least 12 months after the end of the Calendar Year during which the Bonus was deferred; and
- (3) The Participant remains employed by the Company or a Related Employer until the elected payment date.

The amount distributed will be the lesser of the amount of the Bonus the Participant elected to be paid as of the date it was deferred and the value of the Bonus on the date of distribution.

(g) Withholding of Payroll Taxes Any payroll taxes the Company must withhold on a Participant's Base Salary or Bonus deferrals (including any amount that must be withheld because of the discount on UFP Stock provided to Participants whose deferrals are treated as invested in UFP Stock for the year) will be withheld from the portion of the Participant's Base Salary or Bonus that the Participant does not elect to defer before any amount is credited to the Participant's Account.

4.3 Amounts Credited Based Upon Investment Results

A Participant may choose among different investment funds made available by the Plan Administrator for purposes of determining the Investment Results credited to his Account. The Plan Administrator may change these investment funds.

The Plan Administrator shall periodically establish administrative rules for a Participant to make and change his investment elections and rules regarding the crediting of Investment Results. Amounts shall be credited to a Participant's Account under this Section until the Participant's Account is completely distributed.

The Company shall be under no obligation to make investments that correspond to the Participant's investment elections, even though the Participant's elections are used to determine the Participant's Investment Results.

If all or a portion of a Participant's Elective Deferrals for a Calendar Year are deemed to be invested in UFP Stock, the number of shares of UFP Stock credited to the Participant's Account shall be increased to reflect a fifteen percent (15%) discount to market, determined based on the closing market price of UFP Stock on the day the amount would have been paid to the Participant if he had not elected to defer it. The number of shares credited to the Participant's Account as a result of any deferral of Base Salary or Bonus shall equal:

$$\frac{(x \cdot .85)}{z}$$

where x equals the amount the Participant defers and z equals the closing market price of UFP Stock on the day the amount would have been paid to the Participant if he had not elected to defer it. Elective Deferrals that are treated as being invested in UFP Stock shall continue to be treated as invested in UFP Stock until the Elective Deferrals are distributed to the Participant.

4.4 Required Investments in UFP Stock

(a) A Participant's Elective Deferrals from Base Salary for any Calendar Year will be deemed to be invested in UFP Stock unless:

(1) If the Participant has less than five Years of Service with the Company as of the December 31 immediately preceding the first day of the Calendar Year, the Participant owns UFP Stock with a market value as of the preceding September 30 of at least one (1) times the Participant's annualized box 1 W-2 compensation for the second Calendar Year preceding the Calendar Year for which the Elective Deferrals are being made;

(2) If the Participant has at least five but less ten Years of Service with the Company as of the December 31 immediately preceding the first day of the Calendar Year, the Participant owns UFP Stock with a market value as of the preceding September 30 of at least two (2) times the Participant's annualized box 1 W-2 compensation for the second Calendar Year preceding the Calendar Year for which the Elective Deferrals are being made; or

(3) If the Participant has ten or more Years of Service with the Company as of the December 31 immediately preceding the first day of the Calendar Year, the Participant owns UFP Stock with a market value as of the preceding September 30 of at least three (3) times the Participant's annualized box 1 W-2 compensation for the second Calendar Year preceding the Calendar Year for which the Elective Deferrals are being made.

For purposes of this subsection, if a Participant's box 1 W-2 compensation for any Calendar Year is for work performed for less than a 12-month period, the Participant's box 1 W-2 compensation for the Calendar Year shall be annualized by multiplying his box 1 W-2 compensation by 12 and dividing it by the number of full and partial months he worked during the year.

(b) If the applicable requirement detailed in subsection (a) above is met as of the December 31 of the preceding Calendar Year, the Participant may direct that his Elective Deferrals from Base Salary for the Calendar Year be credited with earnings or losses based on any investment option available under the Plan.

(c) A Participant's Elective Deferrals from Bonuses for a Calendar Year will be deemed to be invested in UFP Stock unless:

(1) If the Participant has less than five Years of Service with the Company as of the December 31 preceding the June 30 by which the election must be made, the Participant owns UFP Stock with a market value as of the preceding April 30 of at least one (1) times the Participant's annualized box 1 W-2 compensation for the Calendar Year preceding the Calendar Year for which the Elective Deferral from his Bonus is made.

(2) If the Participant has at least five but less than ten Years of Service with the Company as of the December 31 preceding the June 30 by which the election must be made, the Participant owns UFP Stock with a market value as of the preceding April 30 of at least two (2) times the Participant's annualized box 1 W-2 compensation for the Calendar Year preceding the Calendar Year for which the Elective Deferral from his Bonus is made; or

(3) If the Participant has ten or more Years of Service with the Company as of the December 31 preceding the date by which the election must be made, the Participant owns UFP Stock with a market value as of preceding April 30 of at least three (3) times the Participant's annualized box 1 W-2 compensation for the Calendar Year preceding the Calendar Year for which the Elective Deferral from his Bonus is made.

For purposes of this subsection, if a Participant's box 1 W-2 compensation for any Calendar Year is for work performed for less than a 12-month period, the Participant's box 1 W-2 compensation for the Calendar Year shall be annualized by multiplying his box 1 W-2 compensation by 12 and dividing it by the number of full and partial months he worked during the year.

(d) If the applicable requirement detailed in subsection (c) above is met as of the June 30 by which the Participant's Bonus deferral election must be made, the Participant may direct that his Elective Deferrals from his Bonus for the Calendar Year be credited with earnings or losses based on any investment option available under the Plan.

(e) For example, if a Participant who has completed three Years of Service with the Company as of December 31, 2006 defers \$10,000 of his Base Salary for 2007, his Elective Deferrals from his Base Salary will be invested in UFP Stock unless he owns UFP Stock with a market value as of September 30, 2006 equal to his 2005 compensation as reported in box 1 of his 2005 W-2 (assuming he worked for the Company for all of 2005). If the Participant elects to defer all or any portion of his 2007 Bonus that is payable in 2008, his Elective Deferrals from his Bonus will be invested in UFP Stock unless he owns UFP Stock with a market value as of April 30, 2007 equal to his 2006 compensation as reported in box 1 of his 2006 W-2 (assuming he worked for the Company for all of 2006).

4.5 Vesting in a Participant's Account

Except as provided in Section 5.3, all amounts credited to a Participant's Account are always 100% vested.

Article 5

Distribution of Benefits

5.1 Distributable Events

A Participant shall have a Distributable Event for purposes of the Plan on the date the first of the following events occurs:

- (a) The Participant has a Separation from Service;
- (b) The Participant dies while employed by the Company;
- (c) The Participant incurs a Total Disability while employed by the Company; or
- (d) A Change in Control occurs.

5.2 Amount of Benefits

A Participant's benefits under the Plan shall be equal to the amount credited to the Participant's Account on the date determined by the Company that is no more than one month prior to the date the amount is distributed to the Participant.

5.3 Time of Payment

A Participant's benefits from the Plan shall be paid in a single lump sum payment on the one-year anniversary of his Separation from Service. Notwithstanding the preceding sentence, in the event a Participant dies, suffers a Total Disability or has a Separation from Service after attaining age 55 and in the event of a Change in Control, payment will be made within 60 days after the Participant's Distributable Event occurs. In no event, however, will any distribution be made to a Key Employee as a result of a Separation from Service earlier than the six-month anniversary of the date of the Participant's Separation from Service, unless the Participant dies prior to the end of the six-month period.

If, during the Participant's employment with the Company or the twelve (12) month period following his Separation from Service, the Participant violates any confidentiality agreement, intellectual property agreement or non-competition agreement with the Company or any Related Employer in effect while the Participant is employed by the Company or a Related Employer or at the time of the Separation from Service, the Participant's Account shall be reduced to reflect the value that is the lesser of:

- (a) The actual Account value on the date of Separation from Service; or
- (b) The value the Account would have been on the date of Separation from Service if it had been credited with an earnings rate of 0% from the time the Elective Deferrals were initially credited to the Account and no discount had been available for deemed investments in UFP Stock.

5.4 Form of Payment

A Participant's benefits from the Plan shall be distributed in cash, except all amounts treated as invested in UFP Stock shall be distributed in the form of certificates for UFP Stock.

5.5 Hardship Withdrawals

A Participant who has an unforeseeable financial emergency may receive payment while employed by the Company of all or part of the amount credited to the Participant's Account.

For purposes of this Section, an unforeseeable financial emergency is a severe financial hardship of the Participant resulting from: a sudden and unexpected illness or accident of the Participant or a dependent of the Participant; loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. However, the Participant will not be considered to have an unforeseeable emergency if the hardship is or may be relieved:

(a) Through reimbursement or compensation by insurance or otherwise;

(b) By liquidation of the Participant's assets, to the extent the liquidation of such assets would itself not cause severe financial hardship; or

(c) By the cessation of Elective Deferrals and elective deferrals to the Universal Forest Products, Inc. Employees' Profit Sharing and 401(k) Plan.

The need to send a Participant's child to college or the desire to purchase a home are not unforeseeable financial emergencies for purposes of this Section.

A Participant may only withdraw the amount reasonably needed to satisfy the financial emergency need. The amount of the financial need may include amounts necessary to pay any federal, state or local taxes or penalties relating to the distribution.

The Plan Administrator may periodically establish administrative rules regarding withdrawals under this Section.

5.6 Tax Withholding

Any applicable federal, state, or local income taxes shall be withheld from the benefits paid to a Participant or the Participant's Beneficiary to the extent required by law or elected by the Participant or Beneficiary.

5.7 Spendthrift Provision

No benefit or interest under the Plan is subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of a Participant or the Participant's Beneficiary.

Article 6

Funding

6.1 Establishment of Trust Fund

The Company may enter into a Trust Agreement with an unrelated financial institution, as Trustee, to establish a Trust Fund. If a Trust Fund is established, the Company may, but is not required to, make contributions to the Trust Fund. However, if a Change in Control occurs, the Company shall establish a Trust Fund and shall contribute to the Trust Fund an amount, if any, necessary so that the assets of the Trust Fund are sufficient to pay all amounts credited to Participants' Accounts.

6.2 Status as Grantor Trust

The Trust Fund shall be a grantor trust under Sections 671 through 678 of the Code. The Trust Agreement shall provide that the assets of the Trust Fund are subject to the claims of the Company's general creditors if the Company becomes insolvent. If any assets of the Trust Fund are seized by general creditors of the Company, a Participant's right to receive benefits under the Plan shall not be changed.

6.3 Status of Participants as Unsecured Creditors

The obligation of the Company to pay benefits under the Plan shall be unsecured. Each Participant is an unsecured creditor of the Company. The Plan constitutes a mere promise by the Company to make benefit payments in the future.

The establishment of an Account for a Participant and the Company's payment of contributions to the Trust Fund are not intended to create any security for payment of benefits under the Plan or change the status of the Plan as an unfunded plan for tax purposes or Title I of ERISA.

Article 7

Administration

7.1 Plan Administrator

The Company shall have the sole responsibility for the administration of the Plan and is designated as named fiduciary and Plan Administrator. The Plan Administrator shall have the power and duties which are described in this Article. The Administrative Committee shall carry out the functions of the Plan Administrator with respect to the day-to-day operations of the Plan. If a member of the Administrative Committee is a Participant, the member shall abstain from voting on any matter relating to the member's benefits under the Plan.

7.2 Powers of Plan Administrator

The Plan Administrator shall have all discretionary powers necessary to administer and satisfy its obligations under the Plan, including, but not limited to, the following:

- (a) Maintain records pertaining to the Plan.
- (b) Interpret the terms and provisions of the Plan.
- (c) Establish procedures by which Participants may apply for benefits under the Plan and appeal a denial of benefits.
- (d) Determine the rights under the Plan of any Participant applying for or receiving benefits.
- (e) Administer the appeal procedure provided in this Article.
- (f) Perform all acts necessary to meet the reporting and disclosure obligations imposed by Sections 101 through 111 of ERISA (if any are applicable).
- (g) Delegate specific responsibilities for the operation and administration of the Plan to such Employees or agents as it deems advisable and necessary.
- (h) Issue reports to Participants no less than once per year.

7.3 Standard of Care

The Plan Administrator shall administer the Plan solely in the interest of Participants and for the exclusive purposes of providing benefits to the Participants and their Beneficiaries. The Plan Administrator shall administer the Plan with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.

The Plan Administrator shall not be liable for any act or omission relating to its duties under the Plan unless the act or omission violates the standard of care described in this Section.

7.4 Appeal Procedure

Any Participant whose application for benefits under the Plan has been denied, in whole or in part, shall be given written notice of the denial of benefits by the Plan Administrator. The notice shall be in easily understood language and shall indicate the reasons for denial and the specific provisions of the Plan on which the denial is based. The notice shall explain that the Participant may request a review of the denial and the procedure for requesting review. The notice shall describe any additional information necessary to approve the Participant's claim and explain why such information is necessary.

A Participant may make a written request to the Plan Administrator for a review of any denial of benefits under the Plan. The request for review must be in writing and must be made within 60 days after the mailing date of the notice of denial. The request shall refer to the provisions of the Plan on which it is based and shall set forth the facts relied upon as justifying a reversal or modification of the determination being appealed.

A Participant who requests a review of a denial of benefits in accordance with this appeal procedure may examine pertinent documents and submit pertinent issues and comments in writing. A Participant may have a duly authorized representative act on his behalf in exercising his right to request a review and any other rights granted by this appeal procedure. The Plan Administrator shall provide a review of the decision denying the claim for benefit within 60 days after receiving the written request for review.

A Participant shall not be permitted to commence any legal action against the Company regarding his benefits under the Plan before exhausting the appeal procedure contained in this Section.

7.5 Indemnification of Administrative Committee

The Company shall indemnify and hold harmless the members of the Administrative Committee and their duly appointed agents against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by any such member or agent of the Administrative Committee.

Article 8

Miscellaneous

8.1 No Employment Rights

The existence of the Plan shall not grant a Participant any legal right to continue as an Employee, nor affect the right of the Company to discharge a Participant.

8.2 Amendment

The Company shall have the right to amend the Plan at any time. But no amendment shall reduce the amount credited to a Participant's Account.

8.3 Termination

The Company shall have the right to terminate the Plan at any time. If the Plan is terminated, no additional amounts shall be credited to a Participant's Account under Section 4.2. But the Participant's Account shall be adjusted for Investment Results under Section 4.3 until the Participant's benefits are distributed to the Participant.

The Participant shall be entitled to receive the amounts credited to his Account upon satisfying the requirements for payment of benefits under the Plan. However, the Company may pay the Participant the amount credited to the Participant's Account at any time after the Plan is terminated if the payment is permitted by Section 409A of the Code.

8.4 Severability

The unenforceability of any provision of the Plan shall not affect the enforceability of the remaining provisions of the Plan.

8.5 Construction

Words used in the masculine shall apply to the feminine where applicable. Wherever the context of the Plan dictates, the plural shall be read as the singular and the singular as the plural.

8.6 Governing Law

To the extent that Michigan law is not preempted by ERISA, the provisions of the Plan shall be governed by the laws of the state of Michigan.

Signature

The Company has signed the amended and restated Universal Forest Products, Inc. Deferred Compensation Plan this _____ day of _____, 2008.

UNIVERSAL FOREST PRODUCTS, INC.

By _____

Its _____

UNIVERSAL FOREST PRODUCTS, INC.

NOTE AGREEMENT

Dated as of December 18, 2002

Re: \$15,000,000 5.63% Series 2002-A Senior Notes, Tranche A,
Due December 18, 2009
and
\$40,000,000 6.16% Series 2002-A Senior Notes, Tranche B,
Due December 18, 2012

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(Not a part of the Agreement)

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ATTACHMENTS TO
NOTE AGREEMENT:
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Names and
Addresses of
the Purchasers
and Amounts of
Commitments
SCHEDULE II --
Funded Debt;
Liens Securing
Funded Debt
(including
Capitalized
Leases);
Subsidiaries;
and Restricted
Subsidiaries as
of the first
and second
Closing Date
SCHEDULE III --
Environmental
Obligations
EXHIBIT A-1 --
Form of 5.63%
Series 2002-A
Senior Note,
Tranche A, due
December 18,
2009 EXHIBIT A-
2 -- Form of
6.16% Series
2002-A Senior
Note, Tranche
B, due December
18, 2012
Exhibit B-1 --
Form of
Subsidiary Note
Guaranty
Exhibit B-2 --
Intercreditor
Agreement
EXHIBIT C --
Representations
and Warranties
of the Company
EXHIBIT D --
Description of
Special
Counsel's
Closing Opinion
EXHIBIT E --
Description of
Closing Opinion
of Counsel to
the Company
EXHIBIT F --
Form of
Supplement to
Note Agreement

UNIVERSAL FOREST PRODUCTS, INC.
2801 EAST BELTLINE, N.E.
GRAND RAPIDS, MICHIGAN 49525

NOTE AGREEMENT

Re: \$15,000,000 5.63% Series 2002-A Senior Notes, Tranche A,
Due December 18, 2009
and
\$40,000,000 6.16% Series 2002-A Senior Notes, Tranche B,
Due December 18, 2012

Dated as of
December 18, 2002

To the Purchaser named in Schedule I
hereto which is a signatory of this
Agreement

Ladies and Gentlemen:

The undersigned, Universal Forest Products, Inc., a Michigan
corporation (the "Company"), agrees with you as follows:

SECTION 1. DESCRIPTION OF NOTES AND COMMITMENT.

Section 1.1. Description of Notes. (a) The Company will authorize the
issue and sale of:

(i) \$15,000,000 aggregate principal amount of its 5.63%
Series 2002-A Senior Notes, Tranche A (the "Tranche A Notes"), to be
dated the date of issue, to bear interest from such date at the rate of
5.63% per annum, payable semiannually on the 18th day of June and
December in each year (commencing June 18, 2003) and at maturity and to
bear interest on overdue principal (including any overdue optional
prepayment of principal) and premium, if any, and (to the extent
legally enforceable) on any overdue installment of interest at the
Overdue Rate after the date due, whether by acceleration or otherwise,
until paid, to mature on December 18, 2009, and to be substantially in
the form attached hereto as Exhibit A-1; and

(ii) \$40,000,000 aggregate principal amount of its 6.16%
Series 2002-A Senior Notes, Tranche B (the "Tranche B Notes"), to be
dated the date of issue, to bear interest from such date at the rate of
6.16% per annum, payable semiannually on the 18th day of June and
December in each year (commencing June 18, 2003) and at maturity and to
bear interest on overdue principal (including any overdue optional
prepayment of principal) and premium, if any, and (to the extent
legally enforceable) on any overdue

installment of interest at the Overdue Rate after the date due, whether by acceleration or otherwise, until paid, to mature on December 18, 2012, and to be substantially in the form attached hereto as Exhibit A-2. The Series 2002-A Notes, together with each series of Additional Notes which may from time to time be issued pursuant to the provisions of SECTION 1.4, are sometimes hereinafter collectively referred to as the "Notes".

(b) Interest on the Series 2002-A Notes shall be computed on the basis of a 360-day year of twelve 30-day months. The Series 2002-A Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in SECTION 2. You and the other purchasers named in Schedule I are hereinafter sometimes referred to as the "Purchasers". The terms which are capitalized herein shall have the meanings set forth in SECTION 8.1 unless the context shall otherwise require.

Section 1.2. Commitment, Closing Date. Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to you, and you agree to purchase from the Company, the Series 2002-A Notes in the principal amount and of the tranche set forth opposite your name on Schedule I hereto at a price of 100% of the principal amount thereof on the Closing Date hereafter mentioned.

Delivery of the Series 2002-A Notes will be made at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, against payment therefor in Federal Reserve or other funds current and immediately available at the principal office of Harris Bank, ABA No.: 071000288, Account Name: Universal Forest Products, Inc.--Concentration Account, Account No.: 434-473-3, in the amount of the purchase price at 10:00 A.M., Chicago time, on December 18, 2002 (the "Closing Date"). The Notes delivered to you on the Closing Date will be delivered to you in the form of a single registered Note of each tranche in the form attached hereto as Exhibits A-1 and A-2, as the case may be, for the full amount of your purchase (unless different denominations are specified by you), registered in your name or in the name of such nominee as may be specified in Schedule I attached hereto.

Section 1.3. Other Agreements. Simultaneously with the execution and delivery of this Agreement, the Company is entering into similar agreements with the other Purchasers under which such other Purchasers agree to purchase from the Company the principal amount and the tranche of Series 2002-A Notes set opposite such Purchaser's name in Schedule I, and your obligation and the obligations of the Company hereunder are subject to the execution and delivery of the similar agreements by the other Purchasers. This Agreement and said similar agreements with the other Purchasers, together with any Supplement, are herein collectively referred to as the "Agreements". The obligations of each Purchaser, and the obligations of the Additional Purchasers under the Supplements, shall be several and not joint and no Purchaser shall be liable or responsible for the acts of any other Purchaser or have any obligation under any Supplement or any liability to any Person for the performance or non-performance by any Additional Purchaser thereunder.

Section 1.4. Additional Series of Notes. The Company may, from time to time, in its sole discretion but subject to the terms hereof, issue and sell one or more additional series of its

unsecured promissory notes under the provisions of this Agreement pursuant to a supplement (a "Supplement") substantially in the form attached hereto as Exhibit F. Each additional series of Notes (the "Additional Notes") issued pursuant to a Supplement shall be subject to the following terms and conditions:

(i) each series of Additional Notes, when so issued, shall be differentiated from all previous series by year and sequential alphabetical designation inscribed thereon;

(ii) Additional Notes of the same series may consist of more than one different and separate tranches and may differ with respect to outstanding principal amounts, maturity dates, interest rates and premiums, if any, and price and terms of redemption or payment prior to maturity;

(iii) each series of Additional Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such mandatory and optional prepayment on the dates and at the premiums, if any, have such additional or different conditions precedent to closing, such representations and warranties and such additional covenants as shall be specified in the Supplement under which such Additional Notes are issued;

(iv) each series of Additional Notes issued under this Agreement shall be in substantially the form attached hereto as Exhibit 1 to Exhibit F with such variations, omissions and insertions as are necessary or permitted hereunder;

(v) the minimum principal amount of any Note issued under a Supplement shall be \$100,000, except as may be necessary to evidence the outstanding amount of any Note originally issued in a denomination of \$100,000 or more;

(vi) all Additional Notes shall constitute Senior Funded Debt of the Company and shall rank pari passu with all other outstanding Notes; and

(vii) no Additional Notes shall be issued hereunder if at the time of issuance thereof and after giving effect to the application of the proceeds thereof, any Default or Event of Default shall have occurred and be continuing.

Section 1.5. Subsidiary Note Guaranty. The payment by the Company of all amounts due in respect of the Notes and the performance by the Company of its obligations under this Agreement will be absolutely and unconditionally guaranteed by Tresstar, LLC, UFP Ventures, Inc., UFP Ventures II, Inc., Universal Forest Products of Modesto LLC, UFP Real Estate, Inc., Universal Forest Products Eastern Division, Inc., Universal Forest Products Western Division, Inc., Shoffner Holding Company, Inc., Universal Forest Products Shoffner, LLC, Syracuse Real Estate, LLC, Universal Forest Products Indiana Limited Partnership, Universal Forest Products Texas Limited Partnership, Universal Forest Products Holding Company, Inc., Universal Forest Products Reclamation Center, Inc., Universal Truss, Inc. and Consolidated Building Components, Inc. (individually, an "Existing Subsidiary Guarantor"; and, collectively, the

"Existing Subsidiary Guarantors") pursuant to a Guaranty Agreement dated as of the Closing Date (the "2002 Subsidiary Note Guaranty") substantially in the form attached hereto as Exhibit B-1. Without limiting the foregoing, enforcement of the rights and benefits in respect of the 2002 Subsidiary Note Guaranty will be subject to an Intercreditor Agreement dated as of November 13, 1998 (the "Intercreditor Agreement") among the Creditors (as defined therein) and Bank One, N.A., as Collateral Agent, and to be joined by the Purchasers and any Additional Purchasers.

SECTION 2. PREPAYMENT OF NOTES.

Section 2.1. Required Prepayments. There shall be no required prepayment of any tranche of the Series 2002-A Notes prior to the stated maturity thereof. Any Additional Notes shall be subject to required prepayment only as set forth in the applicable Supplement.

Section 2.2. Optional Prepayment with Premium. Upon compliance with SECTION 2.4, the Company shall have the privilege, at any time and from time to time, of prepaying any tranche of the Notes, either in whole or in part (but if in part then in a minimum principal amount of \$1,000,000), by payment of the principal amount of such tranche, or portion thereof to be prepaid, and accrued interest thereon to the date of such prepayment, together with a premium equal to the Make-Whole Amount, determined as of two Business Days prior to the date of such prepayment pursuant to this SECTION 2.2.

Section 2.3. Prepayment of Notes upon Change of Control. (a)(1) In the event that any Change of Control shall occur, the Company will give written notice (the "Company Notice") of such fact in the manner provided in SECTION 9.6 to the holders of the Notes. The Company Notice shall be delivered promptly upon receipt of such knowledge by the Company and in any event no later than three Business Days following the occurrence of any Change of Control. The Company Notice shall (1) describe the facts and circumstances of such Change of Control in reasonable detail, (2) make reference to this SECTION 2.3 and the right of the holders of the Notes to require prepayment of the Notes on the terms and conditions provided for in this SECTION 2.3, (3) offer in writing to prepay the outstanding Notes, together with accrued interest to the date of prepayment, and a premium equal to the then applicable Make-Whole Amount, and (4) specify a date for such prepayment (the "Change of Control Prepayment Date"), which Change of Control Prepayment Date shall be not more than 90 days nor less than 30 days following the date of such Company Notice. Each holder of the then outstanding Notes shall have the right to accept such offer and require prepayment of the Notes held by such holder in full by written notice to the Company (a "Noteholder Notice") given not later than 20 days after receipt of the Company Notice. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this SECTION 2.3(a) within such 20 day period shall be deemed to constitute an acceptance of such offer by such holder. The Company shall on the Change of Control Prepayment Date prepay in full all of the Notes held by holders which have so accepted such offer of prepayment or which have failed in writing to accept or reject such offer within such 20 day period. The prepayment price of the Notes payable upon the occurrence of any Change of Control shall be an amount equal to 100% of the outstanding principal amount of the Notes so to be prepaid and accrued interest thereon to the date of such prepayment, together with a premium equal to the then applicable Make-Whole

Amount, determined as of two Business Days prior to the date of such prepayment pursuant to this SECTION 2.3(a).

(2) Without limiting clause (1) of this SECTION 2.3(a), the Company shall immediately after any Responsible Officer has knowledge of an event which in the judgment of such Responsible Officer or the Board of Directors of the Company is reasonably likely to occur which would constitute a Change of Control and in any event no later than three Business Days thereafter, give written notice of such fact in the manner provided in SECTION 9.6 to the holders of the Notes.

(b) Without limiting the foregoing, notwithstanding any failure on the part of the Company to give the Company Notice required by SECTION 2.3(a), each holder of the Notes shall have the right, by delivery of written notice to the Company, to require the Company upon the occurrence of a Change of Control to prepay, and the Company will prepay, such holder's Notes in full, together with accrued interest thereon to the date of prepayment, and a premium equal to the then applicable Make-Whole Amount. Notice of any required prepayment pursuant to this SECTION 2.3(b) shall be delivered by any holder of the Notes which was entitled to, but did not receive, such Company Notice to the Company at any time after such holder has actual knowledge of such Change of Control. On the date (the "Change of Control Delayed Prepayment Date") designated in such holder's notice (which shall be not more than 90 days nor less than 30 days following the date of such holder's notice), the Company shall prepay in full all of the Notes held by such holder, together with accrued interest thereon to the date of prepayment, and a premium equal to the then applicable Make-Whole Amount. If the holder of any Note gives any notice pursuant to this SECTION 2.3(b), the Company shall give a Company Notice within three Business Days of receipt of such notice and identify the Change of Control Delayed Prepayment Date to all other holders of the Notes and each of such other holders shall then and thereupon have the right to accept the Company's offer to prepay the Notes held by such holder in full and require prepayment of such Notes by delivery of a Noteholder Notice within 20 days following receipt of such Company Notice; provided only that any date for prepayment of such holder's Notes shall be the Change of Control Delayed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay pursuant to this SECTION 2.3(b) within such 20 day period shall be deemed to constitute an acceptance of such offer by such holder. On the Change of Control Delayed Prepayment Date, the Company shall prepay in full the Notes of each holder thereof which has accepted such offer of prepayment or which has failed to accept or reject such offer within such 20 day period, in any such case at a prepayment price equal to 100% of the outstanding principal amount of the Notes so to be prepaid and accrued interest thereon to the date of such prepayment, together with a premium equal to the then applicable Make-Whole Amount, determined as of two Business Days prior to the date of such prepayment pursuant to this SECTION 2.3(b).

Section 2.4. Notice of Optional Prepayments. The Company will give notice of any prepayment of any tranche of the Notes pursuant to SECTION 2.2 to each holder of such tranche of not less than 30 days nor more than 60 days before the date fixed for such optional prepayment specifying (a) such date, (b) the principal amount of the holder's Notes of such tranche to be prepaid on such date, (c) that the Make-Whole Amount may be payable, (d) the date when such Make-Whole Amount will be calculated, (e) the estimated Make-Whole Amount, and (f) the accrued interest applicable to the prepayment. Such notice of prepayment shall also certify all

facts, if any, which are conditions precedent to any such prepayment. Notice of prepayment having been so given, the aggregate principal amount of the Notes specified in such notice, together with accrued interest thereon and the Make-Whole Amount, if any, payable with respect to such tranche shall become due and payable on the prepayment date specified in said notice. Two Business Days prior to the prepayment date specified in such notice, the Company shall provide each holder of a Note of the tranche to be prepaid written notice of the Make-Whole Amount, if any, payable in connection with such prepayment and, whether or not any Make-Whole Amount is payable, a reasonably detailed computation thereof.

Section 2.5. Application of Prepayments. All partial prepayments made pursuant to SECTION 2.2 shall be applied on all outstanding Notes of the same tranche ratably in accordance with the unpaid principal amounts thereof. All partial prepayments made pursuant to SECTION 2.3 shall be applied only to the Notes of the holders who have elected to participate in such prepayment.

Section 2.6. Direct Payment. Notwithstanding anything to the contrary contained in this Agreement or the Notes, in the case of any Note owned by you or your nominee or owned by any subsequent Institutional Holder which has given written notice to the Company requesting that the provisions of this SECTION 2.6 shall apply, the Company will punctually pay when due the principal thereof, interest thereon and Make-Whole Amount, if any, due with respect to said principal, without any presentment thereof, directly to you, to your nominee or to such subsequent Institutional Holder at your address or your nominee's address set forth in Schedule I hereto (or Schedule I to any Supplement) or such other address as you, your nominee or such subsequent Institutional Holder may from time to time designate in writing to the Company or, if a bank account with a United States bank is designated for you or your nominee on Schedule I hereto (or Schedule I to any Supplement) or in any written notice to the Company from you, from your nominee or from any such subsequent Institutional Holder, the Company will make such payments in immediately available funds to such bank account, no later than 11:00 a.m. Eastern Standard Time on the date due, marked for attention as indicated, or in such other manner or to such other account in any United States bank as you, your nominee or any such subsequent Institutional Holder may from time to time direct in writing. If for any reason whatsoever the Company does not make any such payment by such 11:00 a.m. transmittal time, such payment shall be deemed to have been made on the next following Business Day and such payment shall bear interest at the Overdue Rate.

SECTION 3. REPRESENTATIONS.

Section 3.1. Representations of the Company. The Company represents and warrants that all representations and warranties set forth in Exhibit C are true and correct as of the date hereof and are incorporated herein by reference with the same force and effect as though herein set forth in full.

Section 3.2. Representations of the Purchaser. (a) You represent, and in entering into this Agreement the Company understands, that you are acquiring the Notes for the purpose of investment and not with a view to the distribution thereof, and that you have no present intention of selling, negotiating or otherwise disposing of the Notes, it being understood, however, that the disposition of your property shall at all times be and remain within your control.

(b) You further represent that either: (1) you are acquiring the Notes with your "insurance company general account" within the meaning of Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceeds ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with your state of domicile; (2) no part of such funds constitutes assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA or a "plan" within the meaning of section 4975(e)(1) of the Code; or (3) all or a part of such funds constitute assets of one or more separate accounts, trusts or a commingled pension trust maintained by you, and you have disclosed to the Company the names of such employee benefit plans whose assets in such separate account or accounts or pension trusts exceed 10% of the total assets or are expected to exceed 10% of the total assets of such account or accounts or trusts as of the date of such purchase and the Company has advised you in writing (and in making the representations set forth in this clause (3) you are relying on such advice) that the Company is not a party-in-interest nor are the Notes employer securities with respect to the particular employee benefit plan disclosed to the Company by you as aforesaid (for the purpose of this clause (3), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan). As used in this SECTION 3.2(b), the terms "separate account", "party-in-interest", "employer securities" and "employee benefit plan" shall have the respective meanings assigned to them in ERISA.

SECTION 4. CLOSING CONDITIONS.

