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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file Number 0-3922
PATRICK INDUSTRIES, INC.
(Exact name of Company as specified in its charter)

Indiana	35-1057796
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification No.)

1800 South 14th Street, P.O. Box 638, Elkhart, Indiana	46515
(Address of principal executive offices)	(ZIP code)

Company's telephone number, including area code: (574) 294-7511

Securities registered pursuant to Section 12(b) of the Act: None

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

COMMON STOCK, WITHOUT PAR VALUE
PREFERRED SHARE PURCHASE RIGHTS
(Title of each class)

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

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

The aggregate market value of the voting stock held by non-affiliates of the Company on March 22, 2002 (based upon the closing price on NASDAQ and an estimate that 72.6% of the shares are owned by non-affiliates) was $32,703,628. The closing market price was $9.944 on that day.

As of March 22, 2002, 4,529,666 shares of the Company's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Company's Proxy Statement for its Annual Meeting of Shareholders to be held on May 15, 2002 are incorporated by reference into Parts III of this Form 10-K.

PART I

ITEM 1. BUSINESS

The Company is a leading manufacturer and supplier of building products and materials to the Manufactured Housing and Recreational Vehicle industries. In addition, the Company is a supplier to certain other industrial markets, such as furniture manufacturing, marine, architectural, and the automotive aftermarket. The Company manufactures decorative vinyl and paper panels, cabinet doors, countertops, aluminum extrusions, drawer sides, pleated shades, adhesives, and laminating machines. The Company is also an independent wholesale distributor of pre-finished wall and ceiling panels, particleboard, hardboard siding, passage doors, roofing products, high pressure laminates, building hardware, insulation, and other related products.

The Company has a nationwide network of distribution centers for its products, thereby reducing intransit delivery time and cost to the regional manufacturing plants of its customers. The Company believes that it is one of the few suppliers to the Manufactured Housing and Recreational Vehicle industries that has such a nationwide network. The Company maintains seven manufacturing plants and a distribution facility near its principal offices in Elkhart, Indiana, and operates eleven other warehouse and distribution centers and fourteen other manufacturing plants in twelve other states.

Strategy

Over time, the Company has developed very strong working relationships with its customers. In so doing, the Company has oriented its business and expansion to the needs of these customers. These customers include all of the larger Manufactured Housing and Recreational Vehicle manufacturers. The Company's customers generally demand high quality standards and a high degree of flexibility from their suppliers. The result has been that the Company focuses on maintaining and improving the quality of its manufactured products, and has developed a nationwide manufacturing and distribution presence in response to its customers' need for flexibility. As the Company explores new markets and industries, it believes that this nationwide network provides it with a strong foundation for expansion.

The Company continually seeks to improve its position as a leading supplier to the Manufactured Housing and Recreational Vehicle industries and other industries to which its products, manufacturing processes, or sales and distribution system are applicable. Currently, approximately 51% of the Company's sales are to the Manufactured Housing industry, 24% to the Recreational Vehicle industry, and 25% to other industries. These industries, and the impact that they have on their suppliers, are characterized by cyclical demand and production, small order quantities, and short lead times. These characteristics have an impact on the suppliers, many of whom tend to be small, regional, and specific product line companies.

Management has identified several tools which it expects to utilize to accomplish its operating strategies, including the following:

Diversification into Additional Industries

While the Company continually seeks to improve its position as a leading supplier to the Manufactured Housing and Recreational Vehicle industries, it is also seeking to expand its product lines into other industrial markets. Many of the Company's products, such as its countertops, cabinet doors, laminated panels, and shelving, have applications in the furniture and cabinetry markets. In addition, the manufacturing processes for the Company's aluminum extrusions are easily applied to the production of products for the marine, automotive and truck accessories markets and aftermarkets, and many other markets. The Company's adhesives are produced for almost all industrial applications.

Because industrial order size tends to be for larger numbers of units, the Company enjoys better production efficiencies for these orders. The Company believes that diversification into additional industries will reduce its vulnerability to the cyclical nature of the Manufactured Housing and Recreational Vehicle industries. In addition, the Company believes that it's nationwide manufacturing and distribution capabilities enable it to more effectively serve it's customers and position it for product expansion.

Expansion of Manufacturing Capacity

In the last 5 years, the Company has invested approximately $33.5 million to upgrade existing facilities and equipment and to build new manufacturing facilities for its laminated paneling products, industrial adhesives, cabinet doors, and furniture components. The capacity created by these investments has enabled the Company to accommodate future growth in the Company's product lines and markets.

Strategic Acquisitions and Expansion

The Company supplies a broad variety of building material products and, with its nationwide manufacturing and distribution capabilities, is well-positioned for the introduction of new products. The Company, from time to time, considers the acquisition of additional product lines, facilities or other assets to complement or expand its existing business. In 1998 the Company expanded existing product lines and capacity with the opening of a new manufacturing and distribution complex in New London, North Carolina. In 1999 the Company expanded the Sun Adhesive facility in Decatur, Alabama to increase capacity.

Restructuring and Impairment

In the last two years the Company has incurred restructuring charges of $1.1 million related to the closing, consolidation, and relocation of five manufacturing divisions and two distribution divisions in various states. The charges included severance payments, write-down of obsolete inventories, equipment relocation, and future rental commitments related to closed facilities. These strategic initiatives were done to eliminate duplication of efforts, close negative performing operations, and increase volume levels at other locations. The majority of cost savings related to these plans will be realized in future years.

Additionally, in the last two years the Company has incurred impairment charges of $9.7 million related to the write-down of the net book value of long-lived assets primarily in the Company's Wood and Other segments. The impairment costs were calculated by estimating discounted future cash flow and comparing it to the carrying value of these assets. These write-downs were non-cash charges and effectively eliminated all of the goodwill on the Company's books as well as reducing future yearly depreciation and amortization expense.

Business Segments

The Company's operations comprise four reportable segments. Information related to those segments is contained in "Note 14-Segment Information" appearing herein the financial statements as noted in the index appearing under Item 14(a)(1) and (2).

Principal Products

The Company distributes primarily pre-finished wall and ceiling panels, particleboard, hardboard siding, roofing products, high pressure laminates, passage doors, building hardware, insulation, and other products. Through its manufacturing divisions, the Company fabricates decorative vinyl and paper panels,

cabinet doors, shelving, countertops, wood mouldings, aluminum extrusions, drawer sides, furniture components, wood adhesives, and laminating presses.

Pre-finished wall panels contributed more than 10% to total sales. The percentage contributions of this class of product to total sales was 36.0%, 38.5%, and 39.7% for the years ended December 31, 2001, 2000, and 1999 respectively.

The Company has no material patents, licenses, franchises, or concessions and does not conduct significant research and development activities.

Manufacturing Processes and Operations

The Company's laminating facilities utilize various materials including gypsum, particleboard, plywood, and fiberboard which are bonded by adhesives or a heating process to a number of products including vinyl, paper, foil, and high pressure laminate. These laminated products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures.

The Company's metals division utilizes sophisticated technology to produce aluminum extrusions for framing and window applications. In addition, the Company's metals division extrudes running boards, accessories for pick-up trucks, marine industry products, and construction-related materials.

The Company manufactures two distinct cabinet door product lines. One product line is manufactured from raw lumber utilizing solid oak and other hardwood materials. The Company's other line of doors is made of laminated fiberboard. The Company's doors are sold mainly to the Manufactured Housing and Recreational Vehicle industries, and the Company continues to market to the cabinet manufacturers and "ready-to-assemble" furniture manufacturers.

The Company's adhesive division, which supplies adhesives used in most of the Company's manufacturing processes and to outside industrial customers, uses a process of mixing non-toxic non-hazardous chemicals with water to produce adhesives sold in tubes, pails, barrels, totes, and rail tank cars.

Markets

The Company is engaged in the manufacturing and distribution of building products and material for use primarily by the Manufactured Housing and Recreational Vehicle industries and other industrial markets.

Manufactured Housing

The Manufactured Housing industry has historically served as a more affordable alternative to the home buyer. Because of the relatively lower cost of construction as compared to site-built homes, manufactured homes traditionally have been one of the principal means for first-time home buyers to overcome the obstacles of large down payments and higher monthly mortgage payments. Manufactured housing also presents an affordable alternative to site-built homes for retirees and others desiring a lifestyle in which home ownership is less burdensome than in the case with site-built homes. The increase in square footage of living space in manufactured homes created by multi-sectional models has made them more attractive to a larger segment of home buyers.

Manufactured homes are built in accordance with national and state building codes. Manufactured homes are factory-built and transported to a site where they are installed, often permanently. Some manufactured homes have design limitations imposed by the constraints of efficient production and over-the-road transit. Delivery expense limits the effective competitive shipping range of the manufactured homes to approximately 400 to 600 miles.

The Manufactured Housing industry is cyclical, and is affected by the availability of alternative housing such as apartments, town houses, and condominiums. In addition, interest rates, availability of financing, regional population, employment trends, and general regional economic conditions affect the sale of manufactured homes. The Manufactured Housing Institute reported that during the four-year period ended December 31, 1991, shipments of manufactured homes declined 26.6% to a total of approximately 171,000 units nationally in 1991. The reported number of units increased sharply in the five years following 1991, with increases in each of those years. Manufactured home unit shipments reached a peak in 1998 at 373,000, which represents 118% more units than in 1991. The industry has seen a decline in unit shipments since the record year in 1998 with shipments finishing the 2001 year at 193,000.

These cycles have a historic precedent. The Company believes that the factors responsible for the national decline prior to 1992 included weakness in the manufacturing, the agricultural, and, in particular, the oil industry sectors. These industry sectors have historically provided a significant portion of the Manufactured Housing industry's customer base. Additionally, high vacancy rates in apartments, high levels of repossession inventories, and over-built housing markets in certain regions of the country resulted in fewer sales of new manufactured homes in the past. Changes in these market characteristics had caused the manufactured housing cycle to change positively until 1999. Beginning in mid 1999 and continuing through 2001, the Manufactured Housing industry has had to contend with increased inventory levels, credit requirements that became more stringent, and a reduction in availability of lenders for both retail and dealers. This resulted in a decline of nearly 29% in units shipped in 2000, and an additional decline of 23% in 2001. While inventory levels are improved and repossessions have stabilized, the availability of retail and floor plan financing is reduced and appears to be the major factor determining the rate of increase in shipments in the coming year.

Manufactured Housing Shipments:

1990 - 188,200
1991 - 170,700
1992 - 210,800
1993 - 254,300
1994 - 303,900
1995 - 339,600
1996 - 363,400
1997 - 353,400
1998 - 372,800
1999 - 348,700
2000 - 250,600
2001 - 193,200

Recreational Vehicles

The Recreational Vehicle industry has been characterized by cycles of growth and contraction in consumer demand, reflecting prevailing general economic conditions which affect disposable income for leisure time activities. Fluctuations in interest rates, consumer confidence, and concerns about the availability and price of gasoline, in the past, have had an adverse impact on recreational vehicle sales. Recently the industry has been characterized by shifting demand towards lower-priced, higher-value products which appeal to economy-minded, value-conscious buyers.

Recreational vehicle classifications are based upon standards established by the Recreational Vehicle Industry Association. The principal types of recreational vehicles include conventional travel trailers, folding camping trailers, fifth wheels, motor homes, and van conversions. These recreational vehicles are

distinct from mobile homes, which are manufactured houses designed for permanent and semi-permanent residential dwelling.

Conventional travel trailers and folding camping trailers are non-motorized vehicles which are designed to be towed by passenger automobiles, pick-up trucks or vans. They provide comfortable, self-contained living facilities for short periods of time. Conventional travel trailers and folding camping trailers are towed by means of a frame hitch attached to the towing vehicle. Fifth wheel trailers, designed to be towed by pick-up trucks, are constructed with a raised forward section that is attached to the bed area of the pick-up truck. This allows for a bi-level floor plan and more living space than a conventional travel trailer.

A motor home is a self-powered vehicle built on a motor vehicle chassis. The interior typically includes a driver's area, kitchen, bathroom, dining, and sleeping areas. Motor homes are self-contained with their own lighting, heating, cooking, refrigeration, sewage holding, and water storage facilities. Although they are not designed for permanent or semi-permanent living, motor homes do provide comfortable living facilities for short periods of time.

Van conversions are conventional vans modified for recreational or other use.

Sales of recreational vehicle products have been cyclical. Shortages of motor vehicle fuels and significant increases in fuel prices have had a material adverse effect on the market for recreational vehicles in the past, and could adversely affect demand in the future. The Recreational Vehicle industry is also affected by the availability and terms of financing to dealers and retail purchasers. Substantial increases in interest rates and decreases in the general availability of credit have had a negative impact upon the industry in the past and may do so in the future. Recession and lack of consumer confidence generally results in a decrease in the sale of leisure time products such as recreational vehicles. The industry shipped a record 321,000 units in 1999. Due to increased gasoline prices and uncertainty with regards to the economy, the industry has been in a decline over the past two years with 257,000 units shipped in 2001, or 20% less than that of 1999. The industry is expected to begin rebounding in 2002 due to improved consumer confidence, depleted dealer inventories, lower interest rates and gasoline prices, and a fear of flying after the September 11 attacks.