Section 4.1. Conditions. Your obligation to purchase the Notes on the Closing Date shall be subject to the performance by the Company of its agreements hereunder which by the terms hereof are to be performed at or prior to the time of delivery of the Notes and to the following further conditions precedent:

(a) Closing Certificates. (1) Concurrently with the delivery of the Notes on the Closing Date, you shall have received a certificate dated the Closing Date, signed by a Responsible Officer of the Company, the truth and accuracy of which shall be a condition to your obligation to purchase the Notes proposed to be sold to you and to the effect that (i) the representations and warranties of the Company set forth in Exhibit C hereto are true and correct on and with respect to the Closing Date, (ii) the Company has performed all of its obligations hereunder which are to be performed on or prior to the Closing Date, and (iii) no Default or Event of Default has occurred and is continuing; and

(2) You shall have received a certificate dated the Closing Date, signed by an authorized officer of each of the Existing Subsidiary Guarantors, the truth and accuracy of which shall be a condition to your obligation to purchase the Notes proposed to be sold to you and to the effect that (i) the representations and warranties of the Existing Subsidiary Guarantors set forth in the 2002 Subsidiary Note Guaranty are true and correct on and with respect to the Closing Date, (ii) each Existing Subsidiary Guarantor has performed all of its obligations under the 2002 Subsidiary Note Guaranty which are to be

performed on or prior to the Closing Date, and (iii) no Default or Event of Default has occurred and is continuing.

(b) 2002 Subsidiary Note Guaranty and Intercreditor Agreement. (1) The 2002 Subsidiary Note Guaranty shall have been duly executed and delivered by the parties thereto to you and shall be in full force and effect and you shall have received true, correct and complete copies thereof; and

(2) You shall have joined the Intercreditor Agreement.

(c) Legal Opinions. You shall have received from Chapman and Cutler, who are acting as your special counsel in this transaction, and from Varnum, Riddering, Schmidt & Howlett, counsel for the Company and the Initial Subsidiary Guarantors, their respective opinions dated the Closing Date, in form and substance satisfactory to you, and covering the matters set forth in Exhibits D and E, respectively, hereto.

(d) Existence and Authority. On or prior to the Closing Date, you shall have received, in form and substance reasonably satisfactory to you and your special counsel, such documents and evidence with respect to the Company and each of the Existing Subsidiary Guarantors as you may reasonably request in order to establish the existence and good standing of the Company and each of the Existing Subsidiary Guarantors and the authorization of the transactions contemplated by this Agreement and the 2002 Subsidiary Note Guaranty.

(e) Related Transactions. The Company shall have consummated the sale of the entire principal amount of the Notes scheduled to be sold on the Closing Date pursuant to this Agreement and the other agreements referred to in SECTION 1.3.

(f) Private Placement Numbers. On or prior to the Closing Date, special counsel to the Purchasers shall have duly made the appropriate filings with Standard & Poor's CUSIP Service Bureau, as agent for the National Association of Insurance Commissioners, in order to obtain a private placement number for each tranche of the series of Notes being sold on the Closing Date.

(g) Funding Instructions. At least three Business Days prior to the Closing Date, you shall have received written instructions executed by a Responsible Officer of the Company directing the manner of the payment of funds on the Closing Date and setting forth (1) the name of the transferee bank, (2) such transferee bank's ABA number, (3) the account name and number into which the purchase price for the Notes is to be deposited, (4) the purchase price of the Notes to be purchased by you, and (5) the name and telephone number of the account representative responsible for verifying receipt of such funds.

(h) Special Counsel Fees. Concurrently with the delivery of the Notes to you on the Closing Date, the reasonable charges and disbursements of Chapman and Cutler, your special counsel, shall have been paid by the Company to the extent reflected in a

statement of such counsel rendered to the Company at least one Business Day prior to the Closing Date.

(i) Legality of Investment. The Notes to be purchased by you shall be a legal investment for you under the laws of each jurisdiction to which you may be subject (without resort to any so-called "basket provisions" to such laws).

(j) Satisfactory Proceedings. All proceedings taken in connection with the transactions contemplated by this Agreement and the 2002 Subsidiary Note Guaranty, and all documents necessary to the consummation thereof, shall be satisfactory in form and substance to you and your special counsel, and you shall have received a copy (executed or certified as may be appropriate) of all legal documents or proceedings taken in connection with the consummation of said transactions.

Section 4.2. Waiver of Conditions. If on the Closing Date the Company fails to tender to you the Notes to be issued to you on such date or if the conditions specified in SECTION 4.1 have not been fulfilled, you may thereupon elect to be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in SECTION 4.1 have not been fulfilled, you may waive compliance by the Company with any such condition to such extent as you may in your sole discretion determine. Nothing in this SECTION 4.2 shall operate to relieve the Company of any of its obligations hereunder or to waive any of your rights against the Company.

Section 4.3. Conditions to Issuance of Additional Notes. The obligations of the Additional Purchasers to purchase Additional Notes shall be subject to the following conditions precedent, in addition to the conditions specified in the Supplement pursuant to which such Additional Notes may be issued:

(a) Compliance Certificate. A duly authorized Responsible Officer shall execute and deliver to each Additional Purchaser an Officer's Certificate dated the date of issue of such Additional Notes stating that such officer has reviewed the provisions of this Agreement (including any Supplements hereto) and setting forth the information and computations (in sufficient detail) required in order to establish whether the Company is in compliance with the requirements of SECTIONS 5.6, 5.7, 5.8, 5.9 and 5.10 on such date.

(b) Execution and Delivery of Supplement. The Company and each such Additional Purchaser shall execute and deliver a Supplement substantially in the form of Exhibit F hereto.

(c) Representations of Additional Purchasers. Each Additional Purchaser shall have confirmed in the Supplement that the representations set forth in SECTION 3 are true with respect to such Additional Purchaser on and as of the date of issue of the Additional Notes.

SECTION 5.

COMPANY COVENANTS.

From and after the Closing Date and continuing so long as any amount remains unpaid on any Note:

Section 5.1. Corporate Existence, Etc. The Company will preserve and keep in full force and effect, and will cause each Restricted Subsidiary to preserve and keep in full force and effect, its corporate existence and all licenses and permits necessary to the proper conduct of its business, if in the case of any such license or permit, the failure to preserve and keep the same could reasonably be expected to have a Material Adverse Effect, provided that the foregoing shall not prevent any transaction permitted by SECTION 5.10.

Section 5.2. Insurance. The Company will maintain, and will cause each Restricted Subsidiary to maintain, insurance coverage by financially sound and reputable insurers and in such forms and amounts and against such risks as are customary for corporations of established reputation engaged in the same or a similar business and owning and operating similar properties; provided that nothing contained in this SECTION 5.2 shall be deemed or construed to prohibit the Company or any Restricted Subsidiary from self-insuring such risks as are customary for corporations having a net worth (determined in accordance with GAAP) comparable to the net worth of the Company or such Restricted Subsidiary, as the case may be, and engaged in the same or a similar business and owning and operating similar properties.

Section 5.3. Taxes, Claims for Labor and Materials; Compliance with Laws. (a) The Company will promptly pay and discharge, and will cause each Restricted Subsidiary promptly to pay and discharge, all lawful taxes, assessments and governmental charges or levies imposed upon the Company or such Restricted Subsidiary, respectively, or upon or in respect of all or any part of the property or business of the Company or such Restricted Subsidiary, all trade accounts payable in accordance with usual and customary business terms, and all claims for work, labor or materials, which if unpaid might become a Lien upon any property of the Company or such Restricted Subsidiary; provided that the Company or such Restricted Subsidiary shall not be required to pay or make a filing with regard to any such tax, assessment, charge, levy, account payable or claim if (1)(i) the validity, applicability or amount thereof is being contested in good faith by appropriate actions or proceedings which will prevent the forfeiture or sale of any property of the Company or such Restricted Subsidiary or any material interference with the use thereof by the Company or such Restricted Subsidiary and (ii) the Company or such Restricted Subsidiary shall set aside on its books, reserves deemed by it to be adequate with respect thereto, or (2) the non-payment of any such tax, assessment, charge, levy, account payable or claim could not reasonably be expected to have a Material Adverse Effect, or (3) to the extent that failure to pay any of the foregoing or comply with any of the foregoing relates solely to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors and if all such non Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary (but the Company shall provide notice to the holders of the Notes of the occurrence of any such failure to comply or failure to pay described in this proviso).

(b) The Company will promptly comply and will cause each Restricted Subsidiary to promptly comply with all laws, ordinances or governmental rules and regulations to which it is subject, including, without limitation, the Occupational Safety and Health Act of 1970, as amended, ERISA and all Environmental Laws, the violation of which could reasonably be expected to have a Material Adverse Effect or would result in any Lien not permitted under SECTION 5.9, provided that the foregoing does not apply to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors if all such non Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary.

Section 5.4. Maintenance, Etc. The Company will maintain, preserve and keep, and will cause each Restricted Subsidiary to maintain, preserve and keep, its properties which are used or useful in the conduct of its business (whether owned in fee or a leasehold interest) in good repair and working order and from time to time will make all necessary repairs, replacements, renewals and additions so that at all times the efficiency and marketability thereof shall not be materially impaired or materially degraded, if the failure to complete any such repair, replacement, renewal or addition could reasonably be expected to have a Material Adverse Effect.

Section 5.5. Nature of Business. Neither the Company nor any Restricted Subsidiary will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Company and its Restricted Subsidiaries would be substantially changed from the general nature of the business engaged in by the Company and its Restricted Subsidiaries on the date of this Agreement and described in the Offering Materials.

Section 5.6. Consolidated Net Worth. The Company will at all times keep and maintain Consolidated Net Worth at an amount not less than the sum of (a) \$155,000,000 plus (b) 50% of Consolidated Net Earnings for the fiscal quarter of the Company ending in December, 1998 and each fiscal year of the Company ending thereafter, provided that if such Consolidated Net Earnings of the Company is negative for the fiscal quarter ending in December, 1998 or any fiscal year thereafter, as the case may be, the amount added for such fiscal quarter or year shall be zero and it shall not reduce the amount added for any other fiscal year, and plus 100% of the net proceeds from the sale or other transfer of any capital stock of the Company.

Section 5.7. Fixed Charges Coverage Ratio. The Company will at all times keep and maintain the ratio of Consolidated Net Earnings Available for Fixed Charges for any four of the immediately preceding five fiscal quarters (taken as a single accounting period) to Consolidated Fixed Charges for such period at not less than 1.75 to 1.00.

For purposes of calculations under this SECTION 5.7, Consolidated Net Earnings Available for Fixed Charges and Consolidated Fixed Charges shall be adjusted for the period in respect of which any such calculation is being made to give effect to (i) the audited "net earnings" (determined in a manner consistent with the definition of "Consolidated Net Earnings" contained in this Agreement) of any business entity acquired by the Company or any Restricted Subsidiary (the "Acquired Business") and (ii) all Indebtedness incurred by the Company or any Restricted Subsidiary in connection with such acquisition, and shall be computed as if the Acquired

Business had been a Restricted Subsidiary throughout the period and all Indebtedness incurred in connection with such acquisition had been incurred at the beginning of such period in respect of which such calculation is being made. In the case of any business entity acquired during the twelve calendar month period immediately preceding the date of any determination hereunder whose financial records are not, and are not required to be in accordance with applicable laws, rules and regulations, audited by the Company's independent public accountants at the time of the acquisition thereof, the Company shall base such determination upon the Company's internally audited net earnings of such business entity for the immediately preceding fiscal year or the net earnings of such business entity as audited by such business entity's independent auditors for the immediately preceding fiscal year.

Section 5.8. Limitations on Current Debt and Funded Debt. (a) The Company will not permit or suffer the Adjusted Leveraged Ratio to be greater than 0.60 to 1.0 at any time.

(b) The Company will not, and will not permit any Restricted Subsidiary to, create, assume, guarantee or otherwise incur or any in manner be or become liable in respect of (1) any Current Debt or Funded Debt of the Company or any Restricted Subsidiary secured by Liens permitted by SECTION 5.9(a)(8), or (2) any other Current Debt or Funded Debt of a Restricted Subsidiary (other than Qualified Current Debt and Qualified Funded Debt of a Restricted Subsidiary Guarantor), or (3) any Attributable Indebtedness of Sale and Leaseback Transactions of the Company or any Restricted Subsidiary, unless at the time of creation, issuance, assumption, guarantee or incurrence thereof and after giving effect thereto and to the application of the proceeds thereof, the sum of (A) Current Debt and Funded Debt of the Company and its Restricted Subsidiaries secured by Liens permitted by SECTION 5.9(a)(8), plus (without duplication) (B) Current Debt and Funded Debt of Restricted Subsidiaries (other than Qualified Current Debt and Qualified Funded Debt of Restricted Subsidiary Guarantors) and (C) Attributable Indebtedness of Sale and Leaseback Transactions of the Company and its Restricted Subsidiaries would not exceed 15% of Consolidated Net Worth.

(c) Any Person which becomes a Restricted Subsidiary after the date hereof shall for all purposes of this SECTION 5.8 be deemed to have created, assumed or incurred at the time it becomes a Restricted Subsidiary all Current Debt and Funded Debt of such Person existing immediately after it becomes a Restricted Subsidiary.

Section 5.9. Limitation on Liens. (a) The Company will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(1) Liens for property taxes and assessments or governmental charges or levies and Liens securing claims or demands of mechanics and materialmen, provided that payment thereof is not at the time required by SECTION 5.3 and the existence of such Lien would not materially and adversely affect the properties, business, profits, prospects or

condition (financial or otherwise) of the Company or of the Company and its Restricted Subsidiaries, taken as a whole;

(2) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Company or a Restricted Subsidiary shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured; provided that the existence of such Lien would not materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of the Company or of the Company and its Restricted Subsidiaries, taken as a whole;

(3) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature, in any such case incurred in the ordinary course of business and not in connection with the borrowing of money, which in any such case would not materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of the Company or of the Company and its Restricted Subsidiaries taken as a whole, provided that any obligation so secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(4) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Company and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Company or of the Company and its Restricted Subsidiaries taken as a whole;

(5) Liens securing Indebtedness of a Restricted Subsidiary to the Company or to a Wholly-owned Restricted Subsidiary;

(6) Liens existing as of the Closing Date and described on Schedule II hereto;

(7) Liens created or incurred after the Closing Date given to secure the payment of the purchase price, cost of improvement or cost of construction of property or assets useful and intended to be used in carrying on the business of the Company or a Restricted Subsidiary, including Liens existing on such property or assets at the time of acquisition thereof or at the time of acquisition or purchase by the Company or a Restricted Subsidiary of any business entity then owning such property or assets, whether or not such existing Liens were given to secure the payment of the purchase price of the property or assets to which they attach, provided that (1) the Lien shall attach solely to

the property or assets acquired, purchased, improved or constructed, (2) such Lien shall have been created or incurred within 120 days of the date of acquisition or purchase or of completion of such improvement or construction, as the case may be, (3) at the time of acquisition or purchase or the date of completion of such improvement or construction, as the case may be, the aggregate amount remaining unpaid on all Indebtedness secured by Liens on such property or assets, whether or not assumed by the Company or a Restricted Subsidiary, shall not exceed the lesser of (i) the total purchase price, cost of improvement or cost of construction, as the case may be, or (ii) the fair market value at the time of acquisition or purchase or the date of completion of the improvement or construction of such property or assets (as determined in good faith by the Board of Directors of the Company) and (4) all such Funded Debt shall have been incurred within the limitations provided in SECTION 5.8(b);

(8) Liens created or incurred after the Closing Date given to secure Current Debt or Funded Debt of the Company and its Restricted Subsidiaries, in addition to the Liens permitted by the preceding clauses (1) through (7) of this SECTION 5.9(a), provided that all Current Debt and Funded Debt secured by Liens created or incurred pursuant to this clause (8) shall have been incurred within the limitations provided in SECTION 5.8(a) and (b);

(9) any extension, renewal or refunding of any Lien permitted by the preceding clause (6) of this SECTION 5.9(a) in respect of the same property theretofore subject to such Lien in connection with the extension, renewal or refunding of the Indebtedness secured thereby; provided that (i) such extension, renewal or refunding of Indebtedness shall be without increase in the principal amount remaining unpaid as of the date of such extension, renewal or refunding, (ii) such Lien shall attach solely to the same such property, and (iii) at the time of such extension, renewal or refunding and after giving effect thereto, no Default or Event of Default would exist; and

(10) Liens created by any Stock Pledge Agreements.

(b) In case any property, asset or income or profits therefrom is subjected to a Lien in violation of this SECTION 5.9, the Company will make or cause to be made provisions whereby the Notes will be secured equally and ratably with all other obligations secured thereby, and in any case the Notes shall have the benefit, to the full extent that, and with such priority as, the holders may be entitled thereto under applicable law, of an equitable and ratable Lien on such property, asset, income or profits securing the Notes. Such violation of SECTION 5.9 shall constitute an Event of Default hereunder, whether or not any such provision is made pursuant to this SECTION 5.9(b), unless such Event of Default is waived by the Requisite Holders.

Section 5.10. Mergers, Consolidations and Sales of Assets. (a) The Company will not, and will not permit any Restricted Subsidiary to, consolidate with or be a party to a merger with any other corporation, or sell, lease or otherwise dispose of all or substantially all of its assets; provided that:

(1) any Restricted Subsidiary may merge or consolidate with or into the Company or any Wholly-owned Restricted Subsidiary which is a Domestic Restricted

Subsidiary so long as in any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation;

(2) the Company may consolidate or merge with any other corporation if (i) the corporation which results from such merger or consolidation (the "surviving corporation") is organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes and this Agreement to be performed or observed by the Company are expressly assumed in writing by the surviving corporation and the surviving corporation shall furnish the holders of the Notes an opinion of counsel satisfactory to such holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, and (iii) at the time of such consolidation or merger and immediately after giving effect thereto, (A) no Default or Event of Default would exist and (B) the surviving corporation would be permitted by the provisions of SECTION 5.8(b) to incur at least \$1.00 of additional Funded Debt;

(3) the Company may sell or otherwise dispose of all or substantially all of its assets (other than stock and Indebtedness of a Restricted Subsidiary, which may only be sold or otherwise disposed of pursuant to SECTION 5.10(c)) to any Person for consideration which represents the fair market value (as determined in good faith by the Board of Directors of the Company, a copy of which determination certified by the Secretary or an Assistant Secretary of the Company shall have been furnished to the holders of the Notes) at the time of such sale or other disposition if (i) the acquiring Person is a corporation organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes and in this Agreement to be performed or observed by the Company are expressly assumed in writing by the acquiring corporation and the acquiring corporation shall furnish the holders of the Notes an opinion of counsel satisfactory to such holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such acquiring corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, and (iii) at the time of such sale or disposition and immediately after giving effect thereto, (A) no Default or Event of Default would exist and (B) the acquiring corporation would be permitted by the provisions of SECTION 5.8(b) to incur at least \$1.00 of additional Funded Debt.

(b) Notwithstanding any of the provisions of SECTION 5.10(a)(3), the Company will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer, abandon or otherwise dispose of assets (except assets sold in the ordinary course of business for fair market value); provided that the foregoing restrictions do not apply to:

(1) the sale, lease, transfer or other disposition of assets of a Restricted Subsidiary to the Company or a Wholly-owned Restricted Subsidiary or of the Company to a Wholly-Owned Restricted Subsidiary; or

(2) the sale of such assets for cash or other property to a Person or Persons other than an Affiliate if all of the following conditions are met:

(i) such assets (valued at net book value) do not, together with all other assets of the Company and its Subsidiaries previously disposed of during the same fiscal year (other than in the ordinary course of business), exceed 10% of Consolidated Total Assets, and such assets (valued at net book value) do not, together with all other assets of the Company and its Restricted Subsidiaries previously disposed of during the period from the date of this Agreement to and including the date of the sale of such assets (other than in the ordinary course of business), exceed 25% of Consolidated Total Assets, in each such case determined as of the end of the immediately preceding fiscal quarter;

(ii) in the opinion of the Board of Directors of the Company if the aggregate sale price of such assets is \$1,000,000 or more and in the opinion of a Responsible Officer of the Company if the aggregate sale price of such assets is less than \$1,000,000, the sale is for fair value and is in the best interests of the Company; and

(iii) immediately prior to and immediately after the consummation of the transaction and after giving effect thereto, (A) no Default or Event of Default would exist, and (B) the Company would be permitted by the provisions of SECTION 5.8(b) to incur at least \$1.00 of additional Funded Debt;

provided, however, that for purposes of the foregoing calculation, there shall not be included any assets the proceeds of which were or are applied within twelve months of the date of sale of such assets to either (A) the acquisition of property or assets useful and intended to be used in the operation of the Company and its Restricted Subsidiaries as described in SECTION 5.5 and similar in nature to the assets so sold and the purchase price of which is at least equal to that of the property or assets so disposed of or (B) the prepayment at any applicable prepayment premium, on a pro rata basis, of Senior Indebtedness (including, without limitation, the Notes) of the Company ranking pari passu with the Notes. It is understood and agreed by the Company that any such proceeds paid and applied to the prepayment of the Notes as hereinabove provided shall be prepaid as and to the extent provided in SECTION 2.2.

Computations pursuant to this SECTION 5.10(b) shall include dispositions made pursuant to SECTION 5.10(c) and computations pursuant to SECTION 5.10(c) shall include dispositions made pursuant to this SECTION 5.10(b).

(c) The Company will not, and will not permit any Restricted Subsidiary to, sell, pledge or otherwise dispose of any shares of the stock (including as "stock" for the purposes of this Section any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of a Restricted Subsidiary (said stock, options, warrants and other Securities herein called "Restricted Subsidiary Stock") or any Indebtedness of any Restricted Subsidiary, nor will any Restricted Subsidiary issue, sell, pledge or otherwise dispose of any shares of its own Restricted Subsidiary Stock, provided that the foregoing restrictions do not apply to:

(1) the issue of directors qualifying shares; or

(2) the issue of Restricted Subsidiary Stock to the Company;

or

(3) the sale or other disposition at one time to a Person (other than directly or indirectly to an Affiliate) of the entire Investment of the Company and its Restricted Subsidiaries in any Restricted Subsidiary, provided that any sale or other disposition pursuant to this clause (3) of SECTION 5.10(c) must satisfy all of the following conditions:

(i) the assets (valued at the higher of net book value or fair market value) of such Restricted Subsidiary do not, together with all other assets of the Company and its Restricted Subsidiaries previously disposed of during the same fiscal year (other than in the ordinary course of business), exceed 10% of Consolidated Total Assets, and the assets (valued at the higher of net book value or fair market value) of such Restricted Subsidiary do not, together with all other assets of the Company and its Restricted Subsidiaries previously disposed of during the period from the date of this Agreement to and including the date of the sale of such assets (other than in the ordinary course of business), exceed 25% of Consolidated Total Assets, in each such case determined as of the end of the immediately preceding fiscal quarter;

(ii) in the opinion of the Company's Board of Directors, the sale is for fair value and is in the best interests of the Company;

(iii) immediately after the consummation of the transaction and after giving effect thereto, such Restricted Subsidiary shall have no Indebtedness of or continuing Investment in the capital stock of the Company or of any Restricted Subsidiary and any such Indebtedness or Investment shall have been discharged or acquired, as the case may be, by the Company or a Restricted Subsidiary; and

(iv) immediately prior to and immediately after the consummation of the transaction and after giving effect thereto, (A) no Default or Event of Default

would exist, and (B) the Company would be permitted by the provisions of SECTION 5.8(b) to incur at least \$1.00 of additional Funded Debt;

provided, however, that for purposes of the foregoing calculation, there shall not be included any assets the proceeds of which were or are applied within twelve months of the date of sale of such assets to either (A) the acquisition of property or assets useful and intended to be used in the operation of the Company and its Restricted Subsidiaries as described in SECTION 5.5 and similar in nature to the assets so sold and the purchase price of which is at least equal to that of the property or assets so disposed of or (B) the prepayment at any applicable prepayment premium, on a pro rata basis, of Senior Indebtedness (including, without limitation, the Notes) of the Company ranking pari passu with the Notes. It is understood and agreed by the Company that any such proceeds paid and applied to the prepayment of the Notes as hereinabove provided shall be prepaid as and to the extent provided SECTION 2.2.

Computations pursuant to this SECTION 5.10(c) shall include dispositions made pursuant to SECTION 5.10(b) and computations pursuant to SECTION 5.10(b) shall include dispositions made pursuant to this SECTION 5.10(c).

Section 5.11. Guaranties. The Company will not, and will not permit any Restricted Subsidiary to, become or be liable in respect of any Guaranty except Guaranties by the Company which are limited in amount to a stated maximum dollar exposure or which constitute Guaranties of obligations incurred by any Restricted Subsidiary in compliance with the provisions of this Agreement; provided that nothing contained in this SECTION 5.11 shall be deemed or construed to prohibit any Restricted Subsidiary from executing and delivering any new Subsidiary Note Guaranty or joining the 2002 Subsidiary Note Guaranty and the Existing Subsidiary Note Guaranty, as the case may be, as contemplated by Sections SECTION 1.5 and SECTION 5.17, respectively, or from executing and delivering any Subsidiary Bank Guaranty; provided that in each such case each beneficiary of any such Guaranty shall have entered into and become a party to the Intercreditor Agreement.

Section 5.12. Notes to Rank Pari Passu. The Company will keep and maintain the Notes and all other obligations outstanding at any time under this Agreement as direct obligations of the Company ranking pari passu as against the assets of the Company with all other present and future unsecured Senior Indebtedness of the Company.

Section 5.13. Repurchase of Notes. Neither the Company nor any Restricted Subsidiary or Affiliate, directly or indirectly, may repurchase or make any offer to repurchase any Notes.

Section 5.14. Transactions with Affiliates. The Company will not, and will not permit any Restricted Subsidiary to, enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would obtain in a comparable arm's-length transaction with a Person other than

an Affiliate; provided that nothing contained in this SECTION 5.14 shall be deemed or construed to prohibit the Company from making Investments in Officer Notes; provided that the aggregate principal amount of all such Officer Notes at any one time outstanding shall not exceed \$1,500,000 and the aggregate principal amount of all Officer Notes due and owing from any one officer of the Company at any one time outstanding shall not exceed \$100,000.

Section 5.15. Termination of Pension Plans. The Company will not and will not permit any Restricted Subsidiary to withdraw from any Multiemployer Plan or permit any employee benefit plan maintained by it to be terminated if such withdrawal or termination could result in withdrawal liability (as described in Part 1 of Subtitle E of Title IV of ERISA) or the imposition of a Lien on any property of the Company or any Restricted Subsidiary pursuant to Section 4068 of ERISA.

Section 5.16. Reports; Rights of Inspection; Retention of Consultants.

(a) Reports. The Company will keep, and will cause each Restricted Subsidiary to keep, proper books of record and account in which full and correct entries will be made of all dealings or transactions of, or in relation to, the business and affairs of the Company or such Restricted Subsidiary, in accordance with GAAP consistently applied (except for changes disclosed in the financial statements furnished to you pursuant to this SECTION 5.16(a) and concurred in by the independent public accountants referred to in SECTION 5.16(a)(2)), and will furnish to you so long as you are the holder of any Note and to each other Institutional Holder of the then outstanding Notes (in duplicate if so specified below or otherwise requested):

(1) Quarterly Statements. As soon as available and in any event within 45 days after the end of each quarterly fiscal period (except the last) of each fiscal year, copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as of the close of such quarterly fiscal period, setting forth in comparative form the consolidated figures for the fiscal year then most recently ended,

(ii) a consolidated statement of earnings of the Company and its Subsidiaries for such quarterly fiscal period and for the portion of the fiscal year ending with such quarterly fiscal period, in each case setting forth in comparative form the consolidated figures for the corresponding periods of the preceding fiscal year, and

(iii) a consolidated statement of cash flows and shareholder's equity of the Company and its Subsidiaries for the portion of the fiscal year ending with such quarterly fiscal period, setting forth in comparative form the consolidated figures for the corresponding period of the preceding fiscal year,

all in reasonable detail and certified as complete and correct by an authorized financial officer of the Company, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with

the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this SECTION 5.16(a)(1);

(2) Annual Statements. As soon as available and in any event within 90 days after the close of each fiscal year of the Company, copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as of the close of such fiscal year, and

(ii) consolidated statements of earnings, shareholders' equity and cash flows of the Company and its Subsidiaries for such fiscal year,

in each case setting forth in comparative form the consolidated figures for the preceding fiscal year, all in reasonable detail and accompanied by a report thereon of a firm of independent public accountants of recognized national standing selected by the Company to the effect that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of the end of the fiscal year being reported on and the consolidated results of the operations and cash flows for said year in conformity with GAAP and that the examination of such accountants in connection with such financial statements has been conducted in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as said accountants deemed necessary in the circumstances, provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in paragraph (7) below, shall be deemed to satisfy the requirements of this SECTION 5.16(a)(2);

(3) Audit Reports. Promptly upon receipt thereof, one copy of each interim or special audit made by independent accountants of the books of the Company or any Restricted Subsidiary and any management letter received from such accountants; provided that nothing contained in this clause (3) shall be deemed or construed to require the Company or any Restricted Subsidiary to furnish to any holder of the Notes any interim or special audit made by any internal accountant employed by the Company or any Restricted Subsidiary;

(4) SEC and Other Reports. A copy of any SEC filing by the Company containing information of a financial nature and of any press release of the Company generally made available to stockholders of the Company concerning a Material development, in each case to be delivered promptly after becoming available;

(5) ERISA Reports. Promptly upon the occurrence thereof, written notice of (i) a Reportable Event with respect to any Plan; (ii) the institution of any steps by the Company, any ERISA Affiliate, the PBGC or any other Person to terminate any Plan;

(iii) the institution of any steps by the Company or any ERISA Affiliate to withdraw from any Plan; (iv) a non-exempt "prohibited transaction" within the meaning of Section 406 of ERISA in connection with any Plan; (v) any material increase in the contingent liability of the Company or any Restricted Subsidiary with respect to any post-retirement welfare liability; or (vi) the taking of any action by, or the threatening of the taking of any action by, the Internal Revenue Service, the Department of Labor or the PBGC with respect to any of the foregoing;

(6) Officer's Certificates. Within the periods provided in paragraphs (1) and (2) above, a certificate of a senior financial officer of the Company stating that such officer has reviewed the provisions of this Agreement and setting forth: (i) the information and computations (in sufficient detail) required in order to establish whether the Company was in compliance with the requirements of SECTION 5.6 through SECTION 5.10 at the end of the period covered by the financial statements then being furnished, including, without limitation, computations (in sufficient detail) required in order to establish whether the Company was in compliance with the provisions of SECTION 5.7 at the end of each calendar month during the fiscal quarter then ended, and (ii) whether there existed as of the date of such financial statements and whether, to the best of such officer's knowledge, there exists on the date of the certificate or existed at any time during the period covered by such financial statements any Default or Event of Default and, if any such condition or event exists on the date of the certificate, specifying the nature and period of existence thereof and the action the Company is taking and proposes to take with respect thereto;

(7) Accountants' Certificates. Within the period provided in paragraph (2) above, a certificate of the accountants who render an opinion with respect to such financial statements, stating that they have reviewed this Agreement and the officer's certificate delivered in accordance with paragraph (6) above for the quarterly fiscal period ending on the last day of the immediately preceding fiscal year, and stating further whether, in making their audit and reviewing such officer's certificate, such accountants have become aware of any Default or Event of Default under any of the terms or provisions of this Agreement insofar as any such terms or provisions pertain to or involve accounting matters or determinations, and if any such condition or event then exists, specifying the nature and period of existence thereof;

(8) Requested Information. With reasonable promptness, such other data and information as you or any such Institutional Holder may reasonably request;

(9) Unrestricted Subsidiaries. In the event that Unrestricted Subsidiaries account for more than 10% of the consolidated total assets of the Company and its Subsidiaries, or more than 10% of the consolidated revenue of the Company and its Subsidiaries, then each set of financial information delivered pursuant to paragraphs (1) and (2) of this SECTION 5.16(a) shall be accompanied by unaudited financial statements for all Unrestricted Subsidiaries of the Company taken as a group, together with consolidating statements reflecting eliminations or adjustments required to reconcile such group statements to the consolidated financial statements of the Company and its Subsidiaries; and

(10) Supplements. In the event that more than one series of Notes is issued under this Agreement, within 10 Business Days after the execution and delivery thereof, a copy of any Supplement.

(b) Rights of Inspection. Without limiting the foregoing, the Company will permit you, so long as you are the holder of any Note, and each Institutional Holder of the then outstanding Notes (or such Persons as either you or such Institutional Holder may designate), to visit and inspect, under the Company's guidance, any of the properties of the Company or any Restricted Subsidiary, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss their respective affairs, finances and accounts with their respective officers, employees, and independent public accountants (and by this provision the Company authorizes said accountants to discuss with you the finances and affairs of the Company and its Restricted Subsidiaries), all at such reasonable times and as often as may be reasonably requested. Any visitation shall be at the sole expense of you or such Institutional Holder, unless a Default or Event of Default shall have occurred and be continuing or the holder of any Note or of any other evidence of Indebtedness of the Company or any Restricted Subsidiary gives any written notice or takes any other action with respect to a claimed default, in which case, any such visitation or inspection shall be at the sole expense of the Company.