Recreational Vehicle Shipments:

1990 - 173,100
1991 - 163,300
1992 - 203,400
1993 - 227,800
1994 - 259,200
1995 - 247,000
1996 - 247,500
1997 - 254,500
1998 - 292,700
1999 - 321,200
2000 - 300,100
2001 - 256,800

Other Markets

Many of the Company's products, such as its countertops, laminated panels, cabinet doors, and shelving may be utilized in the furniture and cabinetry markets. The Company's aluminum extrusion process is easily applied to the production of accessories for pick-up trucks and vans, architectural and also certain other building products. The Company's adhesives are marketed in many industrial adhesive markets.

While demand in these industries also fluctuates with general economic cycles, the Company believes that these cycles are less severe than those in the Manufactured Housing and Recreational Vehicle industries. As a result, the Company believes that diversification into these new markets will reduce its reliance on the markets it has traditionally served and will mitigate the impact of their historical cyclical patterns on its operating results.

Marketing and Distribution

The Company's sales are to Manufactured Housing and Recreational Vehicle manufacturers and other building products manufacturers. The Company has approximately 4,000 customers. The Company has three customers, who together accounted for approximately 28% and 33% of the Company's total sales in 2001 and 2000. Ten other customers collectively accounted for approximately 21% of 2001 sales. The Company believes it has good relationships with its customers.

Products for distribution are purchased in carload or truckload quantities, warehoused, and then sold and delivered by the Company. Approximately 43% of the Company's distribution segment products are shipped directly from the suppliers to the customers. The Company typically experiences a two to four week delay between issuing its purchase orders and delivering of products to the Company's warehouses or customers. The Company's customers do not maintain long-term supply contracts, and therefore the Company must bear the risk of accurate advance estimation of customer orders. The Company maintains a substantial inventory to satisfy these orders. The Company has no significant backlog of orders.

The Company operates twelve warehouse and distribution centers and twenty-one manufacturing plants located in Alabama, Arizona, California, Florida, Georgia, Indiana, Kansas, Minnesota, Nevada, North Carolina, Oregon, Pennsylvania, and Texas. Through the use of these facilities, the Company is able to minimize its in-transit delivery time and cost to the regional manufacturing plants of its customers.

Suppliers

During the year ended December 31, 2001, the Company purchased approximately 62% of its raw materials and distributed products from twenty different suppliers. The five largest suppliers accounted for approximately 40% of the Company's purchases. Materials are primarily commodity products, such as lauan, gypsum, aluminum, particleboard, and other lumber products which are available from many suppliers. Alternate sources of supply are available for all of the Company's important materials.

Competition

The Manufactured Housing and Recreational Vehicle industries are highly competitive with low barriers to entry. This level of competition carries through to the suppliers to these industries. Competition is based primarily on price, product features, quality, and service. The Company has several competitors in each of its classes of products. Some manufacturers and suppliers of materials purchased by the Company also compete with it and sell directly to the same industries. Most of the Company's competitors compete with the Company on a regional basis. In order for a competitor to compete with the Company on a national basis, the Company believes that a substantial capital commitment and experienced personnel would be required. The industrial markets in which the Company continues to expand are also highly competitive.

Employees

As of December 31, 2001, the Company had 1,196 employees of which 1,084 employees are engaged directly in production, warehousing, and delivery operations, 46 in sales, and 66 in office and administrative activities. There are five manufacturing plants and one distribution center covered by collective bargaining agreements. The Company considers its relationships with its employees to be good.

The Company provides retirement, group life, hospitalization, and major medical plans under which the employee pays a portion of the cost.

Executive Officers of the Company

The following table sets forth the executive officers of the Company, as of December 31, 2001:

Name	Position
David D. Lung	Chief Executive Officer and President
Keith V. Kankel	Vice President Finance and Secretary-treasurer
R. Lynn Brandon	Vice President Operations
Alan M. Rzepka	Vice President Sales & Marketing

David D. Lung (age 54) has served as President and Chief Executive Officer since December, 2000 and was President and Chief Operating Officer since 1989. Mr. Lung had held various management positions with the Company before becoming Vice President of Administration and Purchasing in 1987.

Keith V. Kankel (age 59) has served as Vice President of Finance and Secretary-treasurer since 1987 and was Secretary-treasurer since 1974.

*R. Lynn Brandon (age 50) assumed the position of Vice President of Operations of the Company in August, 1999. Mr. Brandon was Executive Vice President at Peters-Remington Furniture Company from 1998 until joining the Company in June of 1999. Prior to that he was Vice President of Manufacturing for This End Up Furniture Company since 1987.

Alan M. Rzepka (age 45) assumed the position of Vice President of Sales & Marketing in May, 2000. Mr. Rzepka was National Sales Manager from January, 1997 to May, 2000 and prior to that was Director of Manufacturing Purchasing since 1994.

ITEM 2. PROPERTIES AND EQUIPMENT

As of December 31, 2001, the Company maintained the following warehouse, manufacturing and distribution facilities:

<TABLE>

Location	Use	Area Sq. Ft.	Ownership or Lease Arrangement
<S>	<C>	<C>	<C>
Goshen, IN	Manufacturing(4)	50,870	Owned
Elkhart, IN	Manufacturing(3)	40,400	Leased to 2003
Elkhart, IN	Mfg. & Dist.(1)(3)	133,600	Leased to 2005*
Elkhart, IN	Distribution(1)	39,760	Owned
Elkhart, IN	Manufacturing(3)	30,900	Owned
Elkhart, IN	Manufacturing (2)	42,000	Leased to 2004
Elkhart, IN	Manufacturing(2)	31,000	Leased to 2004
Elkhart, IN	Manufacturing(2)	30,000	Leased to 2003
Elkhart, IN	Manufacturing(4)	36,000	Owned
Elkhart, IN	Manufacturing(4)	109,000	Owned
Elkhart, IN	Admin. Offices	10,000	Owned
Mishawaka, IN	Manufacturing(4)	191,000	Owned, Subject to Mortgage
Decatur, AL	Distribution(1)	30,000	Leased to 2002
Decatur, AL	Manufacturing(2)(4)	35,000	Owned
Decatur, AL	Manufacturing(2)	30,000	Leased to 2002
Decatur, AL	Manufacturing(2)(4)	59,000	Owned
Valdosta, GA	Distribution(1)	30,800	Owned
New London, NC	Mfg. & Dist.(1)(2)	163,000	Owned, Subject to Mortgage
Halstead, KS	Distribution(1)	36,000	Owned
Waco, TX	Distribution(1)(2)	52,800	Leased to 2004
Waco, TX	Manufacturing(2)	52,800	Leased to 2004
Waco, TX	Manufacturing(2)	21,000	Leased to 2002
Mt. Joy, PA	Distribution(1)(2)	58,500	Owned
Mt. Joy, PA	Manufacturing(2)	30,000	Owned
Ocala, FL	Manufacturing(3)	20,600	Leased to 2004
Ocala, FL	Manufacturing(3)	15,000	Leased to 2002
Ocala, FL	Manufacturing(2)	55,500	Owned
Fontana, CA	Mfg. & Dist.(1)(2)	110,000	Owned