(c) Retention of Consultants. If a Default or an Event of Default has occurred and is continuing, the Requisite Holders may request that the Company, at the sole cost and expense of the Company, retain a business, financial, pension or environmental consultant to review and analyze the reports required to be made by the Company pursuant to this SECTION 5.16 or to inspect the books of account, records, reports and other papers and the properties, operations and administration of the Company or any Restricted Subsidiary, and to submit written reports of such review, analysis or inspection to the holders of the Notes, and the Company agrees within fifteen (15) Business Days of such request to appoint a consultant which in the reasonable judgment of a Responsible Officer of the Company is qualified to complete such review and analysis and which consultant shall be reasonably acceptable to the Requisite Holders. The Company agrees that the Requisite Holders may, at the sole cost and expense of the Company, retain at any time a business, financial, pension or environmental consultant to review and analyze the reports required to be made by the Company pursuant to this SECTION 5.16 or to inspect the books of account, records, reports and other papers and the properties, operations and administration of the Company and any Restricted Subsidiary and to submit written reports of such review, analysis or inspection to the holders of the Notes. The Company agrees to give prompt written notice of any such request by the Requisite Holders to each of the other holders of the Notes and to furnish a copy of each such written report to each of the holders of the Notes.

Section 5.17. Guaranty by Subsidiaries. (a) Subject to clause (b) of this SECTION 5.17, the Company will cause each Subsidiary which delivers a Guaranty after the Closing Date to concurrently enter into a Subsidiary Note Guaranty, and within three Business Days thereafter shall deliver to each of the holders of the Notes the following items:

(1) an executed counterpart of the Subsidiary Note Guaranty or a joinder agreement pursuant to which such Subsidiary becomes a party to the 2002 Subsidiary Note Guaranty and the Existing Subsidiary Note Guaranty;

(2) a certificate signed by an executive officer of such Subsidiary making representations and warranties to the effect of those contained in Sections 2, 10, 12 and 17 of Exhibit C to the Note Agreements, but with respect to such Subsidiary and such Subsidiary Note Guaranty and the 2002 Subsidiary Note Guaranty and Existing Subsidiary Note Guaranty;

(3) such documents and evidence with respect to such Subsidiary as the Requisite Holders may reasonably request in order to establish the existence and good standing of such Subsidiary and the authorization of the transactions contemplated by such Subsidiary Note Guaranty and the 2002 Subsidiary Note Guaranty and Existing Subsidiary Note Guaranty; and

(4) an opinion of counsel satisfactory to the Requisite Holders to the effect that such Subsidiary Note Guaranty or the joinder agreement pursuant to which such Subsidiary has become a party to the 2002 Subsidiary Note Guaranty and the Existing Subsidiary Note Guaranty, as the case may be, has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Subsidiary enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) Notwithstanding the requirements of clause (a) of this SECTION 5.17, the Company shall not be required to comply therewith if, but only if, the Company can create or incur the Indebtedness evidenced by any Guaranty entered into by a Subsidiary within the limitations of SECTION 5.8(a) AND (b).

(c) Nothing contained in this SECTION 5.17 shall be deemed or construed to otherwise permit a Subsidiary of the Company to create, assume, guaranty or otherwise incur or in any manner be or become liable in respect of any Current Debt or Funded Debt which is not otherwise within the limitations of SECTION 5.8 and the other applicable provisions of this Agreement.

Section 5.18. Stock Pledge Agreement. If the Company shall enter into a stock pledge agreement in form and substance satisfactory to the Requisite Holders (each, a "Stock Pledge Agreement") pursuant to which the Company shall grant to the Collateral Agent or any other Institutional Holder a pledge of and security interest in the capital stock of a Subsidiary, then and in such event, the Company shall concurrently with the execution and delivery of such Stock Pledge Agreement, deliver to each of the holders of the Notes the following items:

(a) an executed counterpart of such Stock Pledge Agreement;

(b) a certificate signed by an executive officer of the Company making representations and warranties to the effect of those contained in Sections 2, 10, 12 and 17 of Exhibit C to the Note Agreements, but with respect to such Stock Pledge Agreement and to the effect that such Stock Pledge Agreement constitutes a first and prior perfected security interest in the capital stock which is the subject of such Stock Pledge Agreement free and clear of all Liens of creditors of the Company, other than the Lien of such Stock Pledge Agreement;

(c) such modifications, amendments or supplements to the Intercreditor Agreement as may be deemed necessary by the Requisite Holders to confirm that any proceeds realized from the enforcement by the Collateral Agent or such other Institutional Holder of its rights pursuant to such Stock Pledge Agreement as pledgee of such capital stock shall be applied in accordance with the terms and provisions of the Intercreditor Agreement; and

(d) an opinion of independent counsel to the Company satisfactory to the Requisite Holders to the effect that (1) such Stock Pledge Agreement has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the Company enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles and (2) such Stock Pledge Agreement creates a valid and perfected first and prior security interest in and pledge of the capital stock of the Subsidiary which is the subject of such Stock Pledge Agreement.

Section 5.19. Designation of Subsidiaries. The Company may designate or redesignate any Unrestricted Subsidiary as a Restricted Subsidiary and may designate or redesignate any Restricted Subsidiary as an Unrestricted Subsidiary; provided that:

(a) the Company shall have given not less than 10 days' prior written notice to the holders of the Notes that a senior financial officer has made such determination,

(b) at the time of such designation or redesignation and immediately after giving effect thereto: (i) no Default or Event of Default would exist and (ii) the Company would be permitted by the provisions of SECTION 5.8(b) to incur at least \$1.00 of additional Indebtedness,

(c) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary and after giving effect thereto: (i) all outstanding Indebtedness of such Restricted Subsidiary so designated shall be permitted within the applicable limitations of SECTION 5.8 and (ii) all existing Liens of such Restricted Subsidiary so designated shall be permitted within the applicable limitations of SECTION 5.9, other than SECTION 5.9(6) (notwithstanding that any such Lien existed as of the Closing Date), and

(d) the designation of a Subsidiary as "Restricted" or "Unrestricted" shall not be changed more than twice.

SECTION 6. EVENTS OF DEFAULT AND REMEDIES THEREFOR.

Section 6.1. Events of Default. Any one or more of the following shall constitute an "Event of Default" as such term is used herein:

(a) Default shall occur in the payment of interest on any Note when the same shall have become due and such default shall continue for more than five Business Days; or

(b) Default shall occur in the making of any required prepayment on any of the Notes as provided in SECTION 2.1; or

(c) Default shall occur in the making of any other payment of the principal of any Note or premium, if any, thereon at the expressed or any accelerated maturity date or at any date fixed for prepayment; or

(d) Default shall occur in the observance or performance of any covenant or agreement contained in SECTION 5.6 through SECTION 5.11; or

(e) Default shall occur in the observance or performance of any other provision of this Agreement which is not remedied within 30 days after the occurrence thereof; or

(f) Default shall be made in the payment when due (whether by lapse of time, by declaration, by call for redemption or otherwise) of the principal of or interest on any Indebtedness for borrowed money (other than the Notes) of the Company or any Restricted Subsidiary aggregating in excess of \$3,000,000 and such default shall continue beyond the period of grace, if any, allowed with respect thereto, provided that an Event of Default shall not be deemed to have occurred under SECTION 6.1(f) if any of the foregoing events occur only with respect to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors and if all such non-Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary; or

(g) Default or the happening of any event shall occur under any indenture, agreement or other instrument under which any Indebtedness for borrowed money (other than the Notes) of the Company or any Restricted Subsidiary aggregating in excess of \$3,000,000 is outstanding and such default or event shall result in the acceleration of the maturity of any Indebtedness for borrowed money of the Company or any Restricted Subsidiary outstanding thereunder, provided that an Event of Default shall not be deemed to have occurred under this SECTION 6.1(g) if any of the foregoing events occur only with respect to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors and if all such non-Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary.

(h) Any representation or warranty made by the Company herein, in any Supplement, or made by the Company in any statement or certificate furnished by the Company in connection with the consummation of the issuance and delivery of the Notes or furnished by the Company pursuant hereto, is untrue in any material respect as of the date of the issuance or making thereof; or

(i) Final judgment or judgments for the payment of money aggregating in excess of \$1,000,000 (net of insurance proceeds to the extent the insurer has acknowledged liability with respect thereto) is or are outstanding against the Company or any Restricted Subsidiary or against any property or assets of either and any one of such judgments has remained unpaid, unvacated, unbonded or unstayed by appeal or otherwise for a period of 45 days from the date of its entry, provided that an Event of Default shall not be deemed to have occurred under this SECTION 6.1(i) if any of the foregoing events occur only with respect to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors and if all such non-Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary; or

(j) A custodian, liquidator, trustee or receiver is appointed for the Company or any Restricted Subsidiary or for the major part of the property of either and is not discharged within 30 days after such appointment, provided that an Event of Default shall not be deemed to have occurred under this SECTION 6.1(j) if any of the foregoing events occur only with respect to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors and if all such non-Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary; or

(k) The Company or any Restricted Subsidiary becomes insolvent or bankrupt, is generally not paying its debts as they become due or makes an assignment for the benefit of creditors, or the Company or any Restricted Subsidiary applies for or consents to the appointment of a custodian, liquidator, trustee or receiver for the Company or such Restricted Subsidiary or for the major part of the property of either, provided that an Event of Default shall not be deemed to have occurred under this SECTION 6.1(k) if any of the foregoing events occur only with respect to Restricted Subsidiaries which are not Wholly-owned Restricted Subsidiaries of the Company or Subsidiary Guarantors and if all such non-Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary; or

(l) Bankruptcy, reorganization, arrangement or insolvency proceedings, or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors, are instituted by or against the Company or any Restricted Subsidiary and, if instituted against the Company or any Restricted Subsidiary, are consented to or are not dismissed within 60 days after such institution, provided that an Event of Default shall not be deemed to have occurred under this SECTION 6.1(l) if any of the foregoing events occur only with respect to Restricted Subsidiaries which are not Wholly-owned Restricted

Subsidiaries of the Company or Subsidiary Guarantors and if all such non-Wholly-owned Restricted Subsidiaries do not, if considered in the aggregate as a single Restricted Subsidiary, constitute a Significant Restricted Subsidiary; or

(m) For any reason any Subsidiary Note Guaranty or any Stock Pledge Agreement shall cease to be in full force and effect for any reason whatsoever, including, without limitation, a determination by any governmental body or court that any of such agreements is invalid, void or unenforceable or any Person which is a party thereto shall contest or deny in writing the validity or enforceability of any of its obligations under such agreement; or

(n) Any Plan shall fail to satisfy minimum funding requirements of ERISA, a notice of intent to terminate a Plan shall have been received by the Company, or the aggregate amount of unfunded benefit liabilities shall exceed an amount equal to 5% of Consolidated Net Worth and any such event or events could reasonably be expected to have a Material Adverse Effect.

Section 6.2. Notice to Holders. When any Default or Event of Default described in the foregoing SECTION 6.1 has occurred, or if the holder of any Note or of any other evidence of Indebtedness for borrowed money of the Company gives any written notice with respect to a default claimed by such holder in such written notice to exist in respect of such Indebtedness for borrowed money or under the instrument or agreement under which such Indebtedness for borrowed money is outstanding, the Company agrees to give notice within three Business Days of such event to all holders of the Notes then outstanding.

Section 6.3. Acceleration of Maturities. When any Event of Default described in paragraph (a), (b) or (c) of SECTION 6.1 has happened and is continuing with respect to any series of Notes, any holder of any Note of such series may, by notice in writing to the Company sent in the manner provided in SECTION 9.6, declare the entire principal and all interest accrued on such Note of such series to be, and such Note shall thereupon become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived. When any Event of Default described in paragraphs (a) through (i), inclusive, or paragraphs (m) or (n), of said SECTION 6.1 has happened and is continuing, the holders of a majority of the aggregate principal amount outstanding of any series of Notes may, by notice in writing to the Company in the manner provided in SECTION 9.6, declare the entire principal and all interest accrued on all Notes of such series to be, and all Notes of such series shall thereupon become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived. When any Event of Default described in paragraph (j), (k) or (l) of SECTION 6.1 has occurred, then all outstanding Notes of every series shall immediately become due and payable without presentment, demand or notice of any kind. Upon the Notes becoming due and payable as a result of any Event of Default as aforesaid, the Company will forthwith pay to the holders of the Notes the entire principal and interest accrued on the Notes and, to the extent not prohibited by applicable law, an amount as liquidated damages for the loss of the bargain evidenced hereby (and not as a penalty) equal to the Make-Whole Amount, determined as of the date on which the Notes shall so become due and payable. No course of dealing on the part of the holder or holders of any Notes nor any delay or failure on the part of any holder of

Notes to exercise any right shall operate as a waiver of such right or otherwise prejudice such holder's rights, powers and remedies. The Company further agrees, to the extent permitted by law, to pay to the holder or holders of the Notes all costs and expenses incurred by them in the collection of any Notes upon any default hereunder or thereon, including reasonable compensation to such holder's or holders' attorneys for all services rendered in connection therewith.

Section 6.4. Rescission of Acceleration. The provisions of SECTION 6.3 are subject to the condition that if the principal of and accrued interest on all or any outstanding Notes have been declared immediately due and payable by reason of the occurrence of any Event of Default described in paragraphs (a) through (i), inclusive, or paragraphs (m) or (n), of SECTION 6.1, the holders of 55% or more in aggregate principal amount of the outstanding Notes of any series then outstanding may, by written instrument filed with the Company, rescind and annul such declaration and the consequences thereof with respect to such series of the Notes, provided that at the time such declaration is annulled and rescinded:

(a) no judgment or decree has been entered for the payment of any monies due pursuant to the Notes of such series or this Agreement;

(b) all arrears of interest upon all the Notes of such series and all other sums payable under the Notes of such series and under this Agreement (except any principal, interest or premium on the Notes of such series which has become due and payable solely by reason of such declaration under SECTION 6.3) shall have been duly paid; and

(c) each and every other Default and Event of Default shall have been made good, cured or waived pursuant to SECTION 7.1;

and provided further, that no such rescission and annulment shall extend to or affect any subsequent Default or Event of Default or impair any right consequent thereto or affect in any manner whatsoever any rescission or annulment pertaining to any other series of the Notes or impair any right consequent thereto. Without limiting the foregoing, the provisions of SECTION 6.3 are subject to the condition that if the principal of and accrued interest on any outstanding Note of any series have been declared by the holder thereof to be immediately due and payable by reason of the occurrence of any Event of Default described in paragraph (a), (b) or (c) of SECTION 6.1, such holder may, by written instrument filed with the Company, rescind and annul such declaration and the consequences thereof.

SECTION 7. AMENDMENTS, WAIVERS AND CONSENTS.

Section 7.1. Consent Required. Any term, covenant, agreement or condition of this Agreement or any Supplement with respect to any series of Notes, as the case may be, may, with the consent of the Company, be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Company shall have obtained the consent in writing of the Requisite Holders of such series; provided that without the written consent of the holders of all of the Notes of a particular series then outstanding, no such amendment or waiver shall be effective (a) which will change the time of

payment (including any prepayment required by SECTION 2.1) of the principal of or the interest on any Note of such series or change the principal amount thereof or change the rate of interest thereon, or (b) which will change any of the provisions with respect to optional prepayments in respect of such series, or (c) which will change the definitions of "Make-Whole Amount", "Reinvestment Rate", "Statistical Release" or "Weighted Average Life to Maturity" insofar as the same pertains to such series, or (d) which will change the percentage of holders of the Notes required to consent to any such amendment or waiver or the taking of any other action by Noteholders under any of the provisions of this SECTION 7 or SECTION 6 insofar as the same pertains to such series.

Section 7.2. Solicitation of Holders. So long as there are any Notes outstanding, the Company will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement, any Supplement or the Notes unless each holder of Notes of each series (irrespective of the amount of Notes then owned by it) shall, if such proposed waiver or amendment shall affect such series, be informed thereof by the Company and shall be afforded the opportunity of considering the same and shall be supplied by the Company with sufficient information to enable it to make an informed decision with respect thereto. The Company will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any holder of Notes as consideration for or as an inducement to entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions of this Agreement or the Notes unless such remuneration is concurrently offered and paid, on the same terms, ratably to the holders of all Notes then outstanding (whether or not any such holder has consented to such waiver or amendment). Promptly and in any event within 30 days of the date of execution and delivery of any such waiver or amendment, the Company shall provide a true, correct and complete copy thereof to each of the holders of the Notes.

Section 7.3. Effect of Amendment or Waiver. Any such amendment or waiver shall apply equally to all of the holders of the Notes of the series to which such amendment or waiver pertains and shall be binding upon them, upon each future holder of any Note of such series and upon the Company, whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived or impair any right consequent thereon.

SECTION 8. INTERPRETATION OF AGREEMENT; DEFINITIONS.

Section 8.1. Definitions. Unless the context otherwise requires, the terms hereinafter set forth when used herein shall have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"Acquiring Person" shall mean a "person" or "group of persons" within the meaning of Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended, provided that notwithstanding the foregoing, "Acquiring Person" shall not be deemed to include any member of the Company Control Group unless such member has, directly or indirectly, disposed of, sold or otherwise transferred to, or encumbered or restricted (whether by means of voting trust agreement or otherwise) for the benefit of, an Acquiring Person all or any portion of the Voting Stock of the Company directly or indirectly owned or controlled by such member or such

member directly or indirectly votes all or any portion of the Voting Stock of the Company directly or indirectly owned or controlled by such member for the taking of any action which, directly or indirectly, constitutes or would result in a Change of Control, in which event such member of the Company Control Group shall be deemed to constitute an Acquiring Person to the extent of the Voting Stock of the Company owned or controlled by such member.

"Additional Purchasers" shall mean a purchaser of Additional Notes.

"Additional Notes" shall have the meaning set forth in SECTION 1.4.

"Adjusted Leverage Ratio" shall mean, as of any date, the ratio of (a) the Total Seasonally Adjusted Debt as of such date to (b) the Total Adjusted Capitalization as of such date.

"Affiliate" shall mean any Person (other than a Subsidiary) (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (b) which beneficially owns or holds 10% or more of any class of the Voting Stock of the Company or (c) 10% or more of the Voting Stock (or in the case of a Person which is not a corporation, 10% or more of the equity interest) of which is beneficially owned or held by the Company or a Restricted Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agreements" shall have the meaning set forth in SECTION 1.3.

"Attributable Indebtedness of Sale and Leaseback Transactions" shall mean as of the date of any determination thereof with respect to all Sale and Leaseback Transactions entered into by the Company or any Restricted Subsidiary, an amount equal to the lesser of (a) the fair market value of the property or assets which is or are the subject of such Sale and Leaseback Transactions (as determined in good faith by the Board of Directors of the Company at or about the time of the consummation of such Sale and Leaseback Transaction) and (b) the aggregate amount of the Rentals due and to become due (discounted from the respective due dates thereof to such date at the interest rate per annum implicit in such lease, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months, and otherwise in accordance with GAAP) under the lease or leases relating to such Sale and Leaseback Transactions.

"Bank Credit Agreement" shall mean the Credit Agreement dated as of November 25, 2002, as the same may be amended, supplemented, replaced, renewed, or otherwise modified from time to time, by and among the Company, lenders party thereto from time to time, Bank One, N.A., as syndication agent and Standard Federal Bank, N.A., as documentation agent.

"Banks" or "the Banks" shall mean the lenders party to the Bank Credit Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks in Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

"Capitalized Lease" shall mean any lease the obligation for Rentals with respect to which is required to be capitalized on a consolidated balance sheet of the lessee and its subsidiaries in accordance with GAAP.

"Capitalized Rentals" of any Person shall mean as of the date of any determination thereof the amount at which the aggregate Rentals due and to become due under all Capitalized Leases under which such Person is a lessee would be reflected as a liability on a consolidated balance sheet of such Person.

"Change of Control" shall mean the earliest to occur of: (1) the date the Company enters into a binding written agreement with an Acquiring Person to permit such Acquiring Person to acquire, directly or indirectly, beneficial ownership of more than 50% of the total Voting Stock of the Company then outstanding, or (2) the date a tender offer or exchange offer results in an Acquiring Person, directly or indirectly, beneficially owning more than 50% of the total Voting Stock of the Company then outstanding, or (3) the date an Acquiring Person becomes, directly or indirectly, the beneficial owner of more than 50% of the total Voting Stock of the Company then outstanding, or (4) the date of a merger between the Company and any other Person, a consolidation of the Company with any other Person or an acquisition of any other Person by the Company, if immediately after such event, the Acquiring Person shall hold more than 50% of the total Voting Stock of the Company outstanding immediately after giving effect to such merger, consolidation or acquisition, or, if the Company shall not be the surviving entity, of the surviving, resulting or continuing corporation.

"Change of Control Delayed Prepayment Date" shall have the meaning set forth in SECTION 2.3(b).

"Change of Control Prepayment Date" shall have the meaning set forth in SECTION 2.3(a).

"Closing Date" shall have the meaning set forth in SECTION 1.2.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations from time to time promulgated thereunder.

"Collateral Agent" shall mean Bank One, N.A., in its role as Collateral Agent under the Intercreditor Agreement.

"Company" shall mean Universal Forest Products, Inc., a Michigan corporation, and any Person who succeeds to all, or substantially all, of the assets and business of Universal Forest Products, Inc.

"Company Control Group" shall mean all, or any combination of, any one or more of the individuals comprising Current Management and who, as of the date of any determination hereof: (a) is employed on a full-time basis by the Company as a director or officer of the Company, and (b) has been so employed for at least three years preceding such date of determination, except Gary Wright who shall in any event be deemed to be a member of the

Company Control Group for so long as he is employed on a full-time basis by the Company as a director or officer.

"Company Notice" shall have the meaning set forth in SECTION 2.3(a).

"Consolidated Fixed Charges" for any period shall mean on a consolidated basis the sum of (a) all Rentals expense (other than Rentals on Capitalized Leases) during such period of the Company and its Restricted Subsidiaries, (b) all Interest Expense on all Indebtedness (including the interest component of Rentals on Capitalized Leases) of the Company and its Restricted Subsidiaries and (c) all capitalized interest of the Company and its Restricted Subsidiaries.

"Consolidated Funded Debt" shall mean all Funded Debt of the Company and its Restricted Subsidiaries, determined on a consolidated basis eliminating intercompany items.

"Consolidated Net Earnings" for any period shall mean the gross revenues of the Company and its Restricted Subsidiaries for such period less all expenses and other proper charges (including taxes on income), determined on a consolidated basis after eliminating earnings or losses attributable to outstanding Minority Interests, but excluding in any event:

(a) any gains or losses on the sale or other disposition of Investments or fixed or capital assets, and any taxes on such excluded gains and any tax deductions or credits on account of any such excluded losses;

(b) the proceeds of any life insurance policy;

(c) net earnings and losses of any Restricted Subsidiary accrued prior to the date it became a Restricted Subsidiary;

(d) net earnings and losses of any corporation (other than a Restricted Subsidiary that is a Restricted Subsidiary prior to being acquired by the Company or any Restricted Subsidiary), substantially all the assets of which have been acquired in any manner by the Company or any Restricted Subsidiary, realized by such corporation prior to the date of such acquisition;

(e) net earnings and losses of any corporation (other than a Restricted Subsidiary that is a Restricted Subsidiary prior to being consolidated or merged with or into the Company or any Restricted Subsidiary) with which the Company or a Restricted Subsidiary shall have consolidated or which shall have merged into or with the Company or a Restricted Subsidiary prior to the date of such consolidation or merger;

(f) net earnings of any business entity (other than a Restricted Subsidiary) in which the Company or any Restricted Subsidiary has an ownership interest unless such net earnings shall have actually been received by the Company or such Restricted Subsidiary in the form of cash distributions;

(g) any portion of the net earnings of any Restricted Subsidiary which for any reason is unavailable for payment of dividends to the Company or any other Restricted Subsidiary;

(h) earnings or losses resulting from any reappraisal, revaluation, write-up or write-down of assets (other than earnings or losses resulting from any reappraisal, revaluation, write-up or write-down of assets or a business entity acquired by the Company or any of its Restricted Subsidiaries, which reappraisal, revaluation, write-up or write-down is made (x) in accordance with GAAP and with the concurrence of the Company's independent public accountants and (y) concurrently with the acquisition of such assets or business entity, as the case may be);

(i) any deferred or other credit representing any excess of the equity in any Restricted Subsidiary at the date of acquisition thereof over the amount invested in such Restricted Subsidiary;

(j) any gain or loss arising from the acquisition of any Securities of the Company or any Restricted Subsidiary;

(k) any reversal of any contingency reserve, except to the extent that provision for such contingency reserve shall have been made from income arising during such period and except any reversal of any contingency reserve created to secure or fund any liability of the Company or any of its Restricted Subsidiaries in connection with the violation of any Environmental Law or in connection with any liability relating to health or medical insurance maintained by the Company or any of its Restricted Subsidiaries if in connection with any such reversal the Company has created an alternative security, contingency reserve or similar such offsetting asset relating to such liability which in the reasonable opinion of the Board of the Directors of the Company is adequate and prudent under the circumstances; and

(l) any other extraordinary gain or loss.

"Consolidated Net Earnings Available for Fixed Charges" for any period shall mean the sum of (a) Consolidated Net Earnings during such period plus (to the extent deducted in determining Consolidated Net Earnings), (b) all provisions for any Federal, state or other income taxes made by the Company and its Restricted Subsidiaries during such period and (c) Consolidated Fixed Charges during such period.

"Consolidated Net Worth" shall mean, as of any date, the amount of any capital stock, paid in capital and similar equity accounts plus (or minus in the case of a deficit) the capital surplus and retained earnings of the Company and its Restricted Subsidiaries and the amount of any foreign currency translation adjustment account shown as a capital account of the Company and its Restricted Subsidiaries, all on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" shall mean as of the date of any determination thereof, total assets of the Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Capitalization" shall mean as of the date of any determination thereof, the sum of (a) Consolidated Funded Debt plus (b) Consolidated Net Worth.

"Contingent Liabilities" of any Person shall mean, as of any date, all obligations of such Person or of others for which such Person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such Person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such Person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such Person to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such other Person.

"Current Debt" of any Person shall mean as of the date of any determination thereof all (i) Indebtedness of such Person other than Funded Debt and (ii) Guaranties by such Person of Current Debt of others.

"Current Management" shall mean Peter F. Secchia, William G. Currie, Matthew Missad, Michael B. Glenn and Michael R. Cole, whether in case of each of the foregoing, such Person owns capital stock of the Company directly or beneficially.

"Default" shall mean any event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

"Domestic Restricted Subsidiary" shall mean any direct or indirect Restricted Subsidiary of the Company organized under the laws of any state of the United States of America or the District of Columbia.

"Environmental Law" shall mean any federal, state or local statute, law, regulation, order, consent decree or permit relating to the environment, including, without limitation, those relating to releases, discharges or emissions to air, water, land or groundwater, to the withdrawal or use of groundwater, to the disposal, treatment, storage or management of hazardous waste or Hazardous Substances, or to exposure to toxic or hazardous materials, to the handling, transportation, discharge or release of gaseous or liquid Hazardous Substances and any regulation, order, notice or demand issued pursuant to such law, statute or ordinance, in each case applicable to the property of the Company and its Subsidiaries or the operation of any thereof, including without limitation the following: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 and the Small Business Liability Relief and Brownfields Revitalization Act of 2002, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and the Hazardous and Solid Waste Amendments of 1984, the Hazardous Materials Transportation Act, as amended, the Federal Water Pollution

Control Act, as amended by the Clean Water Act of 1976, the Safe Drinking Water Control Act, the Clean Air Act of 1966, as amended, the Toxic Substances Control Act of 1976, the Emergency Planning and Community Right-to-Know Act of 1986, the National Environmental Policy Act of 1975, and any similar or implementing state law, and any state statute and any further amendments to these laws providing for financial responsibility for cleanup or other actions with respect to the release or threatened release of Hazardous Substances, and all rules and regulations promulgated thereunder.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"ERISA Affiliate" shall mean any corporation, trade or business that is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in section 414(b) and 414(c), respectively, of the Code or Section 4001 of ERISA.

"Existing Subsidiary Note Guaranty" shall mean the Guaranty Agreement dated as of December 1, 1998 from the Subsidiary Guarantors to the parties therein named, as amended, supplemented or otherwise modified.

"Event of Default" shall have the meaning set forth in SECTION 6.1.

"Financial Contract" of a Person shall mean (a) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics, or (b) any agreements, devices or arrangements providing for payments related to fluctuations of interest rates, exchange rates or forward rates, including, but not limited to, interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options.

"Funded Debt" of any Person shall mean (a) all Indebtedness of such Person for borrowed money or which has been incurred in connection with the acquisition of assets in each case having a final maturity of one or more than one year from the date of origin thereof (or which is renewable or extendible at the option of the obligor for a period or periods more than one year from the date of origin), including all payments in respect thereof that are required to be made within one year from the date of any determination of Funded Debt, whether or not the obligation to make such payments shall constitute a current liability of the obligor under GAAP, (b) all Capitalized Rentals of such Person, (c) all Guaranties by such Person of Funded Debt of others, and (d) if, during the 365-day period immediately preceding the date of any determination of Funded Debt of such Person, there shall not have been a period of at least 30 consecutive days during which Indebtedness of such Person outstanding under all revolving credit or similar agreements are equal to zero, then, and in such an event, an amount equal to the highest aggregate amount of all such Indebtedness outstanding during any period of 30 consecutive days selected by such Person during such preceding 365-day period.

"GAAP" shall mean United States generally accepted accounting principles at the time.

"Guaranties" by any Person shall mean all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Indebtedness or obligation or any property or assets constituting security therefor, (b) to advance or supply funds (1) for the purchase or payment of such Indebtedness or obligation or (2) to maintain working capital or any balance sheet or income statement condition or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, (c) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (d) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purposes of all computations made under this Agreement, a Guaranty in respect of any Indebtedness for borrowed money shall be deemed to be Indebtedness equal to the principal amount of such Indebtedness for borrowed money which has been guaranteed, and a Guaranty in respect of any other obligation or liability or any dividend shall be deemed to be Indebtedness equal to the maximum aggregate amount of such obligation, liability or dividend.

"Hazardous Substance" shall mean chromium, chromated copper arsenate, or any other hazardous or toxic material, substance or waste, pollutant or contaminant which is regulated under any statute, law, ordinance, rule or regulation of any local, state, regional or federal authority having jurisdiction over the property of the Company and its Subsidiaries or its use, including but not limited to any material, substance or waste which is: (a) defined as a hazardous substance under Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317) as amended; (b) regulated as a hazardous waste under Section 1004 or Section 3001 of the Federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), as amended; (c) defined as a hazardous substance under Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), as amended; (d) defined or regulated as an ambient or hazardous air pollutant pursuant to the Clean Air Act (42 U.S.C. Section 7401 et seq.), as amended; or (e) defined or regulated as a hazardous substance or hazardous waste under any rules or regulations promulgated under any of the foregoing statutes.

"Indebtedness" of any Person shall mean, as of any date, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person as lessee under any Capitalized Lease, (c) the unpaid purchase price for goods, property or services acquired by such Person, except for accounts payable and other accrued liabilities arising in the ordinary course of business which are not materially past due, (d) all obligations of such Person to purchase goods, property or services where payment therefor is required regardless of whether delivery of such goods or property or the performance of such services is ever made or tendered (generally referred to as "take or pay contracts"), other than obligations incurred in the ordinary course of business, (e) all obligations of such Person in respect of any Financial Contract (valued in an

amount equal to the highest termination payment, if any, that would be payable by such Person upon termination for any reason on the date of determination), (f) to the extent not included in the foregoing, obligations and liabilities which would be classified as part of Total Debt, and (g) all obligations of others similar in character to those described in clauses (a) through (f) of this definition for which such Person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such Person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such Person in respect of letters of credit, surety bonds or similar obligations and all obligations of such Person to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such other Person.

"Institutional Holder" shall mean any of the following Persons: (a) any bank, savings and loan association, savings institution, trust company or national banking association, acting for its own account or in a fiduciary capacity, (b) any charitable foundation, (c) any insurance company, (d) any fraternal benefit society, (e) any pension, retirement or profit sharing trust or fund within the meaning of Title I of ERISA or for which any bank, trust company, national banking association or investment adviser registered under the Investment Advisers Act of 1940, as amended, is acting as trustee or agent, (f) any investment company or business development company, as defined in the Investment Company Act of 1940, as amended, (g) any small business investment company licensed under the Small Business Investment Act of 1958, as amended, (h) any broker or dealer registered under the Securities Exchange Act of 1934, as amended, or any investment adviser registered under the Investment Adviser Act of 1940, as amended, (i) any government, any public employees' pension or retirement system, or any other government agency supervising the investment of public funds, (j) any other entity all of the equity owners of which are Institutional Holders or (k) any other Person which may be within the definition of "qualified institutional buyer" as such term is used in Rule 144A, as from time to time in effect, promulgated under the Securities Act of 1933, as amended.

"Intercreditor Agreement" shall have the meaning set forth in SECTION 1.5.

"Interest Expense" for any period shall mean all interest and all amortization of debt discount and any other fees, commissions and expenses (including without limitation net interest costs of interest rate swaps and hedges) on or in respect of any particular Indebtedness (including, without limitation, payment-in-kind, zero coupon and other like Securities and letters of credit and banker's acceptances) for which such calculations are being made. Computations of Interest Expense on a pro forma basis for Indebtedness having a variable interest rate shall be calculated at the rate in effect on the date of any determination.