Fontana, CA	Manufacturing(2)	71,755	Owned
Ontario, CA	Mfg. & Dist.(1)(2)	38,000	Leased to 2002
Woodland, CA	Distribution (1)	10,000	Leased to 2003
Phoenix, AZ	Manufacturing (2)	36,000	Leased to 2002
Phoenix, AZ	Manufacturing (2)	15,700	Leased to 2003
Woodburn, OR	Mfg. & Dist.(1,2,3)	153,000	Owned, Subject to Mortgage
Boulder City, NV	Manufacturing(4)	24,700	Leased to 2004

(1) Distribution center
(2) Vinyl/paper/foil laminating
(3) Cabinet doors and other wood related
(4) Aluminum, adhesives, and other

*Property to be purchased by the Company in 2002.

</TABLE>

Additionally, the Company has a 43,600 square foot manufacturing building leased to May, 2002, which has been sub-leased. The Company also has a 62,000 square foot vacant building in Bristol, IN for sale. The manufacturing facility in Goshen, IN is for sale. As of December 31, 2001, the Company owned or leased 37 trucks, 51 tractors, 88 trailers, 139 forklifts, 1 automobile and a corporate aircraft. All owned and leased facilities and equipment are in good condition and well maintained.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to claims and suits in the ordinary course of business. In management's opinion, currently pending legal proceedings and claims against the Company will not, individually or in the aggregate, have a material adverse effect on the Company's financial condition or results of operations.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The Company's common stock is listed on The NASDAQ Stock MarketSM under the symbol PATK. The high and low trade prices of the Company's common stock as reported on NASDAQ/NMS for each quarterly period during the last two years were as follows:

<TABLE>

<S>	1st Quarter <C>	2nd Quarter <C>	3rd Quarter <C>	4th Quarter <C>
2001	7.563 - 5.625	9.180 - 6.250	8.550 - 6.000	7.280 - 5.450
2000	11.750 - 7.688	7.438 - 6.250	6.844 - 6.438	5.875 - 5.125

</TABLE>

The quotations represent prices between dealers, do not include retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

There were approximately 500 holders of the Company's common stock as of March 15, 2002 as taken from the transfer agent's shareholder listing. It is estimated that there are approximately 2,000 holders of the Company's common stock held in street name.

The Company declared a first time regular quarterly dividend of $.04 per common share starting June 30, 1995 and has continued it through December 31, 2001. Although this is a regular quarterly dividend, any future determination to pay cash dividends will be made by the Board of Directors in light of the Company's earnings, financial position, capital requirements, and such other factors as the Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of the five years set forth below has been derived from financial statements audited by McGladrey & Pullen, LLP, independent certified public accountants, certain of which have been included elsewhere herein. The following data should be read in conjunction with the Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein:

<TABLE>

	As of or for the Year Ended December 31,				
	2001	2000	1999	1998	1997
	(dollars in thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$293,070	$361,620	$457,356	$453,518	$410,567
Gross profit	34,012	41,905	57,339	59,556	53,362
Warehouse and delivery expenses	14,407	15,140	16,715	16,076	15,158
Selling, general, and administrative expenses	24,926	25,241	27,058	26,796	22,145
Impairment charges	2,834	6,937	- - -	- - -	- - -
Restructuring charges	423	718	- - -	- - -	- - -
Interest expense, net	962	1,224	1,393	1,172	1,149
Income taxes (credits)	(3,769)	(2,821)	4,769	6,205	5,396
Net income (loss)	(5,771)	(4,534)	7,404	9,307	8,294
Basic earnings (loss) per common share	(1.28)	(0.89)	1.30	1.58	1.40
Diluted earnings (loss) per common share	(1.28)	(0.89)	1.29	1.57	1.39
Weighted average common shares outstanding	4,524	5,118	5,714	5,903	5,921
Cash dividends, per common share	.16	.16	.16	.16	.16
Working capital	39,082	41,416	47,553	46,698	40,181
Total assets	91,970	102,520	126,203	127,755	112,187
Long-term debt	15,114	18,786	22,457	26,129	25,015
Shareholders' equity	59,504	66,250	79,567	76,307	68,726

</TABLE>

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

GENERAL

The Company's business has shown a consistent revenue drop since 1999 as net sales have decreased from a record high of $457 million in 1999 to $293 million in 2001. This 36% decline in sales volume over a two year period is the result of the overall downturn in the Manufactured Housing and Recreational Vehicle industries and softer economic conditions.

The downturn in the Manufactured Housing industry began in the fourth quarter of 1999 due to retail sales lots being overstocked and unit production being reduced approximately 7% that year. In fiscal

2001 and 2000 the Manufactured Housing industry was down nearly 23% and 29%, respectively, in units shipped and produced, due to the limited availability of dealer and retail financing, as well as excessive retail inventory levels, which included repossessed units.

The decline in the Recreational Vehicle industry began in the second quarter of 2000 due to higher gasoline costs and interest rates, an uncertain economy, and Recreational Vehicle dealers making inventory reductions. The end result of this was an approximate 7% decline in units shipped and produced in 2000 and a 14% decline in units shipped and produced in 2001. While the conditions in the above mentioned industries are uncertain and expected to continue through the first half of calendar 2002, the Company has made significant cost cutting measures and plant closings and consolidations over the past two years to help mitigate any future effects of this downturn. The Company's sales in 2001 were 51% to Manufactured Housing, 24% to Recreational Vehicle, and 25% to other industries.

The following table sets forth the percentage relationship to net sales of certain items in the Company's statements of operations:

	Year Ended December 31,		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Cost of sales	88.4	88.4	87.5
Gross profit	11.6	11.6	12.5
Warehouse and delivery	4.9	4.2	3.6
Selling, general and administrative	8.5	7.0	5.9
Impairment charges	1.0	1.9	- -
Restructuring charges	0.1	0.2	- -
Operating income (loss)	(2.9)	(1.7)	3.0
Net income (loss)	(2.0)	(1.3)	1.6

RESULTS OF CONSOLIDATED OPERATIONS

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net Sales. Net sales decreased $68.5 million, or 19.0%, from $361.6 million for the year ended December 31, 2000 to $293.1 million for the year ended December 31, 2001. This decrease is attributable to the 23% decline in units shipped and produced in the Manufactured Housing industry and 14% decline in units shipped and produced in the Recreational Vehicle industry. The Company's sales for the year were 51% to Manufactured Housing, 24% to Recreational Vehicle, and 25% to other industries.

Gross Profit. Gross profit decreased by approximately $7.9 million, or 18.8%, from $41.9 million in 2000 to $34.0 million in 2001. As a percentage of net sales, gross profit remained consistent at 11.6% of net sales. The overall decrease in gross profit is due to the reduced sales volume in the industries to which the Company serves.

Warehouse and Delivery Expenses. Warehouse and delivery expenses decreased $0.7 million, or 4.8%, from $15.1 million in 2000 to $14.4 million in 2001. As a percentage of net sales, warehouse and delivery expenses increased 0.7%, from 4.2% in 2000 to 4.9% in 2001. The overall decrease is attributable to

lower sales levels. The increase as a percentage of net sales is due to the Company shipping less full truckloads than in the previous period, and an increase in fuel and insurance costs from year to year.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased by $0.3 million, or 1.2%, from $25.2 million for 2000 to $24.9 million in 2001. As a percentage of net sales, selling, general, and administrative expenses increased 1.5%, from 7.0% in 2000 to 8.5% in 2001. This increase is attributable to reduced volume as a result of the decline in shipments in the Manufactured Housing and Recreational Vehicle industries.

Impairment Charges. As discussed in Note 10 to the financial statements, the Company recognized impairment charges of $2.8 million and $6.9 million in 2001 and 2000, respectively.

Restructuring Charges. As discussed in Note 10 to the financial statements, the Company recognized restructuring charges of $424,000 and $718,000 in 2001 and 2000, respectively.

Operating Loss. The Company experienced operating losses of $8.6 million and $6.1 million in 2001 and 2000, respectively. The increase in operating loss is attributable to the significantly reduced sales volume and consistent operating costs from year to year.

Interest Expense, Net. Interest expense, net of interest income decreased 21.4%, or $262,000, from $1.2 million in 2000 to $962,000 in 2001. The decrease is attributable to lower long term debt levels due to normal debt service requirements.

Net Loss. The net loss increased $1.2 million, or 27.3%, from a net loss of $4.5 million in 2000 to a net loss of $5.8 million in 2001. The increase in net loss is attributable to the factors described above.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net Sales. Net sales decreased by approximately $95.7 million, or 20.9%, from $457.3 million for the year ended December 31, 1999 to $361.6 million in the year ended December 31, 2000. In 1999 the Company recorded record sales in the first half and record sales for the year as a whole. The decrease in sales from 1999 to 2000 was the result of an approximate 29% decline in units shipped and produced in the Manufactured Housing industry and an approximate 7% decline in units shipped and produced in the Recreational Vehicle industry. The Company's sales for the year were 55% to Manufactured Housing, 25% to Recreational Vehicle, and 20% to other industries.

Gross Profit. Gross profit decreased by approximately $15.4 million, or 26.9%, from $57.3 million in 1999 to $41.9 million in 2000. As a percentage of net sales, gross profit decreased approximately 0.9% from 12.5% in fiscal 1999 to 11.6% in fiscal 2000. This overall decline in gross profit was due to a 20.9% decrease in net sales and competitive pricing situations nationwide which made some of the Company's manufacturing operations unprofitable for the year.

Warehouse and Delivery Expenses. Warehouse and delivery expenses decreased approximately $1.6 million from $16.7 million in 1999 to $15.1 million in 2000. As a percentage of net sales these expenses increased approximately 0.6%. The overall decrease is attributable to lower sales levels. The increase in the percentage to net sales is attributable to higher gasoline costs specifically related to the increase in gasoline prices from 1999 to 2000, and higher shipping costs due to the transportation companies running at capacity as a result of the steady overall economy in fiscal 2000.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased approximately $1.8 million, or 6.7%, from $27.1 million in 1999 to $25.2 million in 2000. As a percentage of net sales, selling, general and administrative expenses increased 1.1% from 5.9% in 1999 to 7.0% in 2000. This increase is attributable to reduced sales volumes as a result of the larger than anticipated decline in shipments in the Manufactured Housing and Recreational Vehicle industries in fiscal 2000.

Impairment Charges. As discussed in Note 10 of the financial statements, the Company recognized an impairment charge of $6.9 million in the first quarter of 2000.

Restructuring Charges. As discussed in Note 10 of the financial statements, the Company recognized restructuring charges of $718,000 in the twelve months ended December 31, 2000.

Operating Income (Loss). The Company experienced an operating loss of $6.1 million for 2000 compared to operating income of $13.6 million in fiscal 1999. The operating loss for 2000 is due to the asset impairment and restructuring charges as well as reduced sales, gross profits, and similar operating costs in fiscal 2000 compared to 1999.

Interest Expense, Net. Interest expense, net of interest income, decreased 12.1% from $1.4 million in 1999 to $1.2 million in 2000. This decrease is attributable to more funds being invested during the year as a result of reduced working capital needs and lower borrowing levels.

Net Income (Loss). Net income (loss) decreased $11.9 million, or 161.2% from income of $7.4 million in 1999 to a loss of $4.5 million in fiscal 2000. This reduction is attributable to the factors described above.

BUSINESS SEGMENTS

The Company's reportable segments are as follows:

Laminating - Utilizes various materials including gypsum, particleboard, plywood, and fiberboard which are bonded by adhesives or a heating process to a number of products including vinyl, paper, foil, and high pressure laminate. These laminated products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures.

Distribution - Distributes primarily pre-finished wall and ceiling panels, particleboard, hardboard and vinyl siding, roofing products, high pressure laminates, passage doors, building hardware, insulation, and other products.

Wood - Uses raw lumber including solid oak, other hardwood materials, and laminated particleboard or plywood to produce cabinet door product lines.

Other - Includes aluminum extrusion, painting and distribution, manufacture of adhesive products, pleated shades, and manufacturer of laminating equipment.

The table below presents information about the revenue and earnings before interest and taxes of those segments. A reconciliation to consolidated totals is presented in footnote 14 of the Company's 2000 financial statements.

<TABLE>

		Year Ended December 31	
	2001	2000	1999
		(dollars in thousands)	
<S>	<C>	<C>	<C>
Sales			
Laminating	$131,144	$162,346	$192,033
Distribution	104,337	133,230	185,104
Wood	30,182	35,116	43,667
Other	46,397	53,749	65,128
Earnings (Loss) Before Interest and Taxes (EBIT)			
Laminating	$ (1,120)	$ 1,763	$ 5,229
Distribution	619	1,110	4,588
Wood	(1,027)	(1,596)	(2,572)
Other	(1,730)	(636)	2,623

</TABLE>

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Laminating Segment Discussion

Net sales decreased by 19.2%, or $31.2 million, from $162.3 million in 2000 to $131.1 million in 2001. This decrease is attributable to the 23% decline in units shipped and produced in the Manufactured Housing industry and 14% decrease in units shipped and produced in the Recreational Vehicle industry.