"Investments" shall mean all investments, in cash or by delivery of property, made directly or indirectly in any Person, whether by acquisition of shares of capital stock, Indebtedness or other obligations or Securities or by loan, advance, capital contribution or otherwise; provided, however, that "Investments" shall not mean or include routine investments and property to be used or consumed in the ordinary course of business.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances (including, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements) affecting property. For the purposes of this Agreement, the Company or a Restricted Subsidiary shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement, Capitalized Lease or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes and such retention or vesting shall constitute a Lien.

"Make-Whole Amount" shall mean in connection with any prepayment or acceleration of the Notes the excess, if any, of (a) the aggregate present value as of the date of such prepayment or payment of each dollar of principal being prepaid or paid (taking into account the application of such prepayment or payment required by SECTION 2.1) and the amount of interest (exclusive of interest accrued to the date of prepayment or payment) that would have been payable in respect of such dollar if such prepayment or payment had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (b) 100% of the principal amount of the outstanding Notes being prepaid or paid. For purposes of any determination of the Make-Whole Amount:

"Reinvestment Rate" shall mean (1) the sum of .50%, plus the yield reported on page "PX1" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 11:00 A.M. (New York City, New York time) for the United States government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal being prepaid or paid or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean the sum of .50%, plus the arithmetic mean of the yields for the two columns under the heading "Week Ending" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal being prepaid or paid. If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"Statistical Release" shall mean the then most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the Requisite Holders.

"Weighted Average Life to Maturity" of the principal amount of the Notes being prepaid or paid shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term "Remaining Dollar-Years" of such principal shall mean the amount obtained by (1) multiplying (i) the remainder of the amount of principal that would have become due on each scheduled payment date if such prepayment or payment had not been made by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and such scheduled payment date, and (2) totaling the products obtained in (1).

"Material Adverse Effect" shall mean a material adverse effect on (i) the business, operations, affairs, financial condition, assets, or properties of the Company and its Restricted Subsidiaries taken as a whole, (ii) the ability of the Company to perform its obligation under this Agreement and the Notes or (iii) the validity or enforceability of this Agreement or the Notes.

"Minority Interests" shall mean any shares of stock of any class of a Restricted Subsidiary (other than directors' qualifying shares as required by law) that are not owned by the Company and/or one or more of its Subsidiaries. Minority Interests shall be valued by valuing Minority Interests constituting preferred stock at the voluntary or involuntary liquidating value of such preferred stock, whichever is greater, and by valuing Minority Interests constituting common stock at the book value of capital and surplus applicable thereto adjusted, if necessary, to reflect any changes from the book value of such common stock required by the foregoing method of valuing Minority Interests in preferred stock.

"Multiemployer Plan" shall have the same meaning as in ERISA.

"Noteholder Notice" shall have the meaning set forth in SECTION 2.3(a).

"Notes" shall have the meaning set forth in SECTION 1.1.

"Offering Materials" shall mean the Private Placement Memorandum dated November, 2002 delivered to each of the Purchasers by Banc One Capital Markets, Inc.

"Officer Notes" shall mean notes or other evidences of Indebtedness entered into by officers of the Company within the limitations of this Agreement, including without limitation SECTION 5.14, in connection with and as part of an incentive stock option plan of the Company the purpose of which is to permit such officer to acquire capital stock of the Company.

"Overdue Rate" shall mean the lesser of (a) the maximum interest rate permitted by law and (b) the coupon rate of interest plus 2% per annum.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Plan" shall mean a "pension plan," as such term is defined in ERISA, established or maintained by the Company or any ERISA Affiliate or as to which the Company or any ERISA Affiliate contributed or is a member or otherwise may have any liability.

"Person" shall include an individual, a corporation, a limited liability company, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a trade or business (whether or not incorporated), a government (foreign or domestic) and any agency or political subdivision thereof, or any other entity.

"Purchasers" shall have the meaning set forth in SECTION 1.1.

"Qualified Current Debt" and "Qualified Funded Debt" shall mean Current Debt or Funded Debt, as the case may, of a Restricted Subsidiary Guarantor which is a Restricted Subsidiary Guarantor on the Closing Date or any Person who has become a Restricted Subsidiary Guarantor after the Closing Date in accordance with SECTION 5.17 hereof; provided that the obligee of such Current Debt or Funded Debt shall have entered into the Intercreditor Agreement.

"Rentals" shall mean and include as of the date of any determination thereof all fixed payments (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Restricted Subsidiary, as lessee or sublessee under a lease of real or personal property (less, in the case of any determination of Consolidated Fixed Charges, any fixed rents received by the Company or any such Restricted Subsidiary, as sublessor, under any "triple net, non-cancellable" sublease of the same such real or personal property). Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Reportable Event" shall have the same meaning as in ERISA.

"Requisite Holders" shall mean the holders of at least a majority in aggregate principal amount of the outstanding Notes of a series.

"Responsible Officer" shall mean the Chief Executive Officer, the President or the Vice President-Finance of the Company.

"Restricted Subsidiary" shall mean any Subsidiary which: (i) at least 60% of the voting securities are owned by the Company and/or one or more Wholly-owned Restricted Subsidiaries and (ii) the Company has designated a Restricted Subsidiary by notice in writing given to the holders of the Notes, provided that the designation of a Subsidiary as "unrestricted" or "restricted" shall not be changed more than twice.

"Restricted Subsidiary Guarantor" shall mean a Subsidiary Guarantor that is a Restricted Subsidiary.

"Sale and Leaseback Transaction" shall mean any arrangement whereby the Company or any Restricted Subsidiary shall sell or transfer any property owned by the Company or any Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary and thereupon the Company or a Restricted Subsidiary shall lease or intend to lease, as lessee, the same property.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Senior Funded Debt" shall mean all Funded Debt of the Company which is not expressed to be subordinate or junior in rank to any other Funded Debt of the Company.

"Senior Indebtedness" shall mean all unsecured Indebtedness for borrowed money of the Company which is not expressed to be subordinate or junior in rank to any other Indebtedness for borrowed money of the Company.

"Significant Restricted Subsidiary" shall mean any one or more Restricted Subsidiaries which, if considered in the aggregate as a single Restricted Subsidiary, would comprise 10% or more of the total assets of the Company and its Subsidiaries on a consolidated basis.

"Stock Pledge Agreement" shall have the meaning set forth in SECTION 5.18.

"Subsidiary" shall mean as to any particular parent corporation, any corporation of which more than 50% (of the number of votes) of the Voting Stock shall be beneficially owned, directly or indirectly, by such parent corporation. "Subsidiary" shall mean a subsidiary of the Company.

"Subsidiary Bank Guaranty" shall mean any Guaranty of any Subsidiary of the Company with respect to the payment of sums due and owing under the Bank Credit Agreement, or any replacement, renewal or modification thereof.

"Subsidiary Guarantor" shall mean a Subsidiary that Guaranties the payment of the Notes and all other obligations of the Company under this Agreement.

"Subsidiary Note Guaranty" shall mean any Guaranty of any Subsidiary of the Company with respect to the payment of the Notes and all other sums due and owing by the Company under this Agreement (including the Existing Subsidiary Note Guaranty).

"Supplement" shall have the meaning set forth in SECTION 1.4.

"Total Adjusted Capitalization" shall mean, as of any date, the sum of Consolidated Net Worth and Total Seasonally Adjusted Debt as of such date.

"Total Debt" as of any date, shall mean, without duplication, all of the following for the Company and its Restricted Subsidiaries on a consolidated basis: (a) all Indebtedness for borrowed money and similar monetary obligations evidenced by bonds, notes, debentures, acceptances, Capitalized Lease obligations or otherwise, (b) all liabilities secured by any Lien existing on property owned or acquired by the Company or any Restricted Subsidiary subject thereto, whether or not the liability secured thereby shall have been assumed, (c) all reimbursement obligations under outstanding letters of credit, bankers' acceptances or similar instruments in respect of drafts which (i) may be presented or (ii) have been presented and have not yet been paid and are not included in clause (a) above, and (d) all Guarantees and other Contingent Liabilities relating to indebtedness, obligations or liabilities of the type described in the foregoing clauses (a), (b) and (c).

"2002 Subsidiary Note Guaranty" shall have the meaning set forth in SECTION 1.5.

"Total Seasonally Adjusted Debt" shall mean, as of the end of any fiscal quarter of the Company, the following appropriate amount for such fiscal quarter end: (a) for any fiscal quarter ending in March or June, 85% of Total Debt as of the end of such fiscal quarter, and (b) for any fiscal quarter ending in September or December, 115% of Total Debt as of the end of such fiscal quarter.

"Tranche A Notes" shall have the meaning set forth in Section 1.1(a)(i).

"Tranche B Notes" shall have the meaning set forth in Section 1.1(a)(II).

"Unrestricted Subsidiary" shall mean a Subsidiary of the Company that is not a Restricted Subsidiary.

"Voting Stock" shall mean Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

"Wholly-owned" when used in connection with any Subsidiary shall mean a Subsidiary of which all of the issued and outstanding shares of stock (except shares required as directors' qualifying shares) and all Indebtedness for borrowed money shall be owned by the Company and/or one or more of its Wholly-owned Subsidiaries.

Section 8.2. Accounting Principles. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

Section 8.3. Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

SECTION 9.

MISCELLANEOUS.

Section 9.1. Registered Notes. The Company shall cause to be kept at its principal office a register for the registration and transfer of the Notes, and the Company will register or transfer or cause to be registered or transferred, as hereinafter provided, any Note issued pursuant to this Agreement.

At any time and from time to time the holder of any Note which has been duly registered as hereinabove provided may transfer such Note upon surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the holder of such Note or its attorney duly authorized in writing.

The Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Agreement. Payment of or on account of the principal, premium, if any, and interest on any Note shall be made to or upon the written order of such holder.

Section 9.2. Exchange of Notes. At any time and from time to time, upon not less than ten days' notice to that effect given by the holder of any Note initially delivered or of any Note substituted therefor pursuant to SECTION 9.1, this SECTION 9.2 or SECTION 9.3, and, upon surrender of such Note at its office, the Company will deliver in exchange therefor, without expense to such holder, except as set forth below, a Note of the same series and tranche, if any, for the same aggregate principal amount as the then unpaid principal amount of the Note so surrendered, or Notes in the denomination of \$100,000 (or such lesser amount as shall constitute 100% of the Notes of such holder) or any amount in excess thereof as such holder shall specify, dated as of the date to which interest has been paid on the Note so surrendered or, if such surrender is prior to the payment of any interest thereon, then dated as of the date of issue, registered in the name of such Person or Persons as may be designated by such holder, and otherwise of the same form and tenor as the Notes so surrendered for exchange. The Company may require the payment of a sum sufficient to cover any stamp tax or governmental charge imposed upon such exchange or transfer.

Section 9.3. Loss, Theft, Etc. of Notes. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Note, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of the Note, the Company will make and deliver without expense to the holder thereof, a new Note, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Note. If the Purchaser or any subsequent Institutional Holder is the owner of any such lost, stolen or destroyed Note, then the affidavit of an authorized officer of such owner, setting forth the fact of loss, theft or destruction and of its ownership of such Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no further indemnity shall be required as a condition to the execution and delivery of a new Note other than the written agreement of such owner to indemnify the Company.

Section 9.4. Expenses, Stamp Tax Indemnity. Whether or not the transactions herein contemplated shall be consummated, the Company agrees to pay directly all of your out-of-pocket expenses in connection with the preparation, execution and delivery of this Agreement and the transactions contemplated hereby, including but not limited to the charges and disbursements of Chapman and Cutler, your special counsel, duplicating and printing costs and charges for shipping the Notes, adequately insured to you at your home office or at such other place as you may designate, and all such expenses relating to any amendments, waivers or consents pursuant to the provisions hereof (whether or not the same are actually executed and delivered), including, without limitation, any amendments, waivers, or consents resulting from any work-out, renegotiation or restructuring relating to the performance by the Company of its obligations under this Agreement and the Notes. Without limiting SECTION 4.1(h), the Company agrees to pay, within fifteen Business Days of receipt thereof, supplemental statements of Chapman and Cutler for disbursements unposted or not incurred as of a Closing Date. The Company further agrees that it will pay and save you harmless against any and all liability with respect to stamp and other taxes, if any, which may be payable or which may be determined to be payable in connection with the execution and delivery of this Agreement or the Notes, whether or not any Notes are then outstanding and to pay and save you harmless against any and all losses, costs and expenses relating to any request by the Requisite Holders of the Notes for the Company to hire a consultant pursuant to SECTION 5.16(c). The Company agrees to protect and indemnify you against any liability for any and all brokerage fees and commissions payable or claimed to be payable to any Person in connection with the transactions contemplated by this Agreement. Without limiting the foregoing, the Company agrees to pay the cost of obtaining the private placement number for each series, and tranche, if any, of the Notes and authorizes the submission of such information as may be required by Standard & Poor's CUSIP Service Bureau for the purpose of obtaining such number.

Section 9.5. Powers and Rights Not Waived; Remedies Cumulative. No delay or failure on the part of the holder of any Note in the exercise of any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of the same preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies of the holder of any Note are cumulative to, and are not exclusive of, any rights or remedies any such holder would otherwise have.

Section 9.6. Notices. All communications provided for hereunder shall be in writing and, if to you, delivered or mailed prepaid by registered or certified mail or overnight air courier, or by facsimile communication, in each case addressed to you at your address appearing on Schedule I to this Agreement or any Supplement or such other address as you or the subsequent holder of any Note initially issued to you may designate to the Company in writing, and if to the Company, delivered or mailed by registered or certified mail or overnight air courier, or by facsimile communication, to the Company at 2801 East Beltline, N.E., Grand Rapids, Michigan 49525, Attention: Michael R. Cole, or to such other address as the Company may in writing designate to you or to a subsequent holder of the Note initially issued to you; provided, however, that a notice to you by overnight air courier shall only be effective if delivered to you at a street address designated for such purpose in Schedule I to this Agreement or any Supplement, and a notice to you by facsimile communication shall only be effective if made by confirmed transmission to you at a telephone number designated for such purpose in Schedule I to this

Agreement or any Supplement, or, in either case, as you or a subsequent holder of any Note initially issued to you may designate to the Company in writing.

Section 9.7. Environmental Indemnity and Covenant Not to Sue. (a) The Company agrees to indemnify and hold harmless from time to time the Purchasers and each other holder of the Notes, each Person claiming by, through, under or on account of any of the foregoing and the respective directors, officers, counsel and employees of each of the foregoing Persons (the "Indemnified Parties") from and against any and all losses, claims, cost recovery actions, administrative orders or proceedings, damages and liabilities to which any such Indemnified Party may become subject (1) under any Environmental Law applicable to the Company or any of its Subsidiaries or any of their respective properties, (2) the presence, use, release, storage, treatment or disposal of Hazardous Substances on or at any property owned or operated by the Company or any Subsidiary, (3) as a result of the breach of or non-compliance by the Company or any of its Subsidiaries with any Environmental Law applicable to the Company or any of its Subsidiaries and (4) due to past ownership of any of their respective properties or past activity on any of their respective properties which, though lawful and fully permissible at the time, could result in present liability, except to the extent the acts or omissions of such Indemnified Party, its successors and assigns are the sole and direct cause of the circumstances giving rise to such demand, claim, cost recovery action or lawsuit. The provisions of this SECTION 9.7(a) shall survive termination of this Agreement by payment in full of all of the Notes issued hereunder and shall survive the transfer of any Note or Notes issued hereunder.

(b) Without limiting the provisions of SECTION 9.7(a), the Company and its successors and assigns hereby waive, release and covenant not to bring against any of the Indemnified Parties any demand, claim, cost recovery action or lawsuit they may now or hereafter have or accrue arising from (1) any Environmental Law now or hereafter enacted (including those applicable to the Company or any of its Subsidiaries), (2) the presence, use, release, storage, treatment or disposal of Hazardous Substances on or at any of the properties owned or operated by the Company or any of its Subsidiaries, or (3) the breach of or non-compliance by the Company with any Environmental Law or environmental covenant applicable to the Company or any of its Subsidiaries, except to the extent the acts or omissions of such Indemnified Party, its successors and assigns are the sole and direct cause of the circumstances giving rise to such demand, claim, cost recovery action or lawsuit.

The foregoing provisions of this SECTION 9.7 shall not restrict the Company's ability to enforce its right to recover damages pursuant to any policy of insurance providing coverage for environmental matters underwritten by any holder of Notes in its capacity as an insurance company.

Section 9.8. Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to your benefit and to the benefit of your successors and assigns, including each successive holder or holders of any Notes.

Section 9.9. Survival of Covenants and Representations. All covenants, representations and warranties made by the Company herein (including any Supplement) and in any certificates

delivered pursuant hereto, whether or not in connection with a Closing Date, shall survive the closing and the delivery of this Agreement and the Notes.

Section 9.10. Severability. Should any part of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any remaining portion, which remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid or unenforceable portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid or unenforceable.

Section 9.11. Governing Law. THIS AGREEMENT AND THE NOTES ISSUED AND SOLD HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH NEW YORK LAW, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

Section 9.12. Submission to Jurisdiction. The Company hereby expressly waives all right to object to jurisdiction or execution in any legal action or proceeding relating to this Agreement or the Notes which it may now or hereafter have by reason of its domicile or by reason of any subsequent or other domicile. The Company agrees that any legal action or proceeding with respect to this Agreement or any Note, or any instrument, agreement or document mentioned or contemplated herein, or to enforce any judgment obtained against the Company in any such legal action or proceeding against it or any of its properties or revenues, may be brought by the holder of any Note in the courts of the County of New York, State of New York or of the United States of America located in New York, New York, as the holder of any Note may elect, and by execution and delivery of this Agreement, the Company irrevocably submits to each such jurisdiction for such purpose only.

In addition, the Company hereby irrevocably and unconditionally waives, to the extent not prohibited by applicable law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Agreement or the Notes brought in any of the aforesaid courts, and hereby further irrevocably and unconditionally waives and agrees, to the extent not prohibited by applicable law, not to plead or claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.13. Captions. The descriptive headings of the various Sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

UNIVERSAL FOREST PRODUCTS, INC.

By

Its:

Accepted as of December 18, 2002.

[VARIATION]

By

Its:

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

CONNECTICUT GENERAL LIFE INSURANCE COMPANY	\$5,000,000
c/o CIGNA Retirement & Investment Services. 280 Trumbull Street Hartford, Connecticut 06103	\$5,000,000 (Tranche A)
Attention: Private and Alternative Investments - H16B	\$8,000,000
Fax: 860-534-7203	\$4,000,000 (Tranche B)

Payments

All payments on or in respect of the Notes to be by Federal Funds Wire Transfer to:

J.P.Morgan Chase Bank
BNF=CIGNA Private Placements/AC=9009001802
ABA #021000021
OBI=[name of company; description of security; interest rate; maturity date; PPN; due date] and application (as among principal, premium and interest of the payment being made); contact name and phone.

Address for Notices Related to Payments:

CIG & Co.
c/o CIGNA Retirement & Investments Services
Attention: Securities Processing, H05P
280 Trumbull Street
Hartford, Connecticut 06103

CIG & Co.
c/o CIGNA Retirement & Investment Services
Attention: Private and Alternative Investments, H16B
Operations Group
280 Trumbull Street
Hartford, Connecticut 06103
Fax: 860-534-7203

SCHEDULE I
(to Note Agreement)

with a copy to:

J.P. Morgan Chase Bank
Private Placement Servicing
P. O. Box 1508
Bowling Green Station
New York, New York 10081
Attention: CIGNA Private Placements
Fax: 212-552-3107/1005

Address for All Other Notices:

CIG & Co.
c/o CIGNA Retirement & Investments Services
Attention: Private and Alternative Investments, H16B
280 Trumbull Street
Hartford, Connecticut 06103
Fax: 860-534-7203

Name of Nominee in which Notes are to be issued: CIG & Co.

Taxpayer I.D. Number for CIG & Co.: 13-3574027

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

PRINCIPAL LIFE INSURANCE COMPANY	\$13,000,000
c/o Principal Global Investors, LLC	\$3,000,000
801 Grand Avenue	\$1,000,000
Des Moines, Iowa 50392-0800	\$1,000,000
	\$1,000,000
	(Tranche B)

Payments

All payments on or in respect of the Notes to be made by 12:00 Noon (New York City time) by bank wire transfer of immediately available funds to:

ABA #073000228
Wells Fargo Bank Iowa, N.A.
7th and Walnut Streets
Des Moines, Iowa 50309
For credit to Principal Life Insurance Company
Account No. 0000014752
OBI PFGSE (S) B0065565

With sufficient information (including interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds.

All notices with respect to payments to:

Principal Global Investors, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0960
Attention: Investment Accounting - Securities
Telefacsimile: (515) 248-2643
Confirmation: (515) 248-2766

All other notices and communications to:

Principal Capital Management, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0800
Attention: Fixed Income - Securities
Telefacsimile: (515) 248-2490
Confirmation: (515) 248-3495

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 42-0127290

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

SCOTTISH RE (U.S.), INC.
c/o Principal Global Investors, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0800
Attn: Fixed Income - Securities

\$1,000,000
(Tranche B)

Payments

All payments on account of the Note to be made by 12:00 noon (New York City time) by wire transfer of immediately available funds to:

Comerica Bank/Trust Operations
AC: 2158598532
BNF: Scottish Annuity & Life Holdings, Ltd.
AC: 011000734950
BBI: Trade Settlement (313) 222-3111
Bank Routing Number: 072000096
OBI PFGSE (S) B0065565

With sufficient information (including interest rate, maturity date, interest amount, principal amount and premium amount, if applicable) to identify the source and application of such funds.

Notices

All notices with respect to the Note payable to Scottish Re, except with respect to payment, should be sent to:

Scottish Re (U.S.), Inc.
c/o Principal Global Investors, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0800
Attn: Fixed Income - Securities
Fax: (515) 248-2490
Confirmation: (515) 248-3495

All notices with respect to payments on the Note payable to Scottish Re should be sent to::

Scottish Re (U.S.), Inc.
c/o Principal Global Investors, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0800
Attn: Investment Accounting - Securities
Fax: (515) 248-2643
Confirmation: (515) 248-2766

Upon closing, deliver Note to:

Deutsche Bank
(Bankers Trust Company)
14 Wall Street
4th Floor, Window 44
Comercia Bank A/C 090755
New York, New York 10015

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 23-2038295

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

STATE FARM LIFE INSURANCE COMPANY
One State Farm Plaza
Bloomington, Illinois 61710
Attention: Investment Department E-10

\$4,000,000
(Tranche A)

\$4,000,000
(Tranche B)

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Universal Forest Products, Inc. and as to interest rate, security description, maturity date and PPN, principal, premium or interest") to:

The Chase Manhattan Bank
ABA #021000021
SSG Private Income Processing
A/C #900-9-000200

for Credit to: Account Number G 06893

Notices

Send notices, financial statements, officer's certificates and other correspondence to:

State Farm Life Insurance Company
Investment Dept. E-8
One State Farm Plaza
Bloomington, IL 61710

Send confirms to:

State Farm Life Insurance Company
Investment Accounting Dept. D-3
One State Farm Plaza
Bloomington, IL 61710

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 37-0533090

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

STATE FARM LIFE & ACCIDENT
ASSURANCE COMPANY
One State Farm Plaza
Bloomington, Illinois 61710
Attention: Investment Department E-10

\$1,000,000
(Tranche A)

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Universal Forest Products, Inc. and as to interest rate, security description, maturity date and PPN, principal, premium or interest") to:

The Chase Manhattan Bank
ABA #021000021
SSG Private Income Processing
A/C #900-9-000200

for Credit to: Account Number G 06895

Notices

Send notices, financial statements, officer's certificates and other correspondence to:

State Farm Life and Accident Assurance Company
Investment Dept. E-8
One State Farm Plaza
Bloomington, IL 61710

Send confirms to:

State Farm Life and Assurance Company
Investment Accounting Dept. D-3
One State Farm Plaza
Bloomington, IL 61710

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 37-0805091

I-9

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT OF NOTES
TO BE PURCHASED

THE CANADA LIFE ASSURANCE COMPANY
330 University Avenue, SP-11
Toronto, Ontario, Canada M5G 1R8
Attention: Paul English, U.S. Investments Division

\$4,000,000
(Tranche B)

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

For call or maturity payments:

Chase Manhattan Bank
ABA #021-000-021
Account No. 900-9-000192
Trust Account No. G52708
Reference: CUSIP, Name of Issuer & description,
and call or maturity date

For all other payments (by wire):

Chase Manhattan Bank
ABA #021-000-021
Account No. 900-9-000200
Trust Account No. G52708
Reference: PPN, Name of Issuer and description,
and Principal and Interest payment

For all other payments (by mail):

Mail check payment to:
J. Romeo & Co.
c/o Chase Manhattan Bank
P. O. Box 35308
Newark, New Jersey 07101-8006
Attention: Funds Clearance/ A/C# G52708
Reference: CUSIP, Name of Issuer and description,
and Principal and Interest payment

Notices

Notices with respect to payments and written confirmation of each such payment, to be addressed:

Chase Manhattan Bank
North American Insurance
3 Chase MetroTech Centre, 6th Floor
Brooklyn, New York 11245
Attention: Doll Balbadar

with a copy to:

The Canada Life Assurance Company
330 University Avenue, SP-12
Securities Accounting
Toronto, Ontario, Canada M5G 1R8

All other notices and communications (including financial statements) to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: J. Romeo & Co.

Taxpayer I.D. Number: 38-0397420

FUNDED DEBT; LIENS SECURING FUNDED DEBT
(INCLUDING CAPITALIZED LEASES); SUBSIDIARIES; AND
RESTRICTED SUBSIDIARIES AS OF THE CLOSING DATE

See Attached

SCHEDULE II
(to Note Agreement)

ENVIRONMENTAL OBLIGATIONS

See Attached

SCHEDULE III
(to Note Agreement)

UNIVERSAL FOREST PRODUCTS, INC.

5.63% Series 2002-A Senior Note, Tranche A,
Due December 18, 2009

PPN 913543 B@ 2

No.

December 18, 2002

\$

UNIVERSAL FOREST PRODUCTS, INC., a Michigan corporation (the "Company"), for value received, hereby promises to pay to

or registered assigns
on the 18th day of December, 2009
the principal amount of

DOLLARS (\$)

and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 5.63% per annum from the date hereof until maturity, payable semiannually on the 18th day of June and December in each year (commencing on June 18, 2003) and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. "Overdue Rate" shall mean the lesser of (a) the maximum interest rate permitted by law and (b) 7.63% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day. "Business Day" means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 5.63% Series 2002-A Senior Notes, Tranche A, due December 18, 2009 of the Company in the aggregate principal amount of \$15,000,000, which, together with the 6.16% Series 2002-A Senior Notes, Tranche B, due December 18, 2012 of the Company in the aggregate principal amount of \$40,000,000, and any Additional Notes are issued or to be issued

EXHIBIT A-1
(to Note Agreement)

under and pursuant to the terms and provisions of the separate Note Agreements, each dated as of December 18, 2002 (the "Note Agreements"), entered into by the Company with the original Purchasers therein referred to and any Additional Purchasers of Additional Notes and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreements to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreements for a statement of such rights and benefits.

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

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

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

THIS NOTE AND SAID NOTE AGREEMENTS ARE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

UNIVERSAL FOREST PRODUCTS, INC.

By

Its:

UNIVERSAL FOREST PRODUCTS, INC.

6.16% Series 2002-A Senior Note, Tranche B,
Due December 18, 2012

PPN 913543 B# 0

No.

December 18, 2002

\$

UNIVERSAL FOREST PRODUCTS, INC., a Michigan corporation (the
"Company"), for value received, hereby promises to pay to

or registered assigns
on the 18th day of December, 2012
the principal amount of

DOLLARS (\$)

and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 6.16% per annum from the date hereof until maturity, payable semiannually on the 18th day of June and December in each year (commencing on June 18, 2003) and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. "Overdue Rate" shall mean the lesser of (a) the maximum interest rate permitted by law and (b) 8.16% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day. "Business Day" means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the 6.16% Series 2002-A Senior Notes, Tranche B, due December 18, 2012 of the Company in the aggregate principal amount of \$40,000,000, which, together with the 5.63% Series 2002-A Senior Notes, Tranche A, due December 18, 2009 of the Company in the

EXHIBIT A-2
(to Note Agreement)

aggregate principal amount of \$15,000,000, and any Additional Notes are issued or to be issued under and pursuant to the terms and provisions of the separate Note Agreements, each dated as of December 18, 2002 (the "Note Agreements"), entered into by the Company with the original Purchasers therein referred to and any Additional Purchasers of Additional Notes and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreements to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreements for a statement of such rights and benefits.

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

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

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

THIS NOTE AND SAID NOTE AGREEMENTS ARE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

UNIVERSAL FOREST PRODUCTS, INC.

By

Its:

[FORM OF SUBSIDIARY NOTE GUARANTY]

EXHIBIT B-1
(to Note Agreement)

[INTERCREDITOR AGREEMENT]

EXHIBIT B-2
(to Note Agreement)

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to you as follows:

1. Subsidiaries. Schedule II attached to the Agreements correctly states the name of each of the Company's Subsidiaries, its jurisdiction of incorporation, the percentage of its Voting Stock owned by the Company and/or its Subsidiaries and whether each such Subsidiary is a Restricted Subsidiary or an Unrestricted Subsidiary. The Company and each Restricted Subsidiary has good and marketable title to all of the shares it purports to own of the stock of each Restricted Subsidiary, free and clear in each case of any Lien. All such shares have been duly issued and are fully paid and non-assessable.

2. Corporate Organization and Authority. The Company, and each Restricted Subsidiary,

(a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(b) has all requisite power and authority and all licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted, except for any license or permit the failure of which to have would not materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of the Company or of the Company and its Restricted Subsidiaries, taken as a whole; and

(c) is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary.

3. Business and Property. You have heretofore been furnished with a copy of the Offering Materials (as defined in the Agreements and herein referred to as the "Offering Materials") delivered to you by Banc One Capital Markets, Inc. which generally sets forth the business conducted and proposed to be conducted by the Company and its Subsidiaries and the principal properties of the Company and its Subsidiaries.

4. Financial Statements. (a) The consolidated balance sheets of the Company and its consolidated Subsidiaries as of December 27, 1997, December 26, 1998, December 25, 1999, December 30, 2000 and December 29, 2001 and the statements of earnings, shareholders' equity and cash flows for the fiscal years ended on said dates, each accompanied by a report thereon containing an opinion unqualified as to scope limitations imposed by the Company and otherwise without qualification except as therein noted, by Deloitte & Touche in the case of fiscal years 1997, 1998, 1999 and 2000 and Arthur Andersen LLP in the case of fiscal year 2001, have been prepared in accordance with GAAP consistently applied except as therein noted, are correct and complete and present fairly the financial position of the Company and its

EXHIBIT C
(to Note Agreement)

consolidated Subsidiaries as of such dates and the results of their operations and changes in their cash flows for such periods.

(b) Since December 29, 2001, there has been no change in the condition, financial or otherwise, of the Company and its consolidated Subsidiaries as shown on the consolidated balance sheet as of such date except changes in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

5. Indebtedness. Schedule II attached to the Agreements correctly describes all Current Debt, Funded Debt, Capitalized Leases and Attributable Indebtedness of Sale and Leaseback Transactions of the Company and its Restricted Subsidiaries outstanding on the first and second Closing Date.

6. Full Disclosure. Neither the financial statements referred to in paragraph 4 hereof nor the Agreements, the Offering Materials or any other written statement furnished by the Company to you in connection with the negotiation of the sale of the Notes, contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein or herein not misleading. There is no fact peculiar to the Company or its Restricted Subsidiaries which the Company has not disclosed to you in writing which materially affects adversely nor, so far as the Company can now foresee, will materially affect adversely the properties, business, prospects, profits or condition (financial or otherwise) of the Company and its Restricted Subsidiaries, taken as a whole.

7. Pending Litigation. There are no proceedings pending or, to the knowledge of the Company after due inquiry, threatened against or affecting the Company or any Restricted Subsidiary in any court or before any governmental authority or arbitration board or tribunal which could reasonably be expected to have a Material Adverse Effect.

8. Title to Properties. The Company and each Restricted Subsidiary has good and marketable title in fee simple (or its equivalent under applicable law) to all material parcels of real property and has good title to all the other material items of property it purports to own, including that reflected in the most recent balance sheet referred to in paragraph 4 hereof, except as sold or otherwise disposed of in the ordinary course of business and except for Liens permitted by the Agreements.

9. Patents and Trademarks. The Company and each Restricted Subsidiary owns or possesses all patents, trademarks, trade names, service marks, copyright, licenses and rights with respect to the foregoing necessary for the present and planned future conduct of its business, without any known conflict with the rights of others.