EBIT was lower by $2.9 million, or 163.5%, from income of $1.8 million in 2000 to a loss of $1.1 million in 2001. This decline is attributable to lower margins as a result of competitive market conditions not allowing price increases, and similar operating costs relative to significantly reduced sales volume.

Distribution Segment Discussion

Net sales decreased $28.9 million, or 21.7%, from $133.2 million in 2000 to $104.3 million in 2001. This sales decrease is attributable to the 23% decrease in units shipped and produced in the Manufactured Housing industry.

EBIT decreased 44.2%, or $491,000, from $1.1 million in 2000 to $619,000 in 2001, due to the decrease in sales volume.

Wood Segment Discussion

Net sales in the wood segment decreased $4.9 million, or 14.0%, from $35.1 million in 2000 to $30.2 million in 2001. This decline is consistent with the overall decline in the Recreational Vehicle industry, which is the primary industry to which this segment serves.

The operating loss in this segment decreased from a loss of $1.6 million in 2000 to a loss of $1.0 million in 2001. The decrease in operating loss is due largely to depreciation expense being reduced by approximately $300,000, as a result of the Company recognizing a non-cash accounting charge in the first quarter of 2000 related to the impairment of certain long-lived assets as discussed in Note 10 . The Company also closed one operating unit in this segment in fiscal 2000 which contributed to savings in 2001 of approximately $751,000.

Other Segment Discussion

Net sales in the other segment decreased 13.7%, or $7.3 million, from $53.7 million in 2000 to $46.4 million in 2001. This decline is due to reduced sales volume in the Recreational Vehicle industry.

Operating losses in this segment increased from a loss of $636,000 in 2000 to an operating loss of $1.7 million in 2001. This increase is due to the decline in sales volume as well as several of the operating units in this segment operating inefficiently. As a result of the performance of this segment, the Company closed three operating units in this segment in 2001.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Laminating Segment Discussion

Net sales were lower by $29.7 million, or 15.5%, from 1999. This was a result of less demand from the manufactured housing customers as well as the Company eliminating low margin business.

EBIT in this segment decreased 66.2%, or $3.5 million, from $5.2 million in 1999 to $1.8 million in 2000. This decrease is the result of increased material and labor cost and competitive market conditions not allowing price increases.

Distribution Segment Discussion

Net sales in 2000 decreased $51.9 million, or 28.0%, from $185.1 million in 1999 to $133.2 million in 2000. This sales decrease is due primarily to the 29% decline in shipments and production in the Manufactured Housing industry.

EBIT in this segment was lower by $3.5 million, or 75.8%, from $4.6 million in 1999 to $1.1 million in 2000. This decline is due to the decrease in shipments and production in the Manufactured Housing industry as well as lower margins resulting from competitive market conditions.

Wood Segment Discussion

Net sales decreased 19.6%, or $8.5 million, in this segment due to a decline in the overall demand in the Recreational Vehicle industry, which is the major industry that this segment serves, and the elimination of certain lower margin business.

Operating losses in this segment decreased approximately $1.0 million, or 37.9%. This was partially due to reduced depreciation as a result of the Company recognizing a non-cash accounting charge in the first quarter of 2000 related to an impairment of certain long-lived assets which was recorded as a Corporate expense. The impairment costs were calculated by estimating discounted future cash flow and comparing it to the carrying values of these assets. The result was a one-time charge to operations. Management's continued commitment to improving operating results in this segment and returning it to profitability caused the improvement of one of the segment's major operating units.

Other Segment Discussion

Net sales were lower in this segment by 17.5%, or $11.4 million, from $65.1 million in 1999 to $53.7 million in 2000, due to an overall decline in the industries to which the Company serves.

EBIT decreased in this segment from operating income of $2.6 million in 1999 to an operating loss of $636,000 in 2000. This is the result of competitive pricing situations which negatively affected margins in this segment, the physical reorganizing of two operating units in this segment, and the 17.5% reduction in volume in the industries to which this segment serves.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements are to meet working capital needs, support its capital expenditure plans, and meet debt service requirements.

The Company, in September, 1995, issued to an insurance company in a private placement $18,000,000 of senior unsecured notes. The ten year notes bear interest at 6.82%, with semi-annual interest payments that began in 1996 and seven annual principal repayments of $2,571,060 that began in September, 1999. These funds were used to reduce existing bank debt and for working capital needs.

The Company has an unsecured bank revolving credit agreement that provides loan availability of $10,000,000 with maturity in the year 2003.

Pursuant to the private placement and the Credit Agreement, the Company is required to maintain certain financial ratios, all of which are currently complied with.

The Company's Board of Directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide.

The Company believes that cash generated from operations and borrowings under its credit agreements will be sufficient to fund its working capital requirements, normal recurring capital expenditures, and common stock repurchase program as currently contemplated. The changes in inventory and accounts

receivable balances, which affect the Company's cash flows, are part of normal business cycles that cause them to change periodically. A summary of our contractual cash obligations at December 31, 2001 is as follows:

<TABLE>

	PAYMENTS DUE BY PERIOD					
CONTRACTUAL OBLIGATIONS	TOTAL	2002	2003	2004	2005	2006
Long-term debt, including interest**	$18,275,606	$4,578,339	$4,368,757	$4,159,176	$3,949,599	$1,219,735
Operating Leases	$5,480,182	$2,687,523	$1,592,658	$849,135	$311,178	$39,688
Total contractual cash obligations	$23,755,788	$7,265,862	$5,961,415	$5,008,311	$4,260,777	$1,259,423

**Interest payments have been calculated using the fixed rate of 6.82% for the Senior notes and the average 2001 annual interest rate of 3.11% for the Industrial Revenue Bonds.

</TABLE>

We also have a commercial commitment as described below:

<TABLE>

OTHER COMMERCIAL COMMITMENT	TOTAL AMOUNT COMMITTED	OUTSTANDING AT 12/31/01	DATE OF EXPIRATION
<S>	<C>	<C>	<C>
Line of Credit	$10,000,000	$0	January 28, 2003

</TABLE>

We believe that our cash balance, availability under our line of credit, if needed, an anticipated cash flows from operations will be adequate to fund our cash requirements for fiscal 2002.