10. Sale is Legal and Authorized. The sale of the Notes and compliance by the Company with all of the provisions of the Agreements (including any Supplement) and the Notes:

(a) are within the corporate powers of the Company;

(b) will not violate any provisions of any law or any order of any court or governmental authority or agency and will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under the Articles of Incorporation or By-laws of the Company or any indenture or other material agreement or instrument to which the Company is a party or by which it may be bound or result in the imposition of any Liens or encumbrances on any property of the Company; and

(c) have been duly authorized by proper corporate action on the part of the Company (no action by the stockholders of the Company being required by law, by the Articles of Incorporation or By-laws of the Company or otherwise), executed and delivered by the Company and the Agreements and the Notes constitute the legal, valid and binding obligations, contracts and agreements of the Company enforceable in accordance with their respective terms.

11. No Defaults. No Default or Event of Default has occurred and is continuing. The Company is not in default in the payment of principal or interest on any Indebtedness for borrowed money and is not in default under any instrument or instruments or agreements under and subject to which any Indebtedness for borrowed money has been issued and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

12. Governmental Consent. No approval, consent or withholding of objection on the part of any regulatory body, state, Federal or local, is necessary in connection with the execution and delivery by the Company of the Agreements or the issuance, sale or delivery of the Notes or compliance by the Company with any of the provisions of the Agreements or the Notes.

13. Taxes. All tax returns required to be filed by the Company or any Restricted Subsidiary in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees and other governmental charges upon the Company or any Restricted Subsidiary or upon any of their respective properties, income or franchises, which are shown to be due and payable in such returns have been paid. For all taxable years ending on or before December 31, 1997, the Federal income tax liability of the Company and its Restricted Subsidiaries has been satisfied and either the period of limitations on assessment of additional Federal income tax has expired or the Company and its Restricted Subsidiaries have entered into an agreement with the Internal Revenue Service closing conclusively the total tax liability for the taxable year. The Company does not know of any proposed additional tax assessment against it for which adequate provision has not been made on its accounts, and no material controversy in respect of additional Federal or state income taxes due since said date is pending or to the knowledge of the Company threatened. The provisions for taxes on the books of the Company and each Restricted Subsidiary are adequate for all open years, and for its current fiscal period.

14. Use of Proceeds. The net proceeds from the sale of the Notes will be used for general corporate purposes including to repay existing Indebtedness of the Company and its Subsidiaries. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the

purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Restricted Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Paragraph 14, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

15. Private Offering. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Notes or any similar Security or has solicited or will solicit an offer to acquire the Notes or any similar Security from or has otherwise approached or negotiated or will approach or negotiate in respect of the Notes or any similar Security with any Person other than the Purchasers and not more than 15 other institutional investors, each of whom was offered a portion of the Notes at private sale for investment. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Notes or any similar Security or has solicited or will solicit an offer to acquire the Notes or any similar Security from any Person so as to bring the issuance and sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

16. ERISA. (a) The Company and each ERISA Affiliate (i) have operated and administered each of its plans in compliance with all applicable laws, except where non-compliance could not reasonably be expected to result in a Material Adverse Effect, and (ii) has not incurred any Material liability, nor has any event, transaction or condition occurred or exists that would reasonably be expected to result in the incurrence of any such Material liability or the imposition of any Material Lien, pursuant to Title I or IV of ERISA or pursuant to penalty or excise tax provisions of the Code relating to employee benefit plans or to Section 401(a)(29) or 412 of the Code.

(b) The present value of the aggregate benefit liabilities under each of its plans (other than multiemployer plans), determined as of the end of such plan's most recently ended plan year, did not exceed the aggregate current value of the assets of such plan allocable to such benefit liabilities, or such deficit, if any, did not exceed 5% of Adjusted Consolidated Net Worth. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in Section 3 of ERISA.

(c) The Company currently does not have any Multiemployer plans.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material or has otherwise been disclosed in the most recent audited consolidated financial statements of the Company and its Subsidiaries.

(e) The execution and delivery of the Note Agreement and the issuance and sale of the Notes will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code which in either event could reasonably be expected to result in a Material Adverse Effect. The representation is made in reliance upon and subject to the accuracy of the representation as to the sources of the funds used to pay the purchase price of the Notes to be purchased.

17. Compliance with Law. Neither the Company nor any Restricted Subsidiary (1) is in violation of any law, ordinance, franchise, governmental rule or regulation to which it is subject; or (2) has failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of its property or to the conduct of its business, which violation or failure to obtain could reasonably be expected to have a Material Adverse Effect or impair the ability of the Company to perform its obligations contained in the Agreement (including any Supplement) or the Notes. Neither the Company nor any Restricted Subsidiary is in default with respect to any order of any court or governmental authority or arbitration board or tribunal.

18. Investment Company Act. The Company is not, and is not directly or indirectly controlled by or acting on behalf of any Person which is, required to register as an "investment company" under the Investment Company Act of 1940, as amended.

19. Foreign Assets Control Regulations, etc. Neither the Company nor any of the Company's Restricted Subsidiaries or Affiliates is, by reason of being a "national" of "designated foreign country" or a "specially designated national" within the meaning of the Regulations of the Office of Foreign Assets Control, United States Treasury Department (31 C.F.R., Subtitle B, Chapter V), or for any other reason, subject to any restriction or prohibition under, or is in violation of, any Federal statute or Presidential Executive Order, or any rules or regulations of any department, agency or administrative body promulgated under any such statute or order, concerning trade or other relations with any foreign country or any citizen or national thereof or the ownership or operation of any property. Without limiting the foregoing, neither the Company nor any Restricted Subsidiary (a) is or will become a person whose property or interests in property are blocked pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such person.

20. Environmental Matters. To the best of the Company's knowledge, except for any of such matters which individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect, the following clauses (a) through (f) are true and correct:

(a) the Company, each Restricted Subsidiary, and the properties each owns or operates comply with every applicable Environmental Law;

(b) the Company and each Restricted Subsidiary has obtained all permits, licenses and other governmental approvals required by every applicable Environmental Law for its operations and the properties it owns or operates;

(c) no Hazardous Substance has been released or disposed at any property currently owned or operated or while previously owned or operated by the Company or any Restricted Subsidiary;

(d) neither the Company nor any Restricted Subsidiary has any liability for restoration, removal, remedial, response or corrective action, natural resource damage or other harm pursuant to any applicable Environmental Law, either with respect to properties currently or previously owned or operated by the Company and its Subsidiaries;

(e) neither the Company nor any Restricted Subsidiary is subject to, has notice or knowledge of or is required to give any notice of any claim, demand, action, lawsuit or legal proceeding pursuant to any applicable Environmental Law in connection with the operations of or the properties owned by the Company or any Restricted Subsidiary; and

(f) there is no legal or regulatory proceeding pending or applicable Environmental Law which would be expected to prohibit or materially reduce the use of chromated copper arsenate or any other wood preservative by the Company or any Restricted Subsidiary.

SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of

-----, ----

To the Purchaser(s) named in
Schedule I hereto

Ladies and Gentlemen:

This [Number] Supplement to Note Purchase Agreement (the "Supplement") is between Universal Forest Products, Inc. (the "Company") whose address is 2801 East Beltline, N.E. Grand Rapids, Michigan 49525 and the institutional investors named on Schedule I attached hereto (the "Purchasers").

Reference is hereby made to the separate and several Note Purchase Agreements dated as of December 18, 2002 (the "Note Agreements") between the Company and the purchasers listed on Schedule I thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Agreements. Reference is further made to Section 4.3 thereof which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchaser(s) named on Schedule I hereto as follows:

1. The Company has authorized the issue and sale of \$ _____ aggregate principal amount of its _____% Series ____ Senior Notes, due _____, _____ (the "Series ____ Notes"). The Series ____ Notes, together with the Series 2002-A Notes initially issued pursuant to the Note Agreements and each series of Additional Notes which may from time to time be issued pursuant to the provisions of Section 1.4 of the Note Agreements, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 9.2 of the Note Agreement). The Series ____ Notes shall be substantially in the form attached hereto as Exhibit 1 with such changes therefrom, if any, as may be approved by the Purchaser(s) and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Agreements and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Purchaser, and each Purchaser agrees to purchase from the Company, Series ____ Notes in the principal amount [and of the tranche] set forth opposite such Purchaser's name on Schedule I hereto at a price of 100% of the principal amount thereof on the Closing Date hereafter mentioned.

3. Delivery of the \$ _____ in aggregate principal amount of the Series ____ Notes will be made at the offices of _____,
_____.

EXHIBIT F
(to Note Agreement)

_____, against payment therefor in Federal Reserve or other funds current and immediately available at the principal office of Banc One Capital Markets, Inc., Chicago, Illinois in the amount of the purchase price at 10:00 A.M., Chicago time, on _____, _____ or such later date (not later than _____, _____) as shall mutually be agreed upon by the Company and the Purchasers of the Series _____ Notes (the "Closing Date").

4. [Here insert prepayment provisions (including any applicable premium upon default and acceleration), closing conditions and representations and warranties applicable to Series _____ Notes].

5. The Purchaser represents and warrants that the representations and warranties set forth in Section 3.2 of the Note Agreements are true and correct on the date hereof with respect to the Series _____ Notes.

6. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Agreements as if such Purchaser were an original signatory to the Note Agreements.

The execution hereof shall constitute a contract between the Company and the Purchaser(s) for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

UNIVERSAL FOREST PRODUCTS, INC.

By _____

Printed Name: _____

Its: _____

Accepted as of _____, _____

[VARIATION]

By _____

Printed Name: _____

Its: _____

FORM OF SERIES ___ NOTE

___% Series ___ Note, Tranche __,

Due _____

PPN _____

No.

\$

UNIVERSAL FOREST PRODUCTS, INC., a Michigan corporation (the "Company"), for value received, hereby promises to pay to

or registered assigns

on the ____ day of _____

the principal amount of

DOLLARS (\$)

and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of ___% per annum from the date hereof until maturity, payable _____ on the ____ day of _____ and _____ in each year (commencing on _____) and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the Overdue Rate after the due date, whether by acceleration or otherwise, until paid. "Overdue Rate" shall mean the lesser of (a) the maximum interest rate permitted by law and (b) ___% per annum.

Both the principal hereof and interest hereon are payable at the principal office of the Company in Grand Rapids, Michigan in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If any amount of principal, premium, if any, or interest on or in respect of this Note becomes due and payable on any date which is not a Business Day, such amount shall be payable on the immediately succeeding Business Day. "Business Day" means any day other than a Saturday, Sunday or other day on which banks in either Grand Rapids, Michigan or New York, New York are required by law to close or are customarily closed.

This Note is one of the ___% Series ___ Notes, Tranche __, due _____ of the Company in the aggregate principal amount of \$_____, which, together with the 5.63% Series 2002-A Senior Notes, Tranche A, due December 18, 2009 of the Company in the aggregate principal amount of \$15,000,000, the 6.16% Series 2002-A Senior Notes, Tranche B, due December 18, 2012 of the Company in the

SCHEDULE I
(to [Number] Supplement)

aggregate principal amount of \$40,000,000 and any Additional Notes are issued or to be issued under and pursuant to the terms and provisions of the separate Note Agreements, each dated as of December 18, 2002 (the "Note Agreements"), entered into by the Company with the original Purchasers therein referred to and any Additional Purchasers of Additional Notes and the holder hereof is entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreements to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Note Agreements for a statement of such rights and benefits.

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

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

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

THIS NOTE AND SAID NOTE AGREEMENTS ARE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

UNIVERSAL FOREST PRODUCTS, INC.

By _____

Its: _____

=====

GUARANTY AGREEMENT

Dated as of December 18, 2002

By

UNIVERSAL FOREST PRODUCTS OF MODESTO LLC,
TRESSTAR, LLC,
UNIVERSAL TRUSS, INC.,
UFP VENTURES, INC.,
UFP VENTURES II, INC.,
UNIVERSAL FOREST PRODUCTS WESTERN DIVISION, INC.,
UNIVERSAL FOREST PRODUCTS EASTERN DIVISION, INC.,
SHOFFNER HOLDING COMPANY, INC.,
CONSOLIDATED BUILDING COMPONENTS, INC.,
UNIVERSAL FOREST PRODUCTS SHOFFNER, LLC,
UNIVERSAL FOREST PRODUCTS INDIANA LIMITED PARTNERSHIP,
UNIVERSAL FOREST PRODUCTS TEXAS LIMITED PARTNERSHIP,
UNIVERSAL FOREST PRODUCTS HOLDING COMPANY, INC.,
UFP REAL ESTATE, INC.,
SYRACUSE REAL ESTATE, LLC
and
UNIVERSAL FOREST PRODUCTS RECLAMATION CENTER, INC.

Re: \$55,000,000 Senior Notes
due 2009-2012

of
UNIVERSAL FOREST PRODUCTS, INC.

=====

GUARANTY AGREEMENT

PARTIES

THIS GUARANTY AGREEMENT, dated as of December 18, 2002 (this "Guaranty"), is made by UNIVERSAL FOREST PRODUCTS OF MODESTO LLC, TRESSTAR, LLC, UFP VENTURES, INC., UFP VENTURES II, INC., CONSOLIDATED BUILDING COMPONENTS, INC., UNIVERSAL FOREST PRODUCTS EASTERN DIVISION, INC., UNIVERSAL FOREST PRODUCTS WESTERN DIVISION, INC., SHOFFNER HOLDING COMPANY, INC., UNIVERSAL FOREST PRODUCTS SHOFFNER, LLC, UFP REAL ESTATE, INC., UNIVERSAL TRUSS, INC., UNIVERSAL FOREST PRODUCTS INDIANA LIMITED PARTNERSHIP, UNIVERSAL FOREST PRODUCTS TEXAS LIMITED PARTNERSHIP, UNIVERSAL FOREST PRODUCTS HOLDING COMPANY, INC., SYRACUSE REAL ESTATE, LLC AND UNIVERSAL FOREST PRODUCTS RECLAMATION CENTER, INC. (each, a "Guarantor" and collectively, the "Guarantors") in favor of each of the Noteholders (as defined below).

RECITALS

A. Each Guarantor is wholly-owned, directly or indirectly, by Universal Forest Products, Inc., a corporation incorporated under the laws of Michigan (the "Company").

B. Pursuant to the separate and several Note Agreements, each dated as of December 18, 2002 (the "Note Agreements"), between the Company and the Purchasers named on Schedule I thereto (each, a "Purchaser," and collectively, the "Purchasers"), the Company has agreed to issue and sell to the Purchasers (a) \$15,000,000 in principal amount of the Company's 5.63% Series 2002-A Senior Notes, Tranche A, due December 18, 2009 (the "Tranche A Notes") and (b) \$40,000,000 in principal amount of the Company's 6.16% Series 2002-A Senior Notes, Tranche B, due December 18, 2012 (the "Tranche B Notes"; the Tranche B Notes and the Tranche A Notes are hereinafter collectively referred to as the "Notes").

C. Each Guarantor will receive substantial direct and indirect benefit from the sale of the Notes.

D. The Purchasers have required as a condition to their purchase of the Notes that the Guarantors enter into this Guaranty as security for the Notes and accordingly the Guarantors have agreed to provide this Guaranty.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and for the purpose of inducing the Purchasers to purchase the Notes and in further consideration of the sum of Ten Dollars (\$10.00) paid to the Guarantors by the Purchasers, the receipt and sufficiency of which is hereby acknowledged, the Guarantors do hereby covenant and agree as follows:

1. Defined Terms. As used in this Guaranty, terms defined in the first paragraph of this Guaranty and in the recital paragraphs are used herein as defined therein, and the following terms shall have the following meanings:

"Cumulative Guarantors" shall mean the Guarantors and all other future guarantors of the Liabilities.

"Liabilities" shall mean all indebtedness, obligations and liabilities of the Company to any of the Noteholders in connection with or pursuant to the Note Agreements and the Notes, including, without limitation, all principal, interest, premium, charges, fees and all costs and expenses, including, without limitation, reasonable fees and expenses of counsel, in each case whether now existing or hereafter arising, direct or indirect, absolute or contingent, joint and/or several, secured or unsecured, arising by operation of law or otherwise.

"Noteholders" shall mean the Purchasers and any subsequent holders of the Notes.

All other capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Note Agreements.

2. Guarantee. (a) Each Guarantor hereby guarantees to the Noteholders, irrevocably, absolutely and unconditionally, as primary obligor and not as surety only, the prompt and complete payment of the Liabilities.

(b) All payments to be made under this Guaranty (except pursuant to paragraph (c) below) shall be made to each Noteholder pro rata in accordance with the unpaid amount of Liabilities held by each Noteholder at the time of such payment.

(c) The Guarantors agree to make prompt payment, on demand, of any and all reasonable costs and expenses incurred by any Noteholder in connection with enforcing the obligations of any of the Guarantors hereunder, including, without limitation, the reasonable fees and disbursements of counsel.

3. Consents to Renewals, Modifications and other Actions and Events. This Guaranty and all of the obligations of the Guarantors hereunder shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (a) any amendment, assignment, transfer, modification of or addition or supplement to the Liabilities or any of the Note Agreements; (b) any extension, indulgence, increase in the Liabilities or other action or inaction in respect of any of the Note Agreements or otherwise with respect to the Liabilities, or any acceptance of security for, or other guaranties of, any of the Liabilities or Note Agreements, or any surrender, release, exchange, impairment or alteration of any such security or guaranties, including, without limitation, the failing to perfect a security interest in any such security or abstaining from taking advantage of or realizing upon any other guaranties or upon any security interest in any such security; (c) any default by the Company under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Note Agreements; (d) any waiver by any Noteholder or any other person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the

Note Agreements, any other guaranties or otherwise with respect to the Liabilities; (e) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Guaranty, any other guaranty or any of the Note Agreements; (f) any sale, lease, transfer or other disposition of the assets of the Company or any consolidation or merger of the Company with or into any other person, corporation, or entity, or any transfer or other disposition of any shares of capital stock of the Company; (g) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting the Company or any other guarantor of the Liabilities; (h) the release or discharge of the Company from the performance or observance of any agreement, covenant, term or condition under any of the Liabilities or contained in any of the Note Agreements, of any Cumulative Guarantor or of this Guaranty, by operation of law or otherwise; or (i) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements or duties of any Guarantor hereunder or constitute a defense hereto, including, without limitation, any act or omission by any Noteholder or any other person which increases the scope of any Guarantor's risk, and in each case described in this paragraph whether or not any Guarantor shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Guarantor. Each Guarantor warrants to the Noteholders that it has adequate means to obtain from the Company on a continuing basis information concerning the financial condition and other matters with respect to the Company and that it is not relying on any Noteholder to provide such information either now or in the future.

4. Waivers, Etc. Each Guarantor unconditionally waives: (a) notice of any of the matters referred to in Paragraph 3 above; (b) all notices which may be required by statute, rule of law or otherwise to preserve any rights of any Noteholder, including, without limitation, notice to the Guarantors of default, presentment to and demand of payment or performance from the Company and protest for non-payment or dishonor; (c) any right to the exercise by any Noteholder of any right remedy, power or privilege in connection with any of the Note Agreements; (d) any requirement of diligence or marshaling on the part of any Noteholder; (e) any requirement that any Noteholder, in the event of any default by the Company, first make demand upon or seek to enforce remedies against, the Company or any other Cumulative Guarantor before demanding payment under or seeking to enforce this Guaranty; (f) any right to notice of the disposition of any security which any Noteholder may hold from the Company or otherwise and any right to object to the commercial reasonableness of the disposition of any such security; and (g) all errors and omissions in connection with any Noteholder's administration of any of the Liabilities, any of the Note Agreements or any other Cumulative Guarantor, or any other act or omission of any Noteholder which changes the scope of such Guarantor's risk. The obligations of each Guarantor hereunder shall be complete and binding forthwith upon the execution of this Guaranty by it and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

5. Nature of Guaranty; Payments. This Guaranty is an absolute, unconditional, irrevocable and continuing guaranty of payment and not a guaranty of collection, and is wholly independent of and in addition to other rights and remedies of any Noteholder with respect to the Company, any collateral, any Cumulative Guarantor or otherwise, and it is not contingent upon the pursuit by any Noteholder of any such rights and remedies, such pursuit being hereby waived by each Guarantor. The obligations of each Guarantor hereunder shall be continuing and shall

continue (irrespective of any statute of limitations otherwise applicable) and cover and include all the Liabilities of the Company accruing or in the process of accruing to the Noteholders before the Noteholders deliver to the Guarantors a release of this Guaranty, which is in writing, refers specifically to this Guaranty, and is signed by a President, a Senior Vice-President, or a Vice-President of each Noteholder. Nothing shall discharge or satisfy the liability of any Guarantor hereunder except the full and irrevocable payment and performance of all of the Liabilities and the expiration or termination of all the Note Agreements. All payments to be made by the Guarantors hereunder shall be made without set-off or counterclaim, and each Guarantor hereby waives the assertion of any set-off or counterclaim in any proceeding to enforce its obligations hereunder. All payments to be made by each Guarantor hereunder shall also be made without deduction or withholding for, or on account of, any present or future taxes or other similar charges of whatsoever nature, provided that if any Guarantor is nevertheless required by law to make any deduction or withholding, such Guarantor shall pay to the Noteholders such additional amounts as may be necessary to ensure that the Noteholders shall receive a net sum equal to the sum which it would have received had no such deduction or withholding been made. Each Guarantor agrees that, if at any time all or any part of any payment previously applied by any Noteholder to any of the Liabilities must be returned by such Noteholder for any reason, whether by court order, administrative order, or settlement and whether as a "voidable preference", "fraudulent conveyance" or otherwise, each Guarantor remains liable for the full amount returned as if such amount had never been received by such Noteholder, notwithstanding any termination of this Guaranty or any cancellation of any of the Note Agreements and the Liabilities and all obligations of each Guarantor hereunder shall be reinstated in such case.

6. Evidence of Liabilities. Each Noteholder's books and records showing the Liabilities shall be admissible in any action or proceeding, shall be binding upon each Guarantor for the purpose of establishing the Liabilities due from the Company and shall constitute prima facie proof, absent manifest error, of the Liabilities of the Company to such Noteholder, as well as the obligations of each Guarantor to such Noteholder.

7. Subordination, Subrogation, Contribution, Etc. Each Guarantor agrees that all present and future indebtedness, obligations and liabilities of the Company to such Guarantor shall be fully subordinate and junior in right and priority of payment to any indebtedness of the Company to the Noteholders, and no Guarantor shall have any right of subrogation, contribution (including, without limitation, the contribution and subrogation rights granted below), reimbursement or indemnity whatsoever nor any right of recourse to security for the debts and obligations of the Company unless and until all Liabilities shall have been paid in full, such payment is not subject to any possibility of revocation or rescission and all Note Agreements have expired or been terminated. Subject to the preceding sentence, if any Guarantor makes a payment in respect of the Liabilities it shall be subrogated to the rights of the payee against the Company with respect to such payment and shall have the rights of contribution set forth below against all other Cumulative Guarantors and each Guarantor agrees that all other Cumulative Guarantors shall have the rights of contribution against it set forth below. If any Guarantor makes a payment in respect of the Liabilities that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Cumulative Guarantors are in proportion to the amounts of their respective Payment Shares, such Guarantor shall, when

permitted by the first sentence of this Section 7, pay to the other Guarantors an amount such that the net payments made by the Cumulative Guarantors in respect of the Liabilities shall be shared among the Cumulative Guarantors pro rata in proportion to their respective Payment Shares. If any Guarantor receives any payment by way of subrogation that is greater in proportion to the amount of its Payment Share than the payments received by the other Cumulative Guarantors are in proportion to the amounts of their respective Payment Shares, such Guarantor shall, when permitted by the first sentence of this Section 7, pay to the other Cumulative Guarantors an amount such that the subrogation payments received by the Guarantors shall be shared among the Cumulative Guarantors pro rata in proportion to their respective Payment Shares.

For purposes of this Guaranty, the "Payment Share" of any Cumulative Guarantor shall be the sum of (a) the aggregate proceeds of the Liabilities received by such Guarantor (and, if received subject to a repayment obligation, remaining unpaid on the Determination Date (as hereinafter defined)), plus (b) the product of (i) the aggregate Liabilities remaining unpaid on the date such Liabilities become due and payable in full, whether by stated maturity, acceleration or otherwise (the "Determination Date") reduced by the amount of such Liabilities attributed to all of the Cumulative Guarantors pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Guarantor's net worth on the effective date of this Guaranty (determined as of the end of the immediately preceding fiscal reporting period of the Guarantor), and the denominator of which is the aggregate net worth of all of the Cumulative Guarantors, determined for each Cumulative Guarantor on the respective effective date of the guaranty signed by such Cumulative Guarantor.

8. Assignment by Noteholders. Each Noteholder shall have the right to assign and transfer this Guaranty to any assignee of any portion of the Liabilities. Each Noteholder's successors and assigns hereunder shall have the right to rely upon and enforce this Guaranty.

9. Joint and Several Obligations. The obligations of the Guarantors hereunder and all other Cumulative Guarantors shall be joint and several and each Guarantor shall be liable for all of the Liabilities to the extent provided herein regardless of any other Cumulative Guarantors, and each Noteholder shall have the right, in its sole discretion to pursue its remedies against any Guarantor without the need to pursue its remedies against any other Cumulative Guarantor, whether now or hereafter in existence, or against any one or more Cumulative Guarantors separately or against any two or more jointly, or against some separately and some jointly.

10. Representations and Warranties. Each Guarantor hereby represents and warrants to the Noteholders that:

(a) the execution, delivery and performance by the Guarantor of this Guaranty are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official, and do not contravene or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation or other charter documents or bylaws of such Guarantor, or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Guarantor, or result in the creation or imposition of any lien, security interest or other charge or encumbrance on any asset of such Guarantor;

(b) this Guaranty constitutes a legal, valid and binding agreement of each Guarantor, enforceable against such Guarantor in accordance with its terms;

(c) as of the date hereof, each of the following is true and correct for each Guarantor, assuming value is given to the rights of contribution and subrogation as described in Section 7 hereof: (i) the fair saleable value and the fair valuation of such Guarantor's property is greater than the total amount of its liabilities (including contingent liabilities) and greater than the amount that would be required to pay its probable aggregate liability on its existing debts as they become absolute and matured, (ii) each Guarantor's capital is not unreasonably small in relation to its current and/or contemplated business or other undertaken transactions and (iii) each Guarantor does not intend to incur, or believe that it will incur, debt beyond its ability to pay such debts as they become due; and

(d) the Company and the Guarantors are engaged as an integrated group in the business of providing related services; the integrated operation requires financing on such a basis that proceeds from the sale of Notes paid to the Company by the Purchasers can be made available from time to time to various subsidiaries of the Company, as required for the continued successful operation of the integrated group as a whole; and each Guarantor has requested that the Purchasers purchase the Notes from the Company for the purpose of financing the integrated operations of the Company and its subsidiaries, including such Guarantor, with such Guarantor expecting to derive benefit, direct or indirectly, from the purchase of the Notes by the Purchasers from the Company, both in such Guarantor's separate capacity and as a member of the integrated group, inasmuch as the successful operation and condition of such Guarantor is dependent upon the continued successful performance of the functions of the integrated group as a whole. Each of the Guarantors hereby determines and agrees that the execution, delivery and performance of this Guaranty are necessary and convenient to the conduct, promotion or attainment of the business of such Guarantor and in furtherance of the corporate purposes of such Guarantor.

11. Binding on Successors and Assigns. This Guaranty shall be the valid, binding and enforceable obligation of the Guarantors and their successors and assigns.

12. Indemnity. As a separate, additional and continuing obligation, each Guarantor unconditionally and irrevocably undertakes and agrees with each Noteholder that, should the Liabilities not be recoverable from any Guarantor as guarantor under this Guaranty for any reason whatsoever (including, without limitation, by reason of any provision of any of the Liabilities or the Note Agreements being or becoming void, unenforceable, or otherwise invalid under any applicable law) then, notwithstanding any knowledge thereof by any Noteholder at any time, each Guarantor as original and independent obligor, upon demand by the Noteholders, will make payment to the Noteholders of the Liabilities by way of a full indemnity.

13. Cumulative Rights and Remedies, Etc. The obligations of each Guarantor under this Guaranty are continuing obligations and a new cause of action shall arise in respect of each default hereunder. No course of dealing on the part of any Noteholder, nor any delay or failure

on the part of any Noteholder in exercising any right, power or privilege hereunder, shall operate as a waiver of such right, power, or privilege or otherwise prejudice the Noteholders' rights and remedies hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege. No right or remedy conferred upon or reserved to any Noteholder under this Guaranty is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing under any applicable law. Every right and remedy given by this Guaranty or by applicable law to the Noteholders may be exercised from time to time and as often as may be deemed expedient by any Noteholder.

14. Severability. If any one or more provisions of this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected, impaired, prejudiced or disturbed thereby, and any provision hereunder found partially unenforceable shall be interpreted to be enforceable to the fullest extent possible. If at any time all or any portion of the obligation of any Guarantor under this Guaranty would otherwise be determined by a court of competent jurisdiction to be invalid, unenforceable or avoidable under Section 548 of the federal Bankruptcy Code or under any fraudulent conveyance or transfer laws or similar applicable law of any jurisdiction, then notwithstanding any other provisions of this Guaranty to the contrary such obligation or portion thereof of such Guarantor under this Guaranty shall be limited to the greatest of (i) the value of any quantified economic benefits accruing to such Guarantor as a result of this Guaranty, (ii) an amount equal to 95% of the excess on the date the relevant Liabilities were incurred of the present fair saleable value of the assets of such Guarantor over the amount of all liabilities of such Guarantor, contingent or otherwise and (iii) the maximum amount of which this Guaranty is determined to be enforceable.

15. Merger, Amendments. This Guaranty is intended as a final expression of the subject matter hereof and is also intended as a complete and exclusive statement of the terms hereof. Each Guarantor's liability hereunder is independent of and in addition to its liability under any other guaranty previously or subsequently executed. No course of dealing, course of performance or trade usage, and no parole evidence of any nature, shall be used to supplement or modify any terms hereof, nor are there any conditions to the full effectiveness of this Guaranty. None of the terms and provisions of this Guaranty may be waived, altered, modified or amended in any way except by an instrument in writing executed by duly authorized officers of each Noteholder and the Guarantors.

16. Consent to Jurisdiction. Notwithstanding the place where any Liability originates or arises, or is to be repaid, any suit, action or proceeding arising out of or relating to this Guaranty or any of the Note Agreements may be instituted in any court of the United States of America or the State of Illinois, sitting in the City of Chicago, State of Illinois, and each Guarantor hereby irrevocably waives any objection which it may have or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such suit action or proceeding has been brought in an inconvenient forum; and each Guarantor hereby irrevocably submits his person and property to the jurisdiction of any such court in any such suit, action or proceeding. Each Guarantor hereby consents to the service of process in any suit action or proceeding of the nature referred to in this paragraph by the mailing of a copy thereof

by registered or certified mail, postage prepaid, or personally delivering a copy thereof to such Guarantor, at the address set forth under its signature below, or at such other address as such Guarantor may hereafter specify to the Noteholders in writing. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law or limit the right of the Noteholders to bring proceedings against any Guarantor or any of its property in the courts of any other jurisdiction in which it is subject to service of process. To the extent that any Guarantor now or hereafter may be entitled, in any jurisdiction in which proceedings may at any time be commenced with respect to this Guaranty or the transactions contemplated hereby, to claim itself or its revenues, assets or properties any immunity (including, without limitation, immunity from service of process, jurisdiction, suit, judgment, counterclaim, enforcement of or execution on a judgment attachment prior to the judgment, attachment in aid of execution of a judgment or other legal process), and to the extent that in any such jurisdiction there may be attributed any such immunity (whether or not claimed), such Guarantor hereby irrevocably undertakes not to claim and hereby irrevocably waives any such immunity to the fullest extent permitted by law. Each Guarantor irrevocably and generally consents in respect of any proceedings to the giving of any relief or the issue of any process in connection with those proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever of any order or judgment which may be made or given in those proceedings.

17. Governing Law; Headings. This Guaranty shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to the choice of law principles of such state. The headings of the various paragraphs hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof.

18. Notices. Any notice, demand, consent or request given or made to each Guarantor by any Noteholder shall be deemed to have been duly given or made if sent in writing (including telecommunications) to such Guarantor to the address or telex or telecopy number set forth below the name of such Guarantor on the signature page hereof, or at such other address or telex or telecopy number as such Guarantor may hereafter specify to the Noteholders in writing. All notices or other communications sent by means of telecopy, telex or other wire transmission shall be made with request for assurance of receipt in a manner typical with respect to communications of that type. Written notices or other communications shall be deemed delivered upon receipt if delivered by hand or by telecopy, three business days after mailing if mailed, or one business day after deposit with an overnight courier service if delivered by overnight courier. Notices or other communications delivered by hand shall be deemed delivered upon receipt.

19. WAIVER OF JURY TRIAL. THE NOTEHOLDERS, IN ACCEPTING THIS GUARANTY, AND THE GUARANTORS, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS GUARANTY OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS GUARANTY OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THEM. NEITHER THE NOTEHOLDERS NOR THE GUARANTORS SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER

ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ANY OF THE NOTEHOLDERS OR THE GUARANTORS EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM. THIS GUARANTY IS FREELY AND VOLUNTARILY GIVEN TO THE NOTEHOLDERS BY THE GUARANTORS WITHOUT ANY DURESS OR COERCION, AND AFTER EACH GUARANTOR HAS EITHER CONSULTED WITH COUNSEL OR BEEN GIVEN AN OPPORTUNITY TO DO SO. EACH GUARANTOR HAS CAREFULLY AND COMPLETELY READ ALL OF THE TERMS AND PROVISIONS OF THIS GUARANTY AND OF EACH NOTE AGREEMENT.