Critical Accounting Policies

Our significant accounting policies are summarized in the footnotes to our financial statements. Some of the most critical policies are also discussed below.

As a matter of policy, we review our major assets for impairment. Our major operating assets are accounts receivable, inventory, and property and equipment. We have not experienced significant bad debts expense and our reserve for doubtful accounts of $175,000 should be adequate for any exposure to loss in our December 31, 2001 accounts receivable. We have also established reserves for slow moving and obsolete inventories and believe them to be adequate. We depreciate our property and equipment over their estimated useful lives and we have not identified any items that are impaired.

SEASONALITY

Manufacturing operations in the Manufactured Housing and Recreational Vehicle industries historically have been seasonal and are generally at the highest levels when the climate is moderate. Accordingly, the Company's sales and profits are generally highest in the second and third quarters.

SALE OF PROPERTY

No material transactions.

PURCHASE OF PROPERTY

The Company agreed to purchase in 2002 a presently leased building complex near its principal offices in Elkhart, Indiana for $2 million from a major shareholder and Chairman Emeritus of the Company.

INFLATION

The Company does not believe that inflation had a material effect on results of operations for the periods presented.

SAFE HARBOR STATEMENT

Statements that do not address historical performance are "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995 and are based on a number of assumptions, including but not limited to; (1) continued domestic economic growth and demand for the Company's products; (2) the alternatives discussed in regard to the wood segment; and (3) the Company's belief with respect to its capital expenditures, seasonality and inflation. Any developments significantly deviating from these assumptions could cause actual results to differ materially from those forecast or implied in the aforementioned forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is set forth in Item 14 (a) 1. on page 22 of this report.

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

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information required by this item with respect to directors is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 2002, under the caption "Election of Directors," which information is hereby incorporated herein by reference. The information with respect to executive officers is set forth at the end of Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth in Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 2002, under the caption "Compensation of Executive Officers and Directors," which information is hereby incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is set forth in Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 2002, under the caption "Election of Directors," which information is hereby incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is set forth in Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 2002, under the caption "Certain Transactions," which information is hereby incorporated herein by reference.

PART IV

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

(a) 2. FINANCIAL STATEMENT SCHEDULES

All other schedules have been omitted as not required, not applicable, not deemed material or because the information is included in the Notes to Financial Statements.

(a) 3. EXHIBITS

The exhibits listed in the accompanying Exhibit Index on pages 48, 49, and 50 are filed or incorporated by reference as part of this report.

(b) REPORTS ON FORM 8-K

None

SIGNATURES

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

PATRICK INDUSTRIES, INC

Dated: March 21, 2002

By Harold E. Wyland
Harold E. Wyland,
Chairman of the Board

Pursuant to the Requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

<TABLE>

Signature	Title	Date
<S>	<C>	<C>
Harold E. Wyland Harold E. Wyland	Chairman of the Board, and Director	March 21, 2002
David D. Lung David D. Lung	President, Chief Executive Officer, and Director	March 21, 2002
Keith V. Kankel Keith V. Kankel	Vice President-Finance, Principal Accounting Officer, and Director	March 21, 2002
Mervin D. Lung Mervin D. Lung	Chairman Emeritus and Director	March 21, 2002
Thomas G. Baer Thomas G. Baer	Director	March 21, 2002
Terrence D. Brennan Terrence D. Brennan	Director	March 21, 2002
Walter Wells Walter Wells	Director	March 21, 2002
Dorothy M. Lung Dorothy M. Lung	Director	March 21, 2002
John H. McDermott	Director	March 21, 2002

John H. McDermott		
Robert C. Timmins	Director	March 21, 2002
Robert C. Timmins		

</TABLE>

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PATRICK INDUSTRIES, INC.
Elkhart, Indiana

We have audited the accompanying consolidated balance sheets of PATRICK INDUSTRIES, INC. AND SUBSIDIARIES as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United Sates of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of PATRICK INDUSTRIES, INC. AND SUBSIDIARIES as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

Elkhart, Indiana
February 12, 2002

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	2001	2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,914,283	$ 6,716,128
Trade receivables	13,722,216	14,281,674
Inventories	28,625,747	30,937,954
Income tax refund claims receivable	3,046,799	1,031,086
Prepaid expenses	804,398	770,017
Deferred tax assets	2,014,000	1,946,000
Total current assets	54,127,443	55,682,859
Property and Equipment, net	34,633,449	40,589,738
Intangible and Other Assets	3,208,928	6,247,573
	$ 91,969,820	$102,520,170
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 3,671,428	$ 3,671,428
Accounts payable	7,180,706	7,040,285
Accrued liabilities	4,192,487	3,555,008
Total current liabilities	15,044,621	14,266,721
Long-Term Debt, less current maturities	15,114,288	18,785,716
Deferred Compensation Obligations	2,226,390	2,042,198
Deferred Tax Liabilities	81,000	1,176,000
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, no par value; authorized 1,000,000 shares	-	-
Common stock, no par value; authorized 12,000,000 shares; issued 2001 4,529,666 shares; 2000 4,568,666	17,620,517	17,689,417
Retained earnings	41,883,004	48,560,118
	59,503,521	66,249,535
	$ 91,969,820	$102,520,170

See Notes to Financial Statements.

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2001, 2000,and 1999

<CAPTION>

	2001	2000	1999
Net sales	$ 293,070,216	$ 361,620,206	$ 457,356,260
Cost of goods sold	259,057,716	319,715,214	400,017,287
Gross profit	34,012,500	41,904,992	57,338,973
Operating expenses:			
Warehouse and delivery	14,406,931	15,140,245	16,714,651
Selling, general, and administrative	24,926,575	25,240,711	27,057,686
Impairment charges	2,833,987	6,937,163	-
Restructuring charges	423,617	717,598	-
	42,591,110	48,035,717	43,772,337
Operating income (loss)	(8,578,610)	(6,130,725)	13,566,636
Interest expense, net	961,800	1,224,145	1,393,346
Income (loss) before income taxes (credits)	(9,540,410)	(7,354,870)	12,173,290
Federal and state income taxes (credits)	(3,769,000)	(2,821,000)	4,769,000
Net income (loss)	$ (5,771,410)	$ (4,533,870)	$ 7,404,290
Basic earnings (loss) per common share	$ (1.28)	$ (0.89)	$ 1.30
Diluted earnings (loss) per common share	$ (1.28)	$ (0.89)	$ 1.29

See Notes to Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2001 , 2000, and 1999
<CAPTION>

	Preferred Stock	Common Stock	Retained Earnings	Total
Balance, December 31, 1998	$ -	$ 22,117,481	$ 54,189,302	$ 76,306,783
Net income	-	-	7,404,290	7,404,290
Proceeds from the exercise of 2,500 stock options	-	26,875	-	26,875
Issuance of 18,000 shares of common stock for stock award plan	-	213,750	-	213,750
Repurchase and retirement of 269,000 shares of common stock	-	(968,166)	(2,504,142)	(3, 472,308)