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UNIVERSAL FOREST PRODUCTS OF MODESTO
LLC

By
Its

TRESSTAR, LLC

By
Its

UNIVERSAL TRUSS, INC.

By
Its

UFP VENTURES, INC.

By
Its

UFP VENTURES II, INC.,

By
Its

UNIVERSAL FOREST PRODUCTS WESTERN
DIVISION, INC.

By
Its

UNIVERSAL FOREST PRODUCTS EASTERN
DIVISION, INC.

By
Its

SHOFFNER HOLDING COMPANY, INC.

By
Its

CONSOLIDATED BUILDING COMPONENTS, INC.

By
Its

UNIVERSAL FOREST PRODUCTS SHOFFNER,
LLC.

By
Its

UNIVERSAL FOREST PRODUCTS INDIANA
LIMITED PARTNERSHIP

By
Its

UNIVERSAL FOREST PRODUCTS TEXAS
LIMITED PARTNERSHIP

By
Its

UNIVERSAL FOREST PRODUCTS HOLDING
COMPANY, INC.

By
Its

UFP REAL ESTATE, INC.

By
Its

SYRACUSE REAL ESTATE, LLC

By

Its

UNIVERSAL FOREST PRODUCTS RECLAMATION
CENTER, INC.

By

Its

**UNIVERSAL FOREST PRODUCTS, INC.
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SELECTED FINANCIAL DATA*(In thousands, except per share and statistics data)*

	2010	2009	2008	2007	2006
Consolidated Statement of Earnings Data					
Net sales	\$ 1,890,851	\$ 1,673,000	\$ 2,232,394	\$ 2,513,178	\$ 2,664,572
Gross profit	229,955	243,664	254,201	309,029	381,682
Earnings before income taxes	27,041	38,597	7,146	38,609	112,135
Net earnings attributable to controlling interest	17,411	24,272	4,343	21,045	70,125
Diluted earnings per share	\$ 0.89	\$ 1.25	\$ 0.23	\$ 1.09	\$ 3.62
Dividends per share	\$ 0.400	\$ 0.260	\$ 0.120	\$ 0.115	\$ 0.110
Weighted average shares outstanding with common stock equivalents	19,476	19,468	19,225	19,362	19,370
Consolidated Balance Sheet Data					
Working capital ⁽¹⁾	\$ 262,105	\$ 248,165	\$ 230,308	\$ 337,800	\$ 282,913
Total assets	788,580	776,868	816,019	957,000	913,441
Total debt and capital lease obligations	55,291	53,854	101,174	206,071	170,097
Shareholders' equity	581,176	568,946	548,226	547,044	525,561
Statistics					
Gross profit as a percentage of net sales	12.2%	14.6%	11.4%	12.3%	14.3%
Net earnings attributable to controlling interest as a percentage of net sales	0.9%	1.5%	0.2%	0.8%	2.6%
Return on beginning equity ⁽²⁾	3.1%	4.4%	0.8%	4.0%	15.9%
Current ratio	3.19	3.06	2.53	3.08	2.47
Debt to equity ratio	0.10	0.09	0.18	0.38	0.32
Book value per common share ⁽³⁾	\$ 30.06	\$ 29.50	\$ 28.72	\$ 28.93	\$ 27.87

(1) Current assets less current liabilities.

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

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

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

Universal Forest Products, Inc. ("the Company") is a holding company that provides capital, management and administrative resources to subsidiaries that design, manufacture and market wood and wood-alternative products for DIY/retail home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for the site-built construction market, and specialty wood packaging and components and packing materials for various industries. The Company's subsidiaries also provide framing services for the site-built market and forming products for concrete construction. The Company's consumer products subsidiary offers a large portfolio of outdoor living products, including wood composite decking, decorative balusters, post caps and plastic lattice. Its lawn and garden group offers an array of products, such as trellises and arches, to retailers nationwide. The Company is headquartered in Grand Rapids, Michigan, and its subsidiaries operate facilities throughout North America. For more about Universal Forest Products, Inc., go to www.ufpi.com.

We advise you to read the issues discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with our Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in this Annual Report for the year ended December 25, 2010. We also encourage you to read our Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission. That report includes "Risk Factors" that you should consider in connection with any decision to buy or sell our securities. We are pleased to present this overview of 2010.

OVERVIEW

Our results for 2010 were impacted by the following:

- Our overall unit sales increased 5% primarily due to our manufactured housing and industrial markets. During 2010, we believe we gained additional share of the manufactured housing and industrial markets and maintained our share of the DIY/retail market. Share gains in our industrial market have been achieved by adding many new customers while share gains in manufactured housing have been achieved by acquiring distribution operations. Finally, we recently closed several plants that supply the site-built housing market in order to achieve profitability and cash flow goals; consequently, we believe that these actions may temporarily cause us to lose some market share.
- After unusual volatility in the second quarter of 2010, the Lumber Market stabilized and was approximately 27% higher, on average, in 2010 compared to the same period of 2009. Consequently, the Lumber Market had the effect of increasing our overall selling prices for 2010.
- The Leading Indicator for Remodeling Activity, released by Harvard's Joint Center for Housing Studies, estimated in its' most recent report that consumer spending on homeowner remodeling improvements increased 4% in 2010, which impacts our DIY/retail market.

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

- National housing starts increased approximately 6% in 2010 compared to 2009, while production of HUD code manufactured homes were up 2% and production of modular homes increased by 12%. Housing starts and production of manufactured homes were positively impacted in the first half of the year by certain government tax credits that have now expired.
- The industrial market has improved as the U.S. economy slowly recovers. More significantly, we gained additional share of this market due, in part, to adding many new customers and continuing to penetrate the concrete forming business.
- Our gross margin decreased to 12.2% in 2010 compared to 14.6% in 2009 primarily due to the unusual Lumber Market volatility from January through the end of June of 2010. During this period, prices increased 48% to a peak of \$367/MBF in April and subsequently declined to \$247/MBF by the end of June. Since June, lumber prices stabilized for several months until the end of 2010. In order to meet anticipated customer demand during the peak of the selling season, our inventory purchases are generally very high from January through May, when lumber prices happened to be at their highest level in 2010. The subsequent decline in lumber prices resulted in a significant adverse impact on our gross margins from June through October on products we purchase and produce for inventory to meet anticipated demand and whose selling prices are indexed to the Lumber Market at the time they are shipped to the customer (such as high-volume treated lumber).
- Our cash flow from operating activities was \$29 million in 2010. Working capital increased primarily due to higher inventory levels at the end of December as a result of our purchasing strategy to buy inventory earlier at opportune times in order to protect margins on 2011 business, and higher receivables due to increasing sales.

HISTORICAL LUMBER PRICES

The following table presents the Random Lengths framing lumber composite price for the years ended December 25, 2010, December 26, 2009, and December 27, 2008.

	Random Lengths Composite Average \$/MBF		
	2010	2009	2008
January	\$ 264	\$ 198	\$ 249
February	312	199	244
March	310	195	240
April	351	208	255
May	333	198	281
June	267	222	268
July	251	238	267
August	245	239	282
September	250	236	272
October	254	235	234
November	275	245	224
December	279	252	213
Annual average	\$ 283	\$ 222	\$ 252
Annual percentage change	27.5%	(11.9%)	

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

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

	Random Lengths SYP Average \$/MBF		
	2010	2009	2008
January	\$ 269	\$ 241	\$ 269
February	331	233	264
March	337	232	264
April	382	241	272
May	374	231	324
June	293	236	318
July	264	253	303
August	249	241	304
September	252	244	309
October	249	242	269
November	262	247	257
December	260	250	248
Annual average	\$ 294	\$ 241	\$ 283
Annual percentage change	22.0%	(14.8%)	

IMPACT OF THE LUMBER MARKET ON OUR OPERATING PROFITS

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

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

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

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

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

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

- Products with significant inventory levels with low turnover rates, whose selling prices are indexed to the Lumber Market. In other words, the longer the period of time these products remain in inventory, the greater the exposure to changes in the price of lumber. This would include treated lumber, which comprises approximately 16% of our total sales. This exposure is less significant with remanufactured lumber, trusses sold to the manufactured housing market, and other similar products, due to the higher rate of inventory turnover. We attempt to mitigate the risk associated with treated lumber through vendor consignment inventory programs. *(Please refer to the “Risk Factors” section of our annual report on form 10-K, filed with the United States Securities and Exchange Commission.)*
- Products with fixed selling prices sold under long-term supply arrangements, particularly those involving multi-family construction projects. We attempt to mitigate this risk through our purchasing practices by locking in costs.

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

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

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

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

BUSINESS COMBINATIONS AND ASSET PURCHASES

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

RESULTS OF OPERATIONS

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

	Years Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	87.8	85.4	88.6
Gross profit	12.2	14.6	11.4
Selling, general, and administrative expenses	10.5	12.0	10.2
Net loss (gain) on disposition of assets and other impairment and exit charges	0.1	(0.0)	0.3
Earnings from operations	1.6	2.6	0.9
Interest, net	0.2	0.3	0.5
Earnings before income taxes	1.4	2.3	0.4
Income taxes	0.4	0.8	0.1
Net earnings	1.1	1.5	0.3
Less net earnings attributable to noncontrolling interest	(0.1)	(0.0)	(0.1)
Net earnings attributable to controlling interest	<u>0.9%</u>	<u>1.5%</u>	<u>0.2%</u>

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

GROSS SALES

We design, manufacture and market wood and wood-alternative products for DIY/retail home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for the site-built construction market, and specialty wood packaging and components and packing materials for various industries. Our strategic long-term sales objectives include:

- Diversifying our end market sales mix by increasing sales of specialty wood packaging to industrial users, increasing our penetration of the concrete forms market, increasing our sales of engineered wood components for custom home, multi-family and light commercial construction, and expanding our product lines in each of the markets we serve.

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

- Expanding geographically in our core businesses.
- Increasing sales of “value-added” products and framing services. Value-added product sales primarily consist of fencing, decking, lattice, and other specialty products sold to the DIY/retail market, specialty wood packaging, engineered wood components, and “wood alternative” products. Engineered wood components include roof trusses, wall panels, and floor systems. Wood alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales totals.
- Developing new products and expanding our product offering for existing customers.
- Maximizing unit sales growth while achieving return on investment goals.

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

Market Classification	Years Ended				
	December 25, 2010	% Change	December 26, 2009	% Change	December 27, 2008
DIY/Retail	\$ 814,207	1.4	\$ 803,269	(12.6)	\$ 919,200
Site-Built Construction	269,532	9.1	247,144	(45.4)	452,689
Industrial	595,354	24.5	478,137	(20.2)	598,915
Manufactured Housing	243,049	32.2	183,815	(39.4)	303,387
Total Gross Sales	1,922,142	12.3	1,712,365	(24.7)	2,274,191
Sales Allowances	(31,291)		(39,365)		(41,797)
Total Net Sales	\$ 1,890,851	13.0	\$ 1,673,000	(25.1)	\$ 2,232,394

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

	% Change		
	in Sales	in Selling Prices	in Units
2010 versus 2009	12%	7%	5%
2009 versus 2008	-25%	-6%	-19%
2008 versus 2007	-11%	-2%	-9%

Gross sales in 2010 increased 12% compared to 2009 resulting from an estimated increase in unit sales of approximately 5%, while overall selling prices increased by 7%. We estimate that our unit sales increased 2% as a result of business acquisitions and new plants, increased 5% as a result of existing operations, and declined 2% due to operations we recently closed. Our overall selling prices increased as a result of the Lumber Market (see “Historical Lumber Prices”).

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Gross sales in 2009 decreased 25% compared to 2008 resulting from an estimated decrease in unit sales of approximately 19%, while overall selling prices decreased by 6%. We estimate that our unit sales increased 1% as a result of business acquisitions and new plants, while our unit sales from existing and closed operations decreased by 20% due to a decline in market demand. Our overall selling prices fluctuated as a result of the Lumber Market and were negatively impacted by pricing pressure in the site-built construction market.

Changes in our sales by market are discussed below.

DIY/Retail:

Gross sales to the DIY/retail market increased 1% in 2010 compared to 2009 primarily due to an estimated 5% increase in overall selling prices due to the Lumber Market, offset by an estimated 4% decrease in overall unit sales. Unit sales declined due to a decrease in consumer spending which is evidenced by a drop in same store sales reported by our "big box" customers.

Gross sales to the DIY/retail market decreased 13% in 2009 compared to 2008 primarily due to an estimated 7% decrease in overall unit sales and an estimated 6% decrease in overall selling prices due to the Lumber Market. We estimate that our unit sales increased 1% as a result of acquisitions, while unit sales from existing and closed facilities decreased 8%. Unit sales declined due to the impact of the housing market on our retail customers whose business is closely correlated with single-family housing starts and a decline in consumer spending as evidenced by declines in same store sales reported by our "big box" customers. We believe that we achieved market share gains in 2009, which offset some of the impact of these adverse market conditions.

Site-Built Construction:

Gross sales to the site-built construction market increased 9% in 2010 compared to 2009, due to an estimated 3% increase in unit sales and an estimated 6% increase in selling prices primarily due to the Lumber Market. We estimate that our unit sales increased 2% as a result of business acquisitions and new plants, increased 12% as a result of existing operations, and declined 11% due to operations we recently closed. We have taken several recent plant closure actions in order to achieve profitability and cash flow objectives, which may temporarily result in a loss of market share. National housing starts increased approximately 6% for 2010 compared to the same period of 2009.

Gross sales to the site-built construction market decreased 45% in 2009 compared to 2008, due to an estimated 37% decrease in unit sales and an estimated 8% decrease in selling prices. National housing starts were off a reported 39% for 2009 compared to the same period of 2008.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Industrial:

Gross sales to the industrial market increased 25% in 2010 compared to the same period of 2009, due to an estimated 17% increase in unit sales and an estimated 8% increase in selling prices. The industrial market has improved as the U.S. economy continues to recover, but more significantly, we have been able to continue to gain market share due, in part, to adding many new customers and our continued penetration of the concrete forming market.

Gross sales to the industrial market decreased 20% in 2009 compared to the same period of 2008, due to an estimated 14% decrease in unit sales and an estimated 6% decrease in selling prices. We experienced a decline in sales to our customers that supply the housing market or have been impacted by the weakening U.S. economy. We were able to offset some of the impact of a decline in demand with market share gains and our continued penetration of the concrete forming market.

Manufactured Housing:

Gross sales to the manufactured housing market increased 32% in 2010 compared to the same period of 2009 primarily due to an estimated 17% increase in selling prices due to the Lumber Market and an estimated 15% increase in unit sales. The increase in unit sales was comprised of an estimated 6% increase out of existing plants and an estimated 10% increase due to acquisitions, offset by a 1% decline due to operations we recently closed. Shipments of HUD code manufactured homes were up 2% for 2010 compared to 2009. Industry production of modular homes increased 12% for the year.

Gross sales to the manufactured housing market decreased 39% in 2009 compared to the same period of 2008 primarily due to a decline in unit sales as a result of weak demand. Industry production of HUD code homes was off a reported 39% for 2009 compared to the same period of 2008. Modular home production was down an estimated 44% in 2009.

Value-Added and Commodity-Based Sales:

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

	<u>Value-Added</u>	<u>Commodity-Based</u>
2010	58.6%	41.4%
2009	59.4%	40.6%
2008	60.4%	39.6%

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

COST OF GOODS SOLD AND GROSS PROFIT

Our gross profit percentage decreased to 12.2% in 2010 from 14.6% in 2009. In addition, our gross profit dollars decreased by 5.6%, which compares unfavorably with our 5% increase in unit sales. The decrease was primarily due to unusual Lumber Market volatility from January through the end of June of 2010. During this period, prices increased 48% to a peak of \$367/MBF in April and subsequently declined to \$247/MBF by the end of June. Since June, lumber prices stabilized for several months until the end of 2010. In order to meet anticipated customer demand during the peak of the selling season, our inventory purchases are generally very high from January through May, when lumber prices happened to be at their highest level in 2010. The subsequent decline in lumber prices resulted in a significant adverse impact on our gross margins from June through October on products we purchase and produce for inventory to meet anticipated demand and whose selling prices are indexed to the Lumber Market at the time they are shipped to the customer (such as high-volume treated lumber). (See "Impact of the Lumber Market on Our Operating Results".) Additionally, we achieved lower labor and overhead costs as a percentage of sales this year due to efficiency gains, which offset some the decline in gross margin discussed above.

Our gross profit percentage increased to 14.6% in 2009 from 11.4% in 2008. Our gross profit dollars decreased by only 4.1%, which compares favorably with our 19% decrease in unit sales. Our improved gross margin was primarily due to cost reductions consisting of:

- An improvement in material costs as a percentage of net sales as a result of better buying and inventory management to protect margins.
- An improvement in labor and plant overhead as a percentage of net sales due to plant consolidation and right-sizing efforts previously taken.
- Lower freight costs due to fuel prices.

In addition, the lower level of the Lumber Market caused our gross margin to increase. (See "Impact of the Lumber Market on Our Operating Results".)

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses decreased by approximately \$3.3 million, or 1.7%, in 2010 compared to 2009, while we reported a 5% increase in unit sales. New operations added \$4.8 million of expenses, operations we closed decreased expenses by \$21.4 million, and existing operations increased expenses by \$13.3 million. The increase in SG&A expenses at our existing operations was primarily due to increases in wages and other compensation related costs, variable selling costs, and accrued expense associated with an officer retirement plan. These increases were partially offset by decreases in bad debt expense and accrued bonus expense. Our SG&A expenses decreased as a percentage of sales primarily due to the factors above. The higher level of the Lumber Market also contributed to the improvement in this ratio.

Selling, general and administrative ("SG&A") expenses decreased by approximately \$27.6 million, or 12.1%, in 2009 compared to 2008, while we reported a 19% decrease in unit sales. New operations added \$0.6 million of expenses, operations we closed decreased expenses by \$15.5 million, and existing operations reduced expenses by \$12.7 million. The decrease in SG&A expenses at our existing operations was primarily due to a decline in wages and related costs due to a reduction in headcount and a decline in many other account categories as a result of efforts to control costs. These decreases were partially offset by an increase in accrued bonus and bad debt expense. Our SG&A expenses increased as a percentage of sales primarily due to the lower level of the Lumber Market, accrued bonus, and bad debt expense.

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NET LOSS (GAIN) ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENT AND EXIT CHARGES

We incurred \$2.0 million, \$4.1 million and \$7.7 million of charges in 2010, 2009 and 2008, respectively, relating to asset impairments and other costs associated with idled facilities and down-sizing efforts. These costs were offset by gains on the sale of certain real estate totaling \$4.2 million and \$0.5 million in 2009 and 2008, respectively. See Notes to Consolidated Financial Statements, Note D "Assets Held for Sale and Net Loss (Gain) on Disposition of Assets and Other Impairment and Exit Charges."

We regularly review the performance of each of our operations and make decisions to permanently or temporarily close operations based on a variety of factors including:

- Current and projected earnings, cash flow and return on investment
- Current and projected market demand
- Market share
- Competitive factors
- Future growth opportunities
- Personnel and management

We currently have 6 operations which are experiencing operating losses and negative cash flow for 2010. The net book value of the long-lived assets of these operations, which could be subject to an impairment charge in the future in the event a closure action is taken, was \$1.7 million at the end of 2010. In addition, these operations had future fixed operating lease payments totaling \$0.2 million at the end of 2010.

INSURANCE PROCEEDS

In May, 2008 our plant in Windsor, CO was hit by a tornado. In accordance with Accounting Standards Codification ("ASC") 605, *Accounting for Involuntary Conversions of Non-Monetary Assets to Monetary Assets*, we have written off the net book value of the destroyed inventory and property totaling \$0.7 million. The insured value of the property exceeded its net book value, which was recorded as a gain in 2008. In 2008, we collected \$0.8 million of the insurance receivable and in 2009 we collected \$1.0 million. As of December 26, 2009, there was no remaining insurance receivable.

INTEREST, NET

Net interest costs decreased \$1.0 million in 2010 compared to 2009 primarily due to lower debt balances throughout 2010 and payments to reduce long-term debt during 2009, which carried higher rates of interest.

Net interest costs were lower in 2009 compared to 2008 due to lower debt balances combined with a decrease in short-term interest rates upon which our variable rate debt is based.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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INCOME TAXES

Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes and permanent tax differences. Our effective tax rate decreased to 26.6% in 2010 compared to 35.9% in 2009. This decrease is primarily due to removing a valuation allowance against a deferred tax asset for one of our wholly-owned subsidiaries. Our effective tax rate differs from the federal statutory rate primarily due to estimated state and local income taxes and certain permanent tax differences. See Notes to Consolidated Financial Statements, Note L, "Income Taxes".

Our effective tax rate increased to 35.9% in 2009 compared to 23.6% in 2008. Our pre-earnings increased substantially in 2009 and the research and development tax credit and certain state income tax credits represented a lower percentage of pre-tax earnings in 2009 than they did in 2008.

OFF-BALANCE SHEET TRANSACTIONS AND CONTRACTUAL OBLIGATIONS

We have no significant off-balance sheet transactions other than operating leases. The following table summarizes our contractual obligations as of December 25, 2010 (in thousands).

Contractual Obligation	Payments Due by Period				Total
	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years	
Long-term debt and capital lease obligations	\$ 712	\$ 42,379		\$ 12,200	\$ 55,291
Estimated interest on long-term debt	2,546	2,610	\$ 129	536	5,821
Operating leases	7,276	5,984	2,624	727	16,611
Capital project purchase obligations	1,977				1,977
Total	\$ 12,511	\$ 50,973	\$ 2,753	\$ 13,463	\$ 79,700

As of December 25, 2010, we also had \$31.3 million in outstanding letters of credit issued during the normal course of business, as required by some vendor contracts.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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LIQUIDITY AND CAPITAL RESOURCES

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

	December 25, 2010	December 26, 2009	December 27, 2008
Cash from operating activities	\$ 29,337	\$ 126,874	\$ 75,214
Cash from investing activities	(42,773)	(3,329)	(11,367)
Cash from financing activities	(10,611)	(56,135)	(107,452)
Net change in cash and cash equivalents	(24,047)	67,410	(43,605)
Cash and cash equivalents, beginning of year	67,410	0	43,605
Cash and cash equivalents, end of year	<u>\$ 43,363</u>	<u>\$ 67,410</u>	<u>\$ 0</u>

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

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

Due to the seasonality of our business and the effects of the Lumber Market, we believe our cash cycle (days sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital management. Our cash cycle remained flat at 45 days in 2010 and 2009 due to a one day decrease in our receivables cycle offset by a one day decrease in our payables cycle.

Cash provided by operating activities was approximately \$29.3 million in 2010, which was comprised of net earnings of \$17.4 million and \$40.5 million of non-cash expenses, offset by a \$28.6 million increase in working capital since the end of 2009. Working capital increased primarily due to higher inventory levels at the end of December as a result of our purchasing strategy to buy inventory earlier at opportune times in order to protect margins on 2011 business, and higher receivables due to increasing sales.

Capital expenditures were \$27.0 million in 2010 and we have outstanding purchase commitments on existing capital projects totaling approximately \$2.0 million on December 25, 2010. We intend to fund capital expenditures and purchase commitments through our operating cash flows.

Cash flows used in investing activities also include \$6.5 million spent to acquire assets of certain operations that distribute a wide range of products to the manufactured housing industry. (See Notes to Consolidated Financial Statements, Note C, "Business Combinations".) In addition, we purchased certain technology and intangible assets to produce new products for approximately \$4.6 million. Finally, we advanced \$5.8 million of notes receivable to finance certain construction projects that we believe will result in future sales of engineered wood components and framing services.

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Cash flows used in financing activities included \$7.7 million for dividends. Our Board of Directors approved two semi-annual dividends of \$0.20 per share each, which were paid in June and December of 2010. In addition, we spent approximately \$5.0 million for repurchases of our common stock. On October 14, 2010, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. The total number of shares that may be repurchased under this program is almost 3 million shares. Our practice has been to repurchase an appropriate number of shares each year to offset share issuances occurring under certain of our employee benefit plans, and to purchase additional shares at times when the price is at a pre-determined level.

On December 25, 2010, we had \$2.1 million outstanding on our \$300 million revolving credit facility, which matures in February of 2012. The revolving credit facility supports letters of credit totaling approximately \$31.3 million on December 25, 2010. Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest and fixed charge coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on December 25, 2010.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

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

CRITICAL ACCOUNTING POLICIES

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

ACCOUNTS RECEIVABLE ALLOWANCES

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

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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SELF-INSURANCE RESERVES

We are primarily self-insured for certain employee health benefits, and have self-funded retentions for general liability, automobile liability, property and workers' compensation. We are fully self-insured for environmental liabilities. The general liability, automobile liability, property, workers' compensation, and certain environmental liabilities are managed through a wholly-owned insurance captive; the related assets and liabilities of which are included in the consolidated financial statements as of December 25, 2010. Our accounting policies with respect to the reserves are as follows:

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

REVENUE RECOGNITION

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

LONG-LIVED ASSETS AND GOODWILL

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

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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FORWARD OUTLOOK

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

"Route 2012"

Our four-year growth plan entitled "Route 2012," included goals to be achieved by the end of our fiscal year 2012 including:

- Increase sales to \$3 billion as our markets recover from the current downturn and by increasing our market share and expanding our product lines.
- Improve productivity by 15% through our Continuous Improvement initiative.
- Improve profitability by three hundred basis points through productivity improvements, cost reductions, and growth.
- Improve receivables cycles in our industrial, site-built and manufactured housing markets by 10% by reducing the amount of our receivables that are paid past the agreed upon due date.
- Improve inventory turnover by 10%.

The pace of the economic recovery and in particular, the recovery of the housing market, has been much slower than we or industry analysts anticipated. As a result, this has significantly impacted our ability to achieve certain goals above. Therefore, we have lengthened our timeline for achieving these goals until the end of 2014 in order to provide additional time for the anticipated economic recovery and recovery in housing to take hold.

In the first half of 2010, our sales to the site-built construction and manufactured housing markets were favorably impacted by government tax credits for housing which have now expired.

DIY/RETAIL MARKET

Harvard's Joint Center for Housing Studies projects home improvement spending to show healthy gains in 2011, reflecting favorable interest rates, increasing home sales and the strengthening economy. Conversely, the Home Improvement Research Institute ("HIRI") anticipates a continued delay in the recovery of home improvement spending and has forecasted a 1.6% growth rate in 2011. HIRI's long-term forecast is for spending to grow between 5.5% and 7.0% from 2012 to 2015.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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In 2011, we believe we will maintain our overall market share with “big box” home improvement and other retailers. We believe our product mix will change to include more sales of preservative-treated products, offset by a decline in sales of composite decking.

On a long-term basis, it is our goal to achieve sales growth by:

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

SITE-BUILT CONSTRUCTION MARKET

The *Mortgage Bankers Association of America* forecasts a 9% increase in national housing starts to an estimated 647,000 starts in 2011. The *National Association of Home Builders* forecasts starts of 708,000, a 20% increase from 2010. In 2011, we believe we are well-positioned to capture our share of an increase that may occur in housing starts. However, due to recent plant closures to achieve profitability targets our growth may trail the market in 2011.

On a long-term basis, we anticipate growth in our sales to the site-built construction market as market conditions improve and as a result of market share gains as weaker competitors exit the market. In addition, it is our goal to improve our diversification of sales to this market by increasing our sales to the multi-family, light commercial, military and customer home building markets.

MANUFACTURED HOUSING MARKET

The *National Association of Home Builders* forecasts a 26% increase in manufactured home shipments in 2011. It is our goal to maintain our current market share of trusses produced for the HUD code market. On a long-term basis, we believe the HUD code market will regain a greater share of the single-family market as credit conditions normalize and as consumers seek more affordable housing alternatives.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Sales of modular homes are expected to continue to be impacted by the current oversupply of single-family housing and tight credit conditions. It is our goal to maintain our market share of trusses produced for the modular market as a result of our strong relationships with modular builders, design services and proprietary products. On a long-term basis, we anticipate modular housing will gain additional share of the single-family market as a result of more developers adopting the controlled building environment of modular construction as a method of cost control.

In addition, on a long-term basis, it is our goal to continue to expand our product offering to manufactured housing customers. We may continue to use strategic business acquisitions to help us achieve this goal.

INDUSTRIAL MARKET

One of our key strategic objectives is to increase our sales of wood packaging products to industrial users. We believe the vast amount of hardwood and softwood lumber consumed for industrial applications, combined with the highly fragmented nature of this market provides us with significant market share growth opportunities as a result of our competitive cost advantages in manufacturing, purchasing, and material utilization. To take advantage of these opportunities, we plan to continue to obtain market share through an internal growth strategy utilizing our current manufacturing capabilities and dedicated industrial sales force. On a long-term basis, we plan to evaluate strategic acquisition opportunities and continue to gain market share with concrete forming customers, and expand our product offering to customers.

GROSS PROFIT

We believe the following factors may impact our gross profits and margins in 2011:

- Our ability to maintain sales and gross margins on products sold to our largest customers. We believe our level of service, geographic diversity, and quality of products provides an added value to our customers. However, if our customers are unwilling to pay for these advantages, our sales and gross margins may be reduced.
- Through at least the first half of 2011 we expect to continue to experience soft demand in each of our markets, which, in turn, may impact our sales prices, capacity utilization, and profitability. In the first half of 2010, our sales to site-built and manufactured housing customers were favorably impacted by government tax credits for housing which have now expired.
- Fluctuations in the relative level of the Lumber Market and the trend in the market price of lumber. (See "Impact of the Lumber Market on our Operating Results.")
- Fuel and transportation cost trends.
- Our ability to continue to achieve productivity improvements and planned cost reductions through our Continuous Improvement and other initiatives.

UNIVERSAL FOREST PRODUCTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Since the third quarter of 2008, as a result of weak market conditions, we have continuously taken actions to close plants to better align our manufacturing capacity with the current business environment and reduce our headcount and certain overhead costs to better align our cost structure with current demand and sales. We expect that these actions will continue to favorably impact our SG&A expenses in 2011. In addition, bonus expense for all salaried employees is based on operating profits and return on investment and will continue to fluctuate based on our operating results.

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

- Our growth in sales to the industrial market and, when industry conditions improve, the site-built construction market. Our sales to these markets require a higher ratio of SG&A costs due, in part, to product design requirements.
- Our incentive compensation program which is tied to pre-bonus operating profits and return on investment.
- Our growth and success in achieving Continuous Improvement objectives.

LIQUIDITY AND CAPITAL RESOURCES

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

Management expects to spend \$30 to \$35 million on capital expenditures in 2011 and incur depreciation of approximately \$30 million and amortization of intangible assets of approximately \$5 million. On December 25, 2010, we had outstanding purchase commitments on capital projects of approximately \$2.0 million. We intend to fund capital expenditures and purchase commitments through our operating cash flows and cash.

We have no present intention to change our dividend policy, which is currently \$0.20 per share paid semi-annually.

Our Board of Directors has approved a share repurchase program, and as of December 25, 2010, we have authorization to buy back approximately 3.0 million shares. In the past, we have repurchased shares in order to offset the effect of issuances resulting from our employee benefit plans and at times when our stock price falls to a pre-determined level.

We are also obligated to pay amounts due on long-term debt totaling approximately \$0.7 million in 2011.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

We assessed the effectiveness of our internal control over financial reporting as of December 25, 2010, and management has concluded that as of December 25, 2010, our internal control over financial reporting was effective.

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

Universal Forest Products, Inc.

February 22, 2011

**Report of Independent Registered Public Accounting Firm
On Internal Control over Financial Reporting**

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

We have audited Universal Forest Products, Inc. and subsidiaries internal control over financial reporting as of December 25, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Universal Forest Products, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Universal Forest Products, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 25, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries as of December 25, 2010 and December 26, 2009 and the related consolidated statements of income, shareholder's equity, and cash flows for each of the three fiscal years in the period ended December 25, 2010 and our report dated February 22, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 22, 2011

**Report of Independent Registered Public Accounting Firm
On Financial Statements**

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

We have audited the accompanying consolidated balance sheets of Universal Forest Products, Inc. and subsidiaries as of December 25, 2010 and December 26, 2009, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three fiscal years in the period ended December 25, 2010. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Universal Forest Products, Inc. and subsidiaries at December 25, 2010 and December 26, 2009, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 25, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Universal Forest Products, Inc. and subsidiaries' internal control over financial reporting as of December 25, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 22, 2011

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 25, 2010	December 26, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 43,363	\$ 67,410
Accounts receivable, net	126,780	107,383
Inventories:		
Raw materials	113,049	89,956
Finished goods	77,341	72,192
Inventory	190,390	162,148
Assets held for sale	2,446	
Other current assets	9,742	13,528
Refundable income taxes		10,391
Deferred income taxes	9,278	7,680
TOTAL CURRENT ASSETS	381,999	368,540
OTHER ASSETS	11,455	4,478
GOODWILL	154,702	154,718
INDEFINITE-LIVED INTANGIBLE ASSETS	2,340	2,340
OTHER INTANGIBLE ASSETS, NET	15,933	16,693
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	105,857	107,115
Building and improvements	162,995	161,861
Machinery, equipment and office furniture	245,764	240,904
Construction in progress	3,177	894
PROPERTY, PLANT AND EQUIPMENT, GROSS	517,793	510,774
Less accumulated depreciation and amortization	(295,642)	(280,675)
PROPERTY, PLANT AND EQUIPMENT, NET	222,151	230,099
TOTAL ASSETS	\$ 788,580	\$ 776,868
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 59,481	\$ 49,664
Accrued liabilities:		
Compensation and benefits	43,909	48,340
Other	15,792	21,698
Current portion of long-term debt and capital lease obligations	712	673
TOTAL CURRENT LIABILITIES	119,894	120,375
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	54,579	53,181
DEFERRED INCOME TAXES	20,631	21,707
OTHER LIABILITIES	12,300	12,659
TOTAL LIABILITIES	207,404	207,922
SHAREHOLDERS' EQUITY:		
Controlling interest shareholders' equity:		
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none		
Common stock, no par value; shares authorized 40,000,000; issued and outstanding, 19,333,122 and 19,284,587	\$ 19,333	\$ 19,285
Additional paid-in capital	138,573	132,765
Retained earnings	414,108	409,278
Accumulated other comprehensive earnings	4,165	3,633
Employee stock notes receivable	(1,670)	(1,743)
Total controlling interest shareholders' equity	574,509	563,218
Noncontrolling interest	6,667	5,728
TOTAL SHAREHOLDERS' EQUITY	581,176	568,946
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 788,580	\$ 776,868

See notes to consolidated financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share data)

	Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
NET SALES	\$ 1,890,851	\$ 1,673,000	\$ 2,232,394
COST OF GOODS SOLD	<u>1,660,896</u>	<u>1,429,336</u>	<u>1,978,193</u>
GROSS PROFIT	229,955	243,664	254,201
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	197,617	200,939	228,557
NET LOSS (GAIN) ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENT AND EXIT CHARGES	<u>2,049</u>	<u>(92)</u>	<u>7,239</u>
EARNINGS FROM OPERATIONS	30,289	42,817	18,405
INTEREST EXPENSE	3,549	4,611	12,088
INTEREST INCOME	<u>(301)</u>	<u>(391)</u>	<u>(829)</u>
NON-OPERATING EXPENSE	<u>3,248</u>	<u>4,220</u>	<u>11,259</u>
EARNINGS BEFORE INCOME TAXES	27,041	38,597	7,146
INCOME TAXES	<u>7,200</u>	<u>13,852</u>	<u>1,686</u>
NET EARNINGS	19,841	24,745	5,460
LESS NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(2,430)</u>	<u>(473)</u>	<u>(1,117)</u>
NET EARNINGS ATTRIBUTABLE TO CONTROLLING INTEREST	<u>\$ 17,411</u>	<u>\$ 24,272</u>	<u>\$ 4,343</u>
EARNINGS PER SHARE — BASIC	\$ 0.91	\$ 1.26	\$ 0.23
EARNINGS PER SHARE — DILUTED	\$ 0.89	\$ 1.25	\$ 0.23
WEIGHTED AVERAGE SHARES OUTSTANDING	19,232	19,256	19,074
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	19,476	19,468	19,225

See notes to consolidated financial statements.

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

(in thousands, except share and per share data)

	Controlling Interest Shareholders' Equity							Total
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehen- sive Earnings	Employees Stock Notes Receivable	Noncontrolling Interest		
Balance at December 29, 2007	\$ 18,908	\$ 123,368	\$ 391,253	\$ 4,704	\$ (1,565)	\$ 10,376	\$ 547,044	
Comprehensive earnings:								
Net earnings			4,343			1,117		
Foreign currency translation adjustment				(2,351)		(1,071)		
Total comprehensive earnings							2,038	
Capital contribution from noncontrolling interest						419	419	
Purchase of additional noncontrolling interest						(844)	(844)	
Distributions to noncontrolling interest						(3,654)	(3,654)	
Cash dividends — \$0.120 per share			(2,284)				(2,284)	
Issuance of 174,528 shares under employee stock plans	175	3,030					3,205	
Issuance of 3,706 shares under stock grant programs	4	100					104	
Issuance of 15,288 shares under deferred compensation plans	15	(15)					—	
Received 19,857 shares for the exercise of stock options	(20)	(622)					(642)	
Tax benefits from non-qualified stock options exercised		878					878	
Expense associated with share-based compensation arrangements		1,136					1,136	
Accrued expense under deferred compensation plans		725					725	
Issuance of 7,374 shares in exchange for employee stock notes receivable	7	230			(237)		—	
Payments received on employee stock notes receivable					101		101	
Balance at December 27, 2008	\$ 19,089	\$ 128,830	\$ 393,312	\$ 2,353	\$ (1,701)	\$ 6,343	\$ 548,226	
Comprehensive earnings:								
Net earnings			24,272			473		
Foreign currency translation adjustment				1,280		85		
Total comprehensive earnings							26,110	
Capital contribution from noncontrolling interest						14	14	
Purchase of additional noncontrolling interest		(853)				(917)	(1,770)	
Distributions to noncontrolling interest						(270)	(270)	
Cash dividends — \$0.260 per share			(5,017)				(5,017)	
Issuance of 130,265 shares under employee stock plans	130	2,290					2,420	
Issuance of 79,216 shares under stock grant programs	80	29					109	
Issuance of 74,229 shares under deferred compensation plans	74	(74)					—	
Repurchase of 90,122 shares	(90)		(3,289)				(3,379)	
Received 1,602 shares for the exercise of stock options	(2)	(33)					(35)	
Tax benefits from non-qualified stock options exercised		730					730	
Deferred income tax asset reversal for deferred compensation plans		(518)					(518)	
Expense associated with share-based compensation arrangements		1,597					1,597	
Accrued expense under deferred compensation plans		646					646	
Issuance of 3,721 shares in exchange for employee stock notes receivable	4	121			(125)		—	
Payments received on employee stock notes receivable					83		83	
Balance at December 26, 2009	\$ 19,285	\$ 132,765	\$ 409,278	\$ 3,633	\$ (1,743)	\$ 5,728	\$ 568,946	
Comprehensive earnings:								
Net earnings			17,411			2,430		
Foreign currency translation adjustment				532		235		
Total comprehensive earnings							20,608	
Capital contribution from noncontrolling interest						450	450	

Purchase of additional noncontrolling interest		(295)		(932)		(1,227)
Distributions to noncontrolling interest				(1,244)		(1,244)
Cash dividends — \$0.400 per share			(7,727)			(7,727)
Issuance of 111,258 shares under employee stock plans	111	2,222				2,333
Issuance of 73,857 shares under stock grant programs	74	140				214
Issuance of 9,046 shares under deferred compensation plans	9	(9)				—
Repurchase of 144,900 shares	(145)		(4,854)			(4,999)
Tax benefits from non-qualified stock options exercised		598				598
Expense associated with share-based compensation arrangements		2,418				2,418
Accrued expense under deferred compensation plans		776				776
Issuance of 1,298 shares in exchange for employee stock notes receivable	1	49		(50)		—
Note receivable adjustment	(2)	(91)		42		(51)
Payments received on employee stock notes receivable				81		81
Balance at December 25, 2010	\$ 19,333	\$ 138,573	\$ 414,108	\$ 4,165	\$ (1,670)	\$ 6,667
						\$ 581,176

See notes to consolidated financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings attributable to controlling interest	\$ 17,411	\$ 24,272	\$ 4,343
Adjustments to reconcile net earnings attributable to controlling interest to net cash from operating activities:			
Depreciation	30,429	32,917	37,570
Amortization of intangibles	6,919	8,308	9,797
Expense associated with share-based compensation arrangements	2,418	1,597	1,136
Excess tax benefits from share-based compensation arrangements	(430)	(603)	(171)
Expense associated with stock grant plans	214	109	104
Deferred income taxes (credit)	(2,708)	4,744	(7,747)
Net earnings attributable to noncontrolling interest	2,430	473	1,117
Gain on insurance settlement			(598)
Net loss (gain) on sale or impairment of property, plant and equipment	1,239	(773)	7,062
Changes in:			
Accounts receivable	(18,428)	31,071	4,287
Inventories	(24,946)	31,522	42,922
Accounts payable	9,646	(862)	(33,490)
Accrued liabilities and other	5,143	(5,901)	8,882
NET CASH FROM OPERATING ACTIVITIES	29,337	126,874	75,214
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(26,950)	(15,604)	(18,944)
Investment in joint venture		(659)	
Acquisitions, net of cash received	(6,529)		(23,338)
Proceeds from sale of property, plant and equipment	835	11,724	30,367
Purchase of product technology and non-compete agreement	(4,589)		
Advances on notes receivable	(5,780)	(14)	(997)
Collections on notes receivable	227	171	556
Insurance proceeds		1,023	800
Other, net	13	30	189
NET CASH FROM INVESTING ACTIVITIES	(42,773)	(3,329)	(11,367)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net borrowings (repayments) under revolving credit facilities	2,109	(30,257)	(24,148)
Repayment of long-term debt	(744)	(19,207)	(80,824)
Borrowings of long-term debt		800	
Proceeds from issuance of common stock	2,333	2,420	2,957
Purchase of additional noncontrolling interest	(1,227)	(1,770)	
Distributions to noncontrolling interest	(1,244)	(270)	(3,654)
Capital contribution from noncontrolling interest	450	14	419
Dividends paid to shareholders	(7,727)	(5,017)	(2,284)
Repurchase of common stock	(4,999)	(3,379)	
Excess tax benefits from share-based compensation arrangements	430	603	171
Other, net	8	(72)	(89)
NET CASH FROM FINANCING ACTIVITIES	(10,611)	(56,135)	(107,452)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(24,047)	67,410	(43,605)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	67,410	—	43,605
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 43,363	\$ 67,410	\$ —

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

	Year Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:			
Cash paid (refunded) during the period for:			
Interest	\$ 3,554	\$ 4,905	\$ 12,418
Income taxes	(1,698)	12,346	(8)
NON-CASH INVESTING ACTIVITIES:			
Stock acquired through employees' stock notes receivable	50	125	237
NON-CASH FINANCING ACTIVITIES:			
Common stock issued under deferred compensation plans	306	338	443
See notes to consolidated financial statements			

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

We design, manufacture and market wood and wood-alternative products for DIY/retail home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for the site-built construction market, and specialty wood packaging and components and packing materials for various industries. Our principal products include preservative-treated wood, remanufactured lumber, lattice, fence panels, deck components, specialty packaging, engineered trusses, wall panels, and other building products.

PRINCIPLES OF CONSOLIDATION

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

NONCONTROLLING INTEREST IN SUBSIDIARIES

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

FISCAL YEAR

Our fiscal year is a 52 or 53 week period, ending on the last Saturday of December. Unless otherwise stated, references to 2010, 2009, and 2008 relate to the fiscal years ended December 25, 2010, December 26, 2009, and December 27, 2008, respectively. Fiscal years 2010, 2009, and 2008 were comprised of 52 weeks.

FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined in accordance with ASC 825, *Financial Instruments*. Significant differences in the fair market value and recorded value of our debt is disclosed in Note F. The fair values of all other financial instruments approximate their carrying values. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

The fair value estimates presented herein are based on pertinent information available to management as of December 25, 2010. Although we are not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly-liquid investments purchased with an original maturity of three months or less. Cash equivalents totaled approximately \$44.1 million and \$44.9 million as of December 25, 2010 and December 26, 2009, respectively.

ACCOUNTS RECEIVABLE

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

ACCOUNTS RECEIVABLE ALLOWANCES

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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

	Beginning Balance	Additions Charged to Costs and Expenses	Deductions*	Collections	Ending Balance
Year Ended December 25, 2010:					
Allowance for possible losses on accounts receivable	\$ 2,897	\$ 12,412	\$ (15,253)	\$ 2,555	\$ 2,611
Year Ended December 26, 2009:					
Allowance for possible losses on accounts receivable	\$ 2,440	\$ 23,984	\$ (24,600)	\$ 1,073	\$ 2,897
Year Ended December 27, 2008:					
Allowance for possible losses on accounts receivable	\$ 2,403	\$ 24,734	\$ (25,453)	\$ 756	\$ 2,440

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

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

INVENTORIES

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

PROPERTY, PLANT, AND EQUIPMENT

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

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

FOREIGN CURRENCY TRANSLATION

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

SELF-INSURANCE RESERVES

We are primarily self-insured for certain employee health benefits, and have self-funded retentions for general liability, automobile liability, property and workers' compensation. We are fully self-insured for environmental liabilities. The general liability, automobile liability, property, workers' compensation, and certain environmental liabilities are managed through a wholly-owned insurance captive; the related assets and liabilities of which are included in the consolidated financial statements as of December 25, 2010 and December 26, 2009. Our policy is to accrue amounts equal to actuarially determined or internally computed liabilities. The actuarial and internal valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical cost trends, and changes in claims experience could cause these estimates to change in the future.

INCOME TAXES

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

REVENUE RECOGNITION

Revenue is recognized at the time the product is shipped to the customer. Generally, title passes at the time of shipment. In certain circumstances, the customer takes title when the shipment arrives at the destination. However, our shipping process is typically completed the same day.

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

The following table presents the balances of percentage-of-completion and completed contract accounts on December 25, 2010 and December 26, 2009 which are included in other current assets and other accrued liabilities, respectively (in thousands):

	2010	2009
Cost and Earnings in Excess of Billings	\$ 3,604	\$ 9,998
Billings in Excess of Cost and Earnings	2,126	8,954

SHIPPING AND HANDLING OF PRODUCT

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

LONG-LIVED ASSETS

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

EARNINGS PER SHARE

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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):

	2010			2009			2008		
	Income (Num- erator)	Shares (Denom- inator)	Per Share Amount	Income (Num- erator)	Shares (Denom- inator)	Per Share Amount	Income (Num- erator)	Shares (Denom- inator)	Per Share Amount
Net Earnings	\$17,411			\$24,272			\$ 4,343		
EPS — Basic									
Income available to common stockholders	17,411	19,232	\$ 0.91	24,272	19,256	\$ 1.26	4,343	19,074	\$ 0.23
Effect of Dilutive Securities									
Options		244			212			151	
EPS — Diluted									
Income available to common stockholders and assumed options exercised	\$17,411	19,476	\$ 0.89	\$24,272	19,468	\$ 1.25	\$ 4,343	19,225	\$ 0.23

Options to purchase 10,000, 10,000 and 230,000 shares of common stock were not included in the computation of diluted EPS for 2010, 2009 and 2008, respectively, because the options' exercise prices were greater than the average market price of the common stock during the period and, therefore, would be antidilutive.

USE OF ACCOUNTING ESTIMATES

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

RECLASSIFICATIONS

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

B. FAIR VALUE

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

(in thousands)	December 25, 2010			December 26, 2009		
	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Total
Recurring:						
Money market funds	\$ 67		\$ 67			
Mutual funds:				\$ 883		\$ 883
Domestic stock funds	459		459			
International stock funds	408		408			
Target funds	119		119			
Bond funds	55		55			
Total mutual funds	1,108		1,108	883		883
Non-Recurring:						
Property, plant and equipment		\$ 1,071	1,071		\$ 1,385	1,385
	\$ 1,108	\$ 1,071	\$ 2,179	\$ 883	\$ 1,385	\$ 2,268

Mutual funds are valued at prices quoted in an active exchange market. Property, plant and equipment are valued based on active market prices and other relevant information for sales of similar assets. We have elected not to apply the fair value option under ASC 825, *Financial Instruments*, to any of our financial instruments except for those expressly required by U.S. GAAP.

We do not maintain any Level 3 assets or liabilities that would be based on significant unobservable inputs.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

C. BUSINESS COMBINATIONS

We completed the following business combinations in fiscal 2010 and 2008, which were accounted for using the purchase method (in millions). No business combinations were completed in fiscal 2009.

Company Name	Acquisition Date	Purchase Price	Intangible Assets	Net Tangible Assets	Operating Segment	Business Description
Shepherd Distribution Co. (“Shepherd”)	April 29, 2010	\$5.9 (asset purchase)	\$ 2.2	\$ 3.7	Distribution Division	Distributes shingle underlayment, bottom board, house wrap, siding, poly film and other products to manufactured housing and RV customers. Headquartered in Elkhart, Indiana, it has distribution capabilities throughout the United States. Purchased 100% of the inventory, property, plant and equipment, and intangibles
Service Supply Distribution, Inc. (“Service Supply”)	March 8, 2010	\$0.6 (asset purchase)	\$ 0.0	\$ 0.6	Distribution Division	Distributes certain plumbing, electrical, adhesives, flooring, paint and other products to manufactured housing and RV customers. Headquartered in Cordele, Georgia, it has distribution capabilities throughout the United States. Purchased 100% of the inventory, property, plant and equipment
D-Stake Mill and Manufacturing Country (“D-Stake”)	June 9, 2008	\$7.1 (asset purchase)	\$ 5.1	\$ 2.0	Western Division	Manufactures kiln stickers, lath, stakes, decking, and pallets and pallet components for a variety of industries including manufacturing, retail and agriculture. Plants are located in McMinnville, OR and Independence, OR. Combined 2007 sales were \$18.5 million. Purchased 100% of the inventory, property, plant and equipment, and intangibles
Shawnlee Construction, LLC (“Shawnlee”)	April 1, 2008	\$1.8 (asset purchase)	\$ 1.0	\$ 0.8	Atlantic Division	Provides framing services for multi-family construction in the northeast. Located in Plainville, MA. As of April 1, 2008 we owned a 90% membership interest and have purchased an additional 5% interest each year.
Romano Construction Company, Ltd. (“Romano”)	March 15, 2008	\$0.4 (asset purchase)	\$ 0.2	\$ 0.2	Atlantic Division	Provides framing services and is located in Middletown, NY. Purchased 100% of the property, plant and equipment and intangibles
International Wood Industries, Inc. (“IWI”)	February 4, 2008	\$14.0 (stock purchase)	\$ 10.6	\$ 3.4	Western Division	Manufactures and distributes industrial products, including specialty boxes, crates, pallets and skids. Headquartered in Turlock, CA with distribution sites in Hawaii and Alaska. 2007 sales were \$40.0 million. Purchased 100% voting interest

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

The amounts assigned to major intangible classes for business combinations mentioned above are as follows (in millions):

	Non-compete agreements	Customer Relationships	Goodwill - Total	Goodwill - Tax Deductible
Shepherd	\$ 0.5	\$ 1.4	\$ 0.3	\$ 0.3
D-Stake	1.0	1.9	2.2	2.2
Shawnlee	0.3	0.4	0.3	0.3
Romano	0.2			
IWI	2.4	5.6	2.6	0.0

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

D. ASSETS HELD FOR SALE AND NET LOSS (GAIN) ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENT AND EXIT CHARGES

Included in “Assets held for sale” on our Consolidated Balance Sheets is certain property, plant and equipment totaling \$2.4 million on December 25, 2010. The assets held for sale consist of certain vacant land and facilities we closed to better align manufacturing capacity with the current business environment. The fair values were determined based on appraisals or recent offers to acquire assets. These and other idle assets were evaluated based on the requirements of ASC 360, which resulted in impairment and other exit charges included in “Net loss (gain) on disposition of assets and other impairment and exit charges” for the years ended December 25, 2010, December 26, 2009 and December 27, 2008, respectively. These amounts include the following, separated by reporting segment (in millions):

	December 25, 2010			December 26, 2009			December 27, 2008		
	Eastern and Western Divisions	Atlantic Division	All Other	Eastern and Western Divisions	Atlantic Division	All Other	Eastern and Western Divisions	Atlantic Division	All Other
Severances	\$ 0.6	\$ 0.2		\$ 0.3	\$ 0.4		\$ 0.6	\$ 0.5	\$ 0.3
Property, plant and equipment	0.5	0.1		1.9	0.2	\$ 0.4	2.1	0.7	0.8
Gain on sale of real estate				(3.4)	(0.8)			(0.5)	
Notes receivable								1.6	
Lease termination				0.1		0.5	0.5		
Other intangibles	0.6					0.3	0.6		

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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

Description	Net Book Value	Date of Sale	Net Sales Price
Assets held for sale as of December 27, 2008	\$ 8,296		
Additions	1,030		
Transfers to held for use	(3,057)		
Sale of certain real estate in Woodburn, Oregon	(2,806)	February 6, 2009	\$5.2 million
Sale of certain real estate in Dallas, Texas	(2,433)	May 13, 2009	\$3.4 million
Sale of certain real estate in Murrieta, California	(1,030)	June 10, 2009	\$0.9 million
Assets held for sale as of December 26, 2009	—		
Additions	2,446		
Assets held for sale as of December 25, 2010	<u>\$ 2,446</u>		

In 2009, we transferred certain assets back to held for use because we did not believe we would sell these assets within a year due to difficult economic conditions and competitive factors. Appropriate “catch-up” adjustments were recorded for depreciation associated with the transfer of these assets to held for use.

E. GOODWILL AND OTHER INTANGIBLE ASSETS

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

The following amounts were included in other intangible assets, net as of December 25, 2010 and December 26, 2009 (in thousands):

	2010		2009	
	Assets	Accumulated Amortization	Assets	Accumulated Amortization
Non-compete agreements	\$ 12,569	\$ (9,214)	\$ 18,162	\$ (11,182)
Customer relationships	16,219	(9,199)	19,813	(11,643)
Licensing agreements	4,589	(229)		
Patents	2,980	(1,782)	2,980	(1,437)
Total	<u>\$ 36,357</u>	<u>\$ (20,424)</u>	<u>\$ 40,955</u>	<u>\$ (24,262)</u>

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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

Non-compete agreements	5 to 10 years
Customer relationship	5 to 8 years
Licensing agreements	10 years

Amortization expense of intangibles totaled \$6.9 million, \$8.3 million and \$9.8 million in 2010, 2009 and 2008, respectively. The estimated amortization expense for intangibles for each of the five succeeding fiscal years is as follows (in thousands):

2011	\$ 5,183
2012	2,918
2013	2,170
2014	1,836
2015	1,612
Thereafter	2,214
Total	\$ 15,933

The changes in the net carrying amount of goodwill and indefinite-lived intangible assets for the years ended December 25, 2010 and December 26, 2009, are as follows (in thousands):

	Goodwill	Indefinite- Lived Intangible Assets
Balance as of December 27, 2008	\$ 156,923	\$ 2,340
Final purchase price allocations	(2,326)	
Deferred income tax adjustment	121	
Balance as of December 26, 2009	\$ 154,718	\$ 2,340
Acquisitions	309	
Final purchase price allocations	(325)	
Balance as of December 25, 2010	<u>\$ 154,702</u>	<u>\$ 2,340</u>

F. DEBT

We have a five-year, \$300 million unsecured revolving credit facility, which includes amounts reserved for letters of credit. Cash borrowings are charged interest based upon an index equal to the Eurodollar rate (in the case of borrowings in US Dollars) or the bankers' acceptance rate quoted (in the case of borrowings in Canadian Dollars), plus a margin (ranging from 27 to 90 basis points, based upon our financial performance). We are also charged an annual facility fee on the entire amount of the lending commitment (ranging from 8 to 25 basis points, based upon our performance), and a usage premium (ranging from 5 to 12.5 basis points, based upon our performance) at times when borrowings in US Dollars exceed \$150 million. The average borrowing rate on this facility was 0.8% in both 2010 and 2009, respectively. The amount outstanding on the revolving credit facility is included in the long-term debt summary below. The revolving credit facility supports letters of credit that we may be required to issue.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

Outstanding letters of credit extended on our behalf aggregated \$31.3 million on December 25, 2010, which includes approximately \$12.4 million related to industrial development revenue bonds. Outstanding letters of credit extended on our behalf aggregated \$32.3 million on December 26, 2009, which includes approximately \$12.4 million related to industrial development revenue bonds. Letters of credit have terms ranging from one to three years, and include an automatic renewal clause. The letters of credit are charged an annual interest rate ranging from 27 to 90 basis points under the \$300 million facility, based upon our financial performance.

Long-term debt and capital lease obligations are summarized as follows on December 25, 2010 and December 26, 2009 (amounts in thousands):

	2010	2009
Series 2002-A Senior Notes Tranche B, due on December 18, 2012, interest payable semi-annually at 6.16%	\$ 40,000	\$ 40,000
Revolving credit facility totaling \$300 million due on February 12, 2012, interest due monthly at a floating rate (1.2% on December 25, 2010)	2,109	
Series 1999 Industrial Development Revenue Bonds, due on August 1, 2029, interest payable monthly at a floating rate (0.55% on December 25, 2010)	3,300	3,300
Series 2000 Industrial Development Revenue Bonds, due on October 1, 2020, interest payable monthly at a floating rate (0.52% on December 25, 2010)	2,700	2,700
Series 2001 Industrial Development Revenue Bonds, due on November 1, 2021, interest payable monthly at a floating rate (0.53% on December 25, 2010)	2,500	2,500
Series 2002 Industrial Development Revenue Bonds, due on December 1, 2022, interest payable monthly at a floating rate (0.51% on December 25, 2010)	3,700	3,700
Capital lease obligations, interest imputed at 5.37%	458	892
Other	524	762
	55,291	53,854
Less current portion	712	673
Long-term portion	\$ 54,579	\$ 53,181

Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on December 25, 2010 and December 26, 2009.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

On December 25, 2010, the principal maturities of long-term debt and capital lease obligations are as follows (in thousands):

2011	\$ 712
2012	42,379
2013	
2014	
2015	
Thereafter	12,200
	<u>\$ 55,291</u>

On December 25, 2010, the estimated fair value of our long-term debt, including the current portion, was \$55.9 million, which was \$0.6 million greater than the carrying value. The estimated fair value is based on rates anticipated to be available to us for debt with similar terms and maturities.

G. LEASES

Leased property included in the balance sheet on December 25, 2010 and December 26, 2009 is as follows (in thousands):

	2010	2009
Machinery and equipment	\$ 1,345	\$ 1,345
Less accumulated amortization	(672)	(224)
	<u>\$ 673</u>	<u>\$ 1,121</u>

We lease certain real estate under operating and capital lease agreements with original terms ranging from one to ten years. We are required to pay real estate taxes and other occupancy costs under these leases. Certain leases carry renewal options of five to fifteen years. We also lease motor vehicles, equipment, and an aircraft under operating lease agreements for periods of one to ten years. Future minimum payments under non-cancelable leases on December 25, 2010 are as follows (in thousands):

	Capital Leases	Operating Leases	Total
2011	\$ 472	\$ 7,276	\$ 7,748
2012		3,950	3,950
2013		2,034	2,034
2014		1,423	1,423
2015		1,201	1,201
Thereafter		727	727
Total minimum lease payments	<u>\$ 472</u>	<u>\$ 16,611</u>	<u>\$ 17,083</u>
Less imputed interest		(14)	
Present value of minimum lease payments	<u>\$ 458</u>		

Rent expense was approximately \$13.8 million, \$16.7 million, and \$19.9 million in 2010, 2009, and 2008, respectively.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

H. DEFERRED COMPENSATION

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

We also maintain a non-qualified deferred compensation plan (the "Plan") for the benefit of senior management employees who may elect to defer a portion of their annual bonus payments and salaries. The Plan provides investment options similar to our 401(k) plan, including our stock. The investment in our stock is funded by the issuance of shares to a Rabbi trust, and may only be distributed in kind. Assets held by the Plan totaled approximately \$1.1 million and \$0.9 million on December 25, 2010 and December 26, 2009, respectively, and are included in "Other Assets." Related liabilities totaled \$5.3 million and \$4.9 million on December 25, 2010 and December 26, 2009, respectively, and are included in "Other Liabilities" and "Shareholders' Equity." Assets of the Plan are recorded at fair market value. The related liabilities are recorded at fair market value, with the exception of obligations associated with investments in our stock which are recorded at the market value on the date of deferral.

I. COMMON STOCK

On June 1, 1993, our shareholders approved the Incentive Stock Option Plan (the "Plan") for certain officers of the Company. The remaining options were exercisable within thirty days of the anniversary of the Plan in 2008. There are no options outstanding under the Plan.

In January 1994, the Employee Stock Gift Program was approved by the Board of Directors which allows us to gift shares of stock to eligible employees based on length of service. We gifted shares of stock under this Plan in 2010, 2009, and 2008, and recognized the market value of the shares at the date of issuance as an expense totaling approximately \$38,000, \$45,000, and \$45,000, respectively.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

In April 2002, our shareholders approved the 2002 Employee Stock Purchase Plan (“2002 Stock Purchase Plan”) to succeed the Employee Stock Purchase Plan originally approved in 1994. In April 2008, our shareholders authorized additional shares to be allocated to the 2002 Stock Purchase Plan. The plan allows eligible employees to purchase shares of our stock at a share price equal to 85% of fair market value on the purchase date. In 2010, 2009, and 2008, shares were issued under this Plan for amounts totaling approximately \$427,000, \$454,000, and \$582,000, respectively. The weighted average discounted per share fair value of these shares was \$28.56, \$29.10, and \$25.92, respectively. Upon adoption of ASC 718, *Compensation — Stock Compensation*, (“ASC 718”), we have expensed the fair value of the compensation associated with these awards, which approximates the discount.

In April 1994, our shareholders approved the Directors’ Retainer Stock Plan (“Stock Retainer Plan”). In April 2007, our shareholders authorized additional shares to be distributed pursuant to this plan. The Stock Retainer Plan allows eligible members of the Board of Directors to defer their retainer fees and receive shares of our stock at the time of their retirement, disability or death. The number of shares to be received is equal to the amount of the retainer fee deferred multiplied by 110%, divided by the fair market value of a share of our stock at the time of deferral. The number of shares is increased by the amount of dividends paid on the Company’s Common Shares Outstanding. Shareholders’ equity includes approximately \$1.5 million and \$1.1 million on December 25, 2010 and December 26, 2009, respectively, for obligations incurred under this Plan. In 2009, distributions totaled approximately \$600,000, all of which was paid in shares of our common stock. There were no distributions in 2010 or 2008.

In January 1997, we instituted a Directors’ Stock Grant Program. In lieu of a cash increase in the amount of Directors’ fees, each outside Director receives 100 shares of stock for each board meeting attended up to a maximum of 400 shares per year. In 2010, 2009, and 2008, we issued shares and recognized the market value of the shares on the date of issuance as an expense totaling approximately \$102,000, \$63,000, and \$58,000, respectively.

On April 15, 2009, our shareholders approved an amended and restated Long Term Stock Incentive Plan (the “LTSIP”). The LTSIP reserves 1,000,000 shares, plus a balance of unused shares from prior plans of approximately 1.6 million shares, plus an annual increase of no more than 200,000 shares per year which may be added on the date of the annual meeting of shareholders. The LTSIP provides for the granting of stock options, reload options, stock appreciation rights, restricted stock, performance shares and other stock-based awards. No options were granted under the LTSIP in 2010, 2009 or 2008.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

The following stock grants are outstanding under the LTSIP:

- On April 17, 2002, a Conditional Share Grant was made which will grant our Executive Chairman 10,000 shares of common stock immediately upon the satisfaction of the terms and conditions set forth in the grant. Shareholders' equity includes approximately \$245,000 and \$245,000 on December 25, 2010 and December 26, 2009, respectively, for this grant.
- Shares of common stock were issued on February 9, 2009 for Performance Share Grants made on February 3, 2006.
- On January 16, 2007, Conditional Share Grants were made which will grant certain employees 500 shares each of common stock immediately upon vesting in 2017, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$66,000 and \$49,000 on December 25, 2010 and December 26, 2009, respectively, for this grant.
- On February 23, 2007, shares were issued into a Deferred Stock Bonus Plan for certain employees. These shares are distributable upon retirement, subject to conditions set forth in the plan. Shareholders' equity includes approximately \$1.0 million on December 25, 2010 and \$1.4 million December 26, 2009, respectively, for this grant.
- On January 16, 2008, Conditional Share Grants were made which will grant certain employees 500 shares each of common stock immediately upon vesting in 2018, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$32,000 and \$21,000 on December 25, 2010 and December 26, 2009, respectively, for this grant.
- On February 8, 2008, Conditional Share Grants were made which granted certain employees approximately 94,000 shares of common stock on February 15, 2011, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$2.5 million and \$1.3 million on December 25, 2010 and December 26, 2009, respectively, for this grant.
- On January 21, 2009, Conditional Share Grants were made which will grant certain employees 500 shares each of common stock immediately upon vesting in 2019, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$7,000 and \$3,000 on December 25, 2010 and December 26, 2009, respectively, for this grant.
- On February 1, 2009, approximately 75,000 shares of common stock were issued into a deferred compensation plan for certain employees and independent directors. The shares will be vested on February 1, 2014, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$0.7 million and \$0.5 million on December 25, 2010 and December 26, 2009, respectively, for this grant.
- On January 14, 2010, Conditional Share Grants were made which will grant certain employees 500 shares each of common stock immediately upon vesting in 2020, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$7,000 on December 25, 2010, for this grant.
- On February 1, 2010, approximately 73,000 shares of common stock were issued into a deferred compensation plan for certain employees and independent directors. The shares will be vested on February 1, 2015, subject to conditions set forth in the grant. Shareholders' equity includes approximately \$0.7 million December 25, 2010, for this grant.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

As of December 25, 2010, a total of approximately 3.1 million shares are reserved for issuance under the plans mentioned above.

On November 14, 2001, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2,500,000 shares of our common stock. On October 14, 2010, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. We repurchased 144,900 and 91,724 shares under this program in 2010 and 2009, respectively. As of December 25, 2010, cumulative total authorized shares available for repurchase is approximately 3.0 million shares.

Common stock activity for 2010, 2009 and 2008 was as follows:

	2010	2009	2008
Shares issued under plan:			
Employee Stock Purchase	14,948	15,614	22,474
Stock Option Exercises	96,310	114,651	152,054
Employee stock plans	111,258	130,265	174,528
Stock gift	1,154	1,466	1,606
Executive Stock Grant	67,692	74,750	
Conditional Stock Grant	2,011		
Directors' Retainer Stock		23,413	
Directors' Stock Grant	3,000	3,000	2,100
Stock grant plans	73,857	102,629	3,706
Deferred compensation	9,046	50,816	15,288
Stock notes receivable, net	(726)	3,721	7,374
Shares received for exercise of stock options		(1,602)	(19,857)
Stock repurchase	(144,900)	(90,122)	
	48,535	195,707	181,039
Beginning common stock	19,284,587	19,088,880	18,907,841
Ending common stock	<u>19,333,122</u>	<u>19,284,587</u>	<u>19,088,880</u>

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

J. STOCK-BASED COMPENSATION

We account for share-based compensation using the fair value recognition provisions of ASC 718, *Compensation — Stock Compensation*, (“ACS 718”), which we have adopted using the modified-prospective-transition method effective January 1, 2006. As discussed in Note I, Common Stock, we provide compensation benefits to employees and non-employee directors under several share-based payment arrangements including the Employee Stock Gift Program, the 2002 Employee Stock Purchase Plan, the Directors’ Retainer Stock Plan, the Directors’ Stock Grant Program and the Long-Term Stock Incentive Plan.

Stock Option Plans

To date, other than certain, relatively nominal conditional share grants, performance share awards and deferred share awards that are permitted under the LTSIP, we have only issued options under the LTSIP. Vesting requirements for awards under this plan will vary by individual grant and, as to outstanding awards, and are subject to time-based vesting. The contractual life of all of the options granted under this plan is no greater than 15 years.

The fair value of each option award is estimated as of the date of grant using the Black-Scholes option pricing model. Expected volatility assumptions used were based on historical volatility of our stock. We utilize historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The risk-free rate for the expected term of the option award was based on the U.S. Treasury yield curve in effect at the time of the grant. No new option awards were granted in 2010, 2009 or 2008 and therefore no specific valuation assumptions are presented.

The following summary presents information regarding outstanding options as of December 25, 2010 and changes during the period then ended with regard to options under all stock option plans:

	Stock Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 26, 2009	473,878	\$ 23.34		
Exercised	(96,310)	\$ 19.80		
Forfeited or expired	(17,571)	\$ 28.60		
Outstanding at December 25, 2010	<u>359,997</u>	<u>\$ 24.04</u>	<u>2.35</u>	<u>\$ 5,012,758</u>
Vested or expected to vest at December 25, 2010	<u>197,000</u>	<u>\$ 24.69</u>	<u>2.79</u>	<u>\$ 2,613,885</u>
Exercisable at December 25, 2010	<u>162,997</u>	<u>\$ 23.24</u>	<u>1.82</u>	<u>\$ 2,398,873</u>

The total intrinsic value of options exercised during 2010, 2009 and 2008 was \$1.8 million \$2.3 million and \$2.4 million, respectively.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

Employee Stock Purchase Plan

In 2010, 2009 and 2008, we issued shares under this plan totaling 14,948, 15,614 and 22,474, respectively. In 2010, 2009 and 2008, the weighted average fair values per share of employee stock purchase rights pursuant to this plan were \$5.04, \$5.14 and \$4.57, respectively. The fair value of the stock purchase rights approximated the difference between the stock price and the employee purchase price.

Directors' Retainer Stock Plan

We recognized the fair market value of the shares issued under this plan, calculated using the number of shares issued and the stock price on the issuance date, as expense and recorded the related obligation in shareholders' equity. In 2010, 2009 and 2008, we recognized approximately \$467,000, \$317,000 and \$268,000, respectively, in expense for shares issued under this program.

Directors' Stock Grant Program

In 2010, 2009 and 2008, we recognized the fair market value of the shares issued under this plan, calculated using the number of shares issued and the stock price on the issuance date, as an expense totaling approximately \$102,000, \$63,000 and \$58,000, respectively.

Conditional Share Grant Agreements

In 2010, 2009 and 2008, we recognized the fair value of the awards estimated as of the date of grant. We recognized approximately \$112,000, \$118,000 and \$50,000, respectively, in expense for shares issuable under this program.

All Share-Based Payment Arrangements

The total share-based compensation cost and the related total income tax benefit that has been recognized in results of operations was approximately \$1,920,000 and \$1,140,000, respectively in 2010. The total share-based compensation cost and the related total income tax benefit that has been recognized in results of operations was approximately \$1,252,000 and \$724,000, respectively in 2009. The total share-based compensation cost and the related total income tax benefit that has been recognized in results of operations was approximately \$820,000 and \$255,000, respectively in 2008.

In 2010, 2009 and 2008, cash received from option exercises and share issuances under our plans was \$2.3 million, \$2.4 million and \$3.0 million, respectively. The actual tax benefit realized in 2010, 2009 and 2008 for the tax deductions from option exercises totaled \$0.6 million, \$0.7 million and \$0.9 million, respectively.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

K. RETIREMENT PLANS

We have a profit sharing and 401(k) plan for the benefit of substantially all of our employees, excluding the employees of certain non-wholly-owned subsidiaries. Amounts contributed to the plan are made at the discretion of the Board of Directors. We matched 25% of employee contributions in 2010 and 2009, on a discretionary basis, totaling \$1.4 million and \$1.4 million, respectively. We matched 50% of employee contributions in 2008, on a discretionary basis, totaling \$3.5 million. The basis for matching contributions may not exceed the lesser of 6% of the employee's annual compensation or the IRS limitation.

On July 14, 2010, the compensation committee of the board of directors approved a retirement plan for officers whereby we will pay, upon retirement, benefits totaling 150% of the officer's highest base salary in the three years immediately preceding separation from service plus health care benefits for a specified period of time if certain eligibility requirements are met. Approximately \$1.4 million is accrued in other liabilities for this plan at December 25, 2010.

L. INCOME TAXES

Income tax provisions for the years ended December 25, 2010, December 26, 2009, and December 27, 2008 are summarized as follows (in thousands):

	2010	2009	2008
Currently Payable:			
Federal	\$ 4,762	\$ 4,411	\$ 5,566
State and local	1,768	1,452	915
Foreign	3,344	2,602	3,169
	<u>9,874</u>	<u>8,465</u>	<u>9,650</u>
Net Deferred:			
Federal	384	4,868	(5,768)
State and local	(689)	337	(1,951)
Foreign	(2,369)	182	(245)
	<u>(2,674)</u>	<u>5,387</u>	<u>(7,964)</u>
	<u>\$ 7,200</u>	<u>\$ 13,852</u>	<u>\$ 1,686</u>

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

	2010	2009	2008
U.S.	\$ 16,115	\$ 29,806	\$ (702)
Foreign	10,926	8,791	7,848
Total	<u>\$ 27,041</u>	<u>\$ 38,597</u>	<u>\$ 7,146</u>

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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

	2010	2009	2008
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local taxes (net of federal benefits)	2.4	1.9	(1.3)
Effect of noncontrolling owned interest in earnings of partnerships	(1.8)	0.1	(2.2)
Manufacturing deduction	(1.6)	(0.8)	(4.0)
Research and development tax credits	(1.4)	(1.8)	(14.0)
Change in valuation allowance	(10.5)	(1.4)	1.1
Nondeductible amortization of goodwill	1.6	1.2	5.7
Meals and entertainment	1.6	1.1	6.6
Other, net	1.3	0.6	(3.3)
Effective income tax rate	<u>26.6%</u>	<u>35.9%</u>	<u>23.6%</u>

Temporary differences which give rise to deferred income tax assets and (liabilities) on December 25, 2010 and December 26, 2009 are as follows (in thousands):

	2010	2009
Employee benefits	\$ 6,626	\$ 5,189
Foreign subsidiary net operating loss	1,350	1,782
Accrued expenses	3,855	3,769
Other, net	<u>3,836</u>	<u>3,764</u>
Gross deferred income tax assets	15,667	14,504
Valuation allowance		<u>(2,712)</u>
Deferred income tax assets	15,667	11,792
Depreciation	(17,762)	(17,522)
Intangibles	(9,269)	(7,799)
Inventory	148	(421)
Other, net	<u>(137)</u>	<u>(77)</u>
Deferred income tax liabilities	(27,020)	(25,819)
Net deferred income tax liability	<u>\$ (11,353)</u>	<u>\$ (14,027)</u>

At the end of 2009, the valuation allowance consists of a net operating loss carryforward we have for a wholly-owned subsidiary. As a result of cumulative historical losses of this subsidiary, our ability to realize a future benefit from this loss carryforward was in doubt, therefore, we established an allowance for the entire amount of the future benefit. The allowance was removed in 2010 as a result of increased profitability in this subsidiary. This carryforward will expire at the end of 2027.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

M. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

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

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

	2010	2009
Gross unrecognized tax benefits beginning of year	\$ 10,311	\$ 11,034
(Decrease) Increase in tax positions for prior years	(7,124)	116
Increase in tax positions for current year	278	512
Settlements with taxing authorities	(1,565)	(778)
Lapse in statute of limitations	(427)	(573)
Gross unrecognized tax benefits end of year	<u>\$ 1,473</u>	<u>\$ 10,311</u>

The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$1.5 million and \$10.3 million at December 25, 2010 and December 26, 2009, respectively. We recognized interest and penalties for unrecognized tax benefits in our provision for income taxes. The liability for unrecognized tax benefits included accrued interest and penalties of \$0.2 million and \$0.3 million at December 25, 2010 and December 26, 2009, respectively.

We file income tax returns in the United States and in various state, local and foreign jurisdictions. During 2010, the Internal Revenue Service examination for tax years 2004 — 2008 was resolved. For the majority of state and foreign jurisdictions, we are no longer subject to income tax examinations for years before 2004. A number of state and local examinations are currently ongoing. It is possible that these examinations may be resolved within the next twelve months. Due to the potential for resolution of state examinations, and the expiration of various statutes of limitation, it is reasonably possible that our gross unrecognized tax benefits may change within the next twelve months by a range of \$0.3 million to \$1.0 million.

N. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

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

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

On a consolidated basis, we have reserved approximately \$3.4 million on December 25, 2010 and \$4.3 million on December 26, 2009, representing the estimated costs to complete future remediation efforts. These amounts have not been reduced by an insurance receivable.

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

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

In addition, on December 25, 2010, we were parties either as plaintiff or a defendant to a number of lawsuits and claims arising through the normal course of our business. In the opinion of management, our consolidated financial statements will not be materially affected by the outcome of these contingencies and claims.

On December 25, 2010, we had outstanding purchase commitments on capital projects of approximately \$2.0 million.

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

In certain cases we supply building materials and labor to site-built construction projects or we jointly bid on contracts with framing companies for such projects. In some instances we are required to post payment and performance bonds to insure the owner that the products and installation services are completed in accordance with our contractual obligations. We have agreed to indemnify the surety for claims made against the bonds. As of December 25, 2010, we had approximately \$13.5 million in outstanding payment and performance bonds, which expire during the next two years. In addition, approximately \$29.8 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

We have entered into operating leases for certain assets that include a guarantee of a portion of the residual value of the leased assets. If, at the expiration of the initial lease term, we do not exercise our option to purchase the leased assets and these assets are sold by the lessor for a price below a predetermined amount, we will reimburse the lessor for a certain portion of the shortfall. These operating leases will expire periodically over the next three years. The estimated maximum aggregate exposure of these guarantees is approximately \$0.6 million.

On December 25, 2010 we had outstanding letters of credit totaling \$31.3 million, primarily related to certain insurance contracts and industrial development revenue bonds described further below.

In lieu of cash deposits, we provide irrevocable letters of credit in favor of our insurers to guarantee our performance under certain insurance contracts. We currently have irrevocable letters of credit outstanding totaling approximately \$19.0 million for these types of insurance arrangements. We have reserves recorded on our balance sheet, in accrued liabilities, that reflect our expected future liabilities under these insurance arrangements.

We are required to provide irrevocable letters of credit in favor of the bond trustees for all of the industrial development revenue bonds that we have issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately \$12.4 million related to our outstanding industrial development revenue bonds. These letters of credit have varying terms but may be renewed at the option of the issuing banks.

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

Many of our wood treating operations utilize “Subpart W” drip pads, defined as hazardous waste management units by the EPA. The rules regulating drip pads require that the pad be “closed” at the point that it is no longer intended to be used for wood treating operations or to manage hazardous waste. Closure involves identification and disposal of contaminants which are required to be removed from the facility. The cost of closure is dependent upon a number of factors including, but not limited to, identification and removal of contaminants, cleanup standards that vary from state to state, and the time period over which the cleanup would be completed. Based on our present knowledge of existing circumstances, it is considered probable that these costs will approximate \$0.7 million. As a result, this amount is recorded in other long-term liabilities on December 25, 2010.

We did not enter into any new guarantee arrangements during 2010 which would require us to recognize a liability on our balance sheet.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

O. CONSULTING & NON-COMPETE AGREEMENTS

On December 17, 2007 we entered into a consulting and non-compete agreement with our former CEO which provides for monthly payments for a term of three years that began upon retirement from Universal Forest Products, Inc. The present value of the vested portion of the non-compete payments totaling approximately \$1.1 million and \$1.8 million at December 25, 2010 and December 26, 2009, respectively, is accrued in other liabilities.

On December 31, 2007 the former President of Universal Forest Products Western Division, Inc. retired as an employee of Universal Forest Products, Inc., and we entered into an agreement with him which provides for monthly payments for a term of three years. The present value of these payments totaled approximately \$0.4 million at December 26, 2009 and was recorded in other liabilities. This obligation has been paid in full at December 25, 2010.

P. SEGMENT REPORTING

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

During 2010, we undertook a reorganization of our former Eastern division operating segment that occurred in two stages. The first stage involved a management restructuring whereby the division was divided into Northern and Southern operating segments during the first quarter of fiscal 2010. This realignment was further refined commencing on December 25, 2010 with a reorganization of the Northern and Southern operating segments into newly created Eastern and Atlantic divisions to better align management oversight with strategic growth opportunities and operational initiatives.

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

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

	2010				
	Eastern and Western Divisions	Atlantic Division	Corporate	All Other	Total
Net sales to outside customers	\$ 1,282,294	\$ 469,448	\$ —	\$ 139,109	\$ 1,890,851
Intersegment net sales	85,076	36,593	—	45,173	166,842
Interest expense	424	44	3,081	—	3,549
Amortization expense	4,492	96	—	2,331	6,919
Depreciation expense	17,147	5,501	4,710	3,071	30,429
Segment operating profit	23,389	6,654	(1,155)	1,401	30,289
Segment assets	459,048	152,711	96,245	80,576	788,580
Capital expenditures	12,150	2,448	7,754	4,598	26,950

	2009				
	Eastern and Western Divisions	Atlantic Division	Corporate	All Other	Total
Net sales to outside customers	\$ 1,160,216	\$ 409,661	\$ —	\$ 103,123	\$ 1,673,000
Intersegment net sales	75,347	35,501	—	33,058	143,906
Interest expense	523	30	4,005	53	4,611
Amortization expense	4,874	750	—	2,684	8,308
Depreciation expense	18,948	6,301	4,588	3,080	32,917
Segment operating profit	34,870	4,194	(2,092)	5,845	42,817
Segment assets	442,138	152,570	113,990	68,170	776,868
Capital expenditures	6,334	962	3,427	4,881	15,604

	2008				
	Eastern and Western Divisions	Atlantic Division	Corporate	All Other	Total
Net sales to outside customers	\$ 1,539,152	\$ 575,823	\$ —	\$ 117,419	\$ 2,232,394
Intersegment net sales	88,877	60,618	—	26,765	176,260
Interest expense	1,235	110	10,685	58	12,088
Amortization expense	4,755	2,105	—	2,937	9,797
Depreciation expense	22,166	6,796	5,024	3,584	37,570
Segment operating profit	9,704	4,614	5,462	(1,375)	18,405
Segment assets	503,531	180,590	58,762	73,136	816,019
Capital expenditures	9,702	2,526	4,279	2,437	18,944

In 2010, 2009, and 2008, 28%, 32%, and 27% of net sales, respectively, were to a single customer.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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

	2010		2009		2008	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
United States	\$1,844,289	\$ 373,709	\$1,630,763	\$ 374,831	\$2,170,933	\$ 418,603
Foreign	46,562	16,076	42,237	18,688	61,461	16,508
Total	\$1,890,851	\$ 389,785	\$1,673,000	\$ 393,519	\$2,232,394	\$ 435,111

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

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

	Value-Added	Commodity-Based
2010	58.6%	41.4%
2009	59.4%	40.6%
2008	60.4%	39.6%

Value-added product sales consist of fencing, decking, lattice, and other specialty products sold to the DIY/retail market, specialty wood packaging, engineered wood components, and wood-alternative products. Engineered wood components include roof trusses, wall panels, and floor systems. Wood-alternative products consist primarily of composite wood and plastics. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales totals. Commodity-based product sales consist primarily of remanufactured lumber and preservative treated lumber.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

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

	Years Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Value-Added Sales			
Trusses — site-built, modular and manufactured housing	\$ 167,165	\$ 160,242	\$ 365,155
Fencing	162,314	167,311	194,029
Decking and railing — composite, wood and other	162,699	156,400	167,722
Turn-key framing and installed sales	117,340	98,785	103,149
Industrial packaging and components	142,369	130,593	147,605
Engineered wood products (eg. LVL; i-joist)	46,069	35,386	57,631
Manufactured brite and other lumber	50,540	40,224	64,552
Wall panels	26,093	25,774	31,101
Outdoor DIY products (eg. stakes; landscape ties)	46,610	42,745	51,565
Construction and building materials (eg. door packages; drywall)	73,629	35,990	49,437
Lattice — plastic and wood	45,819	47,304	43,895
Manufactured brite and other panels	37,046	28,427	34,326
Siding, trim and moulding	19,469	20,384	28,879
Hardware	12,204	11,544	15,134
Manufactured treated lumber	11,706	12,535	14,354
Manufactured treated panels	4,562	2,991	4,904
Other	92	135	459
Total Value-Added Sales	1,125,726	1,016,770	1,373,897
Commodity-Based Sales			
Non-manufactured brite and other lumber	315,634	255,836	384,268
Non-manufactured treated lumber	305,756	296,936	345,211
Non-manufactured brite and other panels	147,845	116,645	138,448
Non-manufactured treated panels	21,330	21,373	24,534
Other	5,851	4,805	7,833
Total Commodity-Based Sales	796,416	695,595	900,294
Total Gross Sales	1,922,142	1,712,365	2,274,191
Sales allowances	(31,291)	(39,365)	(41,797)
Total Net Sales	\$ 1,890,851	\$ 1,673,000	\$ 2,232,394

Q. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected financial information for all of the quarters, each consisting of 13 weeks) during the years ended December 25, 2010 and December 26, 2009 (in thousands, except per share data):

	First		Second		Third		Fourth	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	\$392,958	\$361,722	\$638,635	\$514,945	\$480,574	\$457,768	\$378,685	\$338,565
Gross profit	51,634	46,821	77,886	82,485	54,415	69,263	46,021	45,095
Net earnings (loss)	1,720	(1,163)	14,468	16,455	3,198	10,260	455	(807)
Net earnings (loss) attributable to controlling interest	987	(1,207)	13,716	16,088	2,584	10,054	124	(663)
Basic earnings (loss) per share	0.05	(0.06)	0.71	0.84	0.13	0.52	0.01	(0.03)
Diluted earnings (loss) per share	0.05	(0.06)	0.70	0.83	0.13	0.51	0.01	(0.03)

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

R. SUBSEQUENT EVENTS

On February 1, 2011, an approved stock grant was made for certain employees and independent directors which will grant shares of common stock immediately upon the satisfaction of certain terms and conditions. We estimate that we will recognize total expense of approximately \$2.6 million over the next five years for this grant.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

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

Fiscal 2010	High	Low
Fourth Quarter	39.01	27.84
Third Quarter	33.09	25.76
Second Quarter	46.63	30.36
First Quarter	40.00	31.84

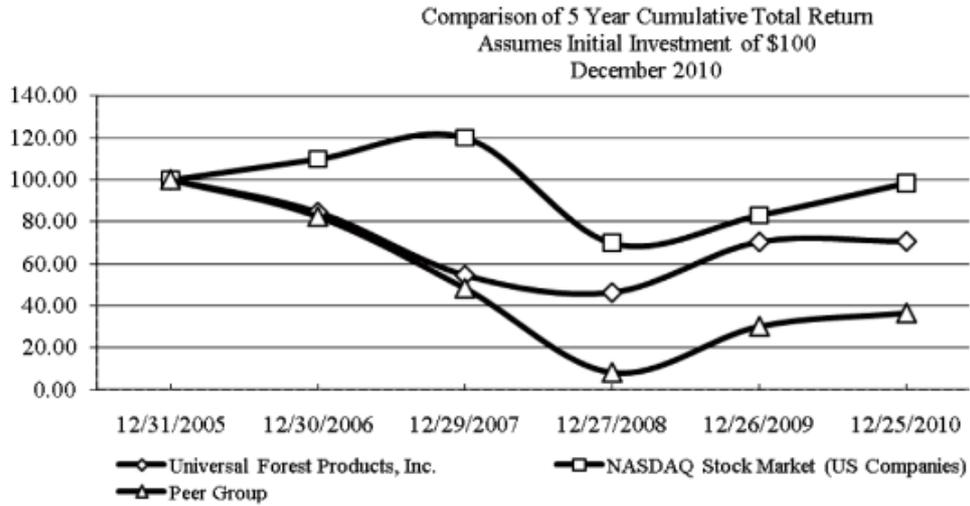
Fiscal 2009	High	Low
Fourth Quarter	42.32	34.00
Third Quarter	47.78	30.24
Second Quarter	37.50	25.53
First Quarter	29.98	19.01

There were approximately 1,090 shareholders of record as of January 31, 2011.

In 2010, we paid dividends on our common stock of \$0.200 per share each in June and December. In 2009, we paid dividends on our common stock of \$0.060 per share in June and \$0.200 per share in December. We intend to continue with our current semi-annual dividend policy for the foreseeable future.

STOCK PERFORMANCE GRAPH

The following graph depicts the cumulative total return on our common stock compared to the cumulative total return on the indices for The Nasdaq Stock Market (all U.S. companies) and an industry peer group we selected. The graph assumes an investment of \$100 on December 31, 2005, and reinvestment of dividends in all cases.



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

Bluelinx Holdings Inc.
Builders FirstSource, Inc.

Louisiana-Pacific Corp.

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

Directors and Executive Officers

BOARD OF DIRECTORS

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

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

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

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

John W. Garside
President and Treasurer
Woodruff Coal Company

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

Mark A. Murray
President
Meijer, Inc.

William R. Payne
Chief of Staff
Alticor, Inc.

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

Bruce A. Merino

EXECUTIVE OFFICERS

Michael B. Glenn
Chief Executive Officer

Patrick M. Webster
President and Chief Operating Officer

Michael R. Cole
Chief Financial Officer and Treasurer

Robert D. Coleman
Executive Vice President Manufacturing

C. Scott Greene
President
UFP Eastern Division

Allen T. Peters
President
UFP Western Division

Robert W. Lees
President
UFP Atlantic Division

Ronald G. Klyn
Chief Information Officer

Matthew J. Missad
Executive Vice President and Secretary

Joseph F. Granger
Executive Vice President of Sales and Marketing

Michael F. Mordell
Executive Vice President of Purchasing

Shareholder Information

ANNUAL MEETING

The annual meeting of Universal Forest Products, Inc. will be held at 8:30 a.m. on April 13, 2011, at 2880 East Beltline Lane NE, Grand Rapids, MI 49525.

SHAREHOLDER INFORMATION

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

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

SECURITIES COUNSEL

Varnum, LLP
Grand Rapids, MI

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Grand Rapids, MI

TRANSFER AGENT/SHAREHOLDER INQUIRIES

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

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

UNIVERSAL FOREST PRODUCTS®, INC., CORPORATE HEADQUARTERS

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

UNIVERSAL FOREST PRODUCTS®, INC., AND ITS AFFILIATES

Locations:

Ashburn, GA
Auburndale, FL
Bayamon, Puerto Rico
Belchertown, MA
Berlin, NJ
Blanchester, OH
Burlington, NC
Burlison, TX
Chaffee, NY
Chandler, AZ
Chesapeake, VA
Clinton, NY
Conway, SC
Cordele, GA
Denver, CO
Durango, Durango, Mexico
Eatonton, GA
Elizabeth City, NC
Elkhart, IN
Emlenton, PA
Evans City, PA
Gordon, PA
Grandview, TX
Grand Rapids, MI
Granger, IN
Greene, ME
Haleyville, AL
Harrisonville, MO
Hillsboro, TX
Houston, TX
Hudson, NY
Hutchinson, MN
Janesville, WI
Jefferson, GA
Lacolle, Quebec, Canada
Lafayette, CO
Lansing, MI
Liberty, NC
Lodi, OH
McMinnville, OR
Medley, FL
Minneota, MN
Morristown, TN
Moultrie, GA
Muscle Shoals, AL
Naugatuck, CT
New London, NC
New Waverly, TX
New Windsor, MD
Parker, PA
Pearisburg, VA
Plainville, MA
Prairie du Chien, WI
Ranson, WV
Riverside, CA
Saginaw, TX
Salisbury, NC
San Antonio, TX
Schertz, TX
Sidney, NY
Silsbee, TX
Stockertown, PA
Thornton, CA
Turlock, CA
Union City, GA
Warrens, WI
White Bear Lake, MN
White Pigeon, MI
Windsor, CO
Woodburn, OR

UNIVERSAL FOREST PRODUCTS, INC.

CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

Each person who has been designated by the Board of Directors of Universal Forest Products, Inc. (the "Company") as a senior financial officer of the Company shall, as a condition of employment by the Company, be required to sign and deliver to the Company the following statement:

In my role as a senior financial officer of Universal Forest Products, Inc. (the "Company"), I certify to the Company and the Audit Committee of the Board of Directors of the Company, that I adhere to and advocate the following principles and responsibilities governing my professional and ethical conduct, and to the best of my knowledge and ability:

1. I act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
2. I provide constituents with information that is accurate, complete, objective, relevant, timely, and understandable.
3. I comply with rules and regulations of federal, state, and local governments, and other appropriate private and public regulatory agencies.
4. I act in good faith, responsibly, with due care, competence, and diligence, without misrepresenting material facts or allowing my independent judgment to be subordinated or otherwise compromised.
5. I respect the confidentiality of information acquired in the course of my work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of my work is not used for my personal advantage.
6. I share knowledge and maintain skills important and relevant to my constituents' needs.
7. I proactively promote ethical behavior among my professional peers.
8. I comply with and adhere to each and all of the Company's policies and practices, including those policies governing accounting and financial reporting practices and procedures.

/s/ Michael R. Cole

(signature)

February 11, 2011

(date)

LIST OF REGISTRANT'S SUBSIDIARIES AND AFFILIATES

Subsidiary	Jurisdiction
Advanced Component Systems LLC	Michigan
Aljoma Holding Company, LLC	Michigan
Aljoma Lumber, Inc.	Florida
Atlantic Building Professionals, LLC	Michigan
Caliper Building Systems, LLC	Michigan
D & L Framing, LLC (100% owned) 1	Nevada
D&R Framing Contractors, L.L.C. (50% owned) 1	Michigan
Eovations, LLC	Michigan
Euro-Pacific Building Materials, Inc.	Oregon
Euro-Pacific International Corp	Oregon
Great Lakes Framing, LLC	Michigan
Gulf Coast Components, LLC (50% owned) 1	Michigan
Indianapolis Real Estate LLC	Michigan
International Wood Industries, Inc.	California
Maine Ornamental, LLC	Michigan
Mid Atlantic Framing, LLC	Michigan
Midwest Framing, LLC	Michigan
Pinelli Universal TKT, S. de R.L. de C.V. (50% owned) 1	Mexico
Pinelli Universal, S. de R.L. de C.V. (50% owned) 1	Mexico
PR Distribution, LLC	Michigan
Shawnlee Construction LLC	Michigan
Shepardville Construction, LLC	Michigan
Texas Framing, LLC	Michigan
Titan Foundations, LLC	Michigan
TKT Real Estate, S. de R.L. de C.V. (50% owned) 1	Mexico
Treating Services of Minnesota, LLC	Michigan
Tresstar, LLC	Michigan
U.F.P Mexico Holdings, S. de R.L. de C.V.	Mexico
UFP Atlantic Division, LLC	Michigan
UFP Atlantic, LLC	Michigan
UFP Belchertown, LLC	Michigan
UFP Berlin, LLC	Michigan
UFP Burleson, LLC	Michigan
UFP Distribution, LLC	Michigan
UFP Eastern Division, Inc.	Michigan
UFP Eastern Holding Company, Inc.	Michigan
UFP Emlenton, LLC	Michigan
UFP Far West, LLC	Michigan
UFP Framing LLC	Michigan
UFP Framing of Florida, LLC	Michigan
UFP Great Lakes, LLC	Michigan
UFP Gulf, LLC	Michigan
UFP Houston, LLC	Michigan
UFP Insurance Ltd.	Bermuda
UFP Lafayette, LLC	Michigan

Subsidiary	Jurisdiction
UFP Mid-Atlantic, LLC	Michigan
UFP New England Building Supply, LLC	Michigan
UFP New Waverly, LLC	Michigan
UFP New Windsor, LLC	Michigan
UFP New York, LLC	Michigan
UFP Northeast, LLC	Michigan
UFP Parker, LLC	Michigan
UFP Purchasing, Inc.	Michigan
UFP Real Estate, Inc.	Michigan
UFP Riverbank, LLC	Michigan
UFP San Antonio, LLC	Michigan
UFP Southeast, LLC	Michigan
UFP Southern Division, Inc.	Michigan
UFP Southern Holding Company, Inc.	Michigan
UFP Southwest, LLC	Michigan
UFP Tennessee, LLC	Michigan
UFP Thorndale Partnership (70% owned)	Canada
UFP Transportation, Inc.	Michigan
UFP Ventures II, Inc.	Michigan
UFP West Central, LLC	Michigan
UFP Western Division, Inc.	Michigan
UFP Western Holding Company, Inc.	Michigan
United Lumber & Reman, LLC (50% owned) 1	Michigan
Universal Consumer Products, Inc.	Michigan
Universal Forest Products of Canada, Inc.	Canada
Universal Forest Products of Modesto L.L.C.	Michigan
Universal Forest Products Reclamation Center, Inc.	Michigan
Universal Forest Products RMS, LLC	Michigan
Universal Forest Products Texas LLC	Michigan
Universal Forest Products, Inc.	Michigan
Universal Truss, Inc.	Michigan
Western Building Professionals of California II Limited Partnership	Michigan
Western Building Professionals of California, Inc.	Michigan
Western Building Professionals, LLC	Michigan

Exhibit 23—Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Universal Forest Products, Inc. and subsidiaries of our reports dated February 22, 2011, with respect to the consolidated financial statements of Universal Forest Products, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Universal Forest Products, Inc. and subsidiaries, included in the fiscal 2010 Annual Report to Shareholders of Universal Forest Products, Inc. and subsidiaries.

We also consent to the incorporation by reference in the Registration Statement file numbers 33-81128, 33-81116, 33-81450, 333-60630, 333-88056, 333-150345 and 333-156596 on Form S-8 related to various employee option and incentive stock plans and Registration Statement file number 333-75278 on Form S-3 of our reports dated February 22, 2011, with respect to the consolidated financial statements of Universal Forest Products, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Universal Forest Products, Inc. and subsidiaries, incorporated by reference in this Annual Report (Form 10-K) for the fiscal year ended December 25, 2010.

/s/ Ernst & Young LLP

Grand Rapids, Michigan

February 22, 2011

Universal Forest Products, Inc.**Certification**

I, Michael B. Glenn, certify that:

1. I have reviewed this report on Form 10-K of Universal Forest Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ Michael B. Glenn

Michael B. Glenn
Chief Executive Officer and
Principal Executive Officer

Universal Forest Products, Inc.**Certification**

I, Michael R. Cole, certify that:

1. I have reviewed this report on Form 10-K of Universal Forest Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ Michael R. Cole

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

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

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

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

(1) The report on Form 10-K for the year ended December 25, 2010, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this report on Form 10-K for the period ended December 26, 2009 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: February 22, 2011

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

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

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

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

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

(1) The report on Form 10-K for the period ended December 25, 2010, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this report on Form 10-K for the period ended December 26, 2009 fairly presents, in all material respects, the financial condition and results of operations of Universal Forest Products, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

Date: February 22, 2011

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

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