Dividends on common stock ($.16 per share)	-	-	(912,245)	(912,245)
Balance, December 31, 1999	-	21,389,940	58,177,205	79,567,145
Net loss	-	-	(4, 533,870)	(4, 533,870)
Issuance of 24,000 shares of common stock for stock award plan	-	156,000	-	156,000
Repurchase and retirement of 1,050,800 shares of common stock	-	(3,856,523)	(4,270,321)	(8,126,844)
Dividends on common stock ($.16 per share)	-	-	(812,896)	(812,896)
Balance, December 31, 2000	-	17,689,417	48,560,118	66,249,535
Net loss	-	-	(5,771,410)	(5,771,410)
Issuance of 24,000 shares of common stock for stock award plan	-	170,640	-	170,640
Repurchase and retirement of 63,000 shares of common stock	-	(239,540)	(182,417)	(421,957)
Dividends on common stock ($. 16 per share)	-	-	(723,287)	(723,287)
Balance, December 31, 2001	$ -	$ 17,620,517	$ 41,883,004	$ 59,503,521

See Notes to Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2000, and 1999

<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
Cash Flows From Operating Activities			
Net income (loss)	$ (5,771,410)	$ (4,533,870)	$ 7,404,290
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	7,512,286	8,237,025	8,904,059
Impairment charges	2,833,987	6,937,163	-
Deferred income taxes	(1,163,000)	(2,670,000)	226,000
Gain on sale of property and equipment	(66,581)	(611,120)	(643,446)
Other	497,089	207,139	163,567
Change in assets and liabilities:			
Decrease (increase) in:			
Trade receivables	559,458	4,217,011	2,268,721
Inventories	2,312,207	11,101,394	1,459,284
Income tax refund claims receivable	(2,015,713)	(1,031,086)	-
Prepaid expenses	(34,381)	(106,828)	(71,719)
Increase (decrease) in:			
Accounts payable and accrued liabilities	545,601	(5,763,761)	(2,406,709)
Income taxes payable	240,000	(404,725)	780,206
Net cash provided by operating activities	5,449,543	15,578,342	18,084,253
Cash Flows From Investing Activities			
Capital expenditures	(1,817,120)	(3,806,938)	(7,505,350)
Proceeds from sale of property and equipment	540,193	748,552	879,556
Other	(23,270)	104,264	(399,042)

Net cash (used in) investing activities	(1,300,197)	(2,954,122)	(7,024,836)
Cash Flows From Financing Activities			
Principal payments on long-term debt	(3,671,428)	(3,671,428)	(3,985,963)
Proceeds from exercise of common stock options	-	-	26,875
Repurchase of common stock	(421,957)	(7,986,836)	(3,054,421)
Cash dividends paid	(730,988)	(851,450)	(919,158)
Other	(126,818)	(84,560)	(145,261)
Net cash (used in) financing activities	(4,951,191)	(12,594,274)	(8,077,928)
Increase (decrease) in cash and cash equivalents	(801,845)	29,946	2,981,489
Cash and cash equivalents, beginning	6,716,128	6,686,182	3,704,693
Cash and cash equivalents, ending	$ 5,914,283	$ 6,716,128	$ 6,686,182

See Notes to Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS, USE OF ESTIMATES, RISKS AND UNCERTAINTIES, AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

The Company's operations consist primarily of the manufacture and distribution of building products and materials for use primarily by the Manufactured Housing and Recreational Vehicle industries for customers throughout the United States. Credit is generally granted on an unsecured basis for terms of 30 days.

USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RISKS AND UNCERTAINTIES:

The Company purchases significant amounts of inventory, which are commodities, from a limited number of suppliers. The purchase price of such items can be volatile as it is subject to prevailing market conditions, both domestically and internationally. The Company's purchases of these items are based on supplier allocations.

SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Patrick Industries, Inc. and its wholly- owned subsidiaries, Harlan Machinery Company, Inc., and Patrick Door, Inc., and its majority-owned subsidiary, Patrick Mouldings, L.L.C. ("the Company"). During the year ended December 31, 2000, Patrick Door, Inc. ceased operations and is not a consolidated subsidiary at December 31, 2001. All significant inter-company accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS:

The Company has cash on deposit in financial institutions in amounts which, at times, may be in excess of insurance coverage provided by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the Company considers all overnight repurchase agreements and commercial paper with a maturity of 30 days or less acquired in connection with its sweep account arrangements with its bank to be cash equivalents.

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At December 31, 2000, the Company owned marketable debt securities in the total amount of approximately $4,500,000. These available for sale debt securities were stated at fair value which approximated their cost at December 31, 2000 and accrued interest at a weekly adjusted variable rate which was 6.2% at December 31, 2000. These securities matured on January 22, 2001 and have been classified as cash equivalents in the accompanying consolidated balance sheet December 31, 2000.

INVENTORIES:

Inventories are stated at the lower of cost (first-in, first-out (FIFO) method) or market.

PROPERTY AND EQUIPMENT:

Property and equipment is recorded at cost. Depreciation has been computed primarily by the straight- line method applied to individual items based on estimated useful lives which generally range from 10 to 40 years for buildings and improvements and from 3 to 15 years for machinery and equipment, transportation equipment, and leasehold improvements.

GOODWILL:

Goodwill, the excess of cost over the fair value of net assets acquired, is amortized by the straight-line method over 15-year periods. At each balance sheet date, management assesses whether there has been a permanent impairment in the value of goodwill. Factors considered by management include current operating results, anticipated future cash flows, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. In the event that an impairment is evident, the Company records an expense for that impairment. During the year ended December 31, 2001, recorded goodwill was considered to be impaired and was written off (see Note 10).

REVENUE RECOGNITION:

The Company ships product based on specific orders from customers and revenue is recognized upon delivery.

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EARNINGS PER COMMON SHARE:

Following is information about the computation of the earnings per share data for the years ended December 31, 2001, 2000, and 1999:

<TABLE>

<S>	2001 <C>	2000 <C>	1999 <C>
Numerator for basic and diluted earnings per share, net income (loss)	$(5,771,410)	(4,533,870)	$ 7,404,290
Denominator:			
Weighted average shares, denominator for basic earnings per share	4,523,891	5,118,103	5,714,177
Effect of dilutive potential common shares, employee stock options (a)	-	-	10,867
Denominator for diluted earnings per share	4,523,891	5,118,103	5,725,044

Basic earnings (loss) per share	$ (1.28)	$ (0.89)	$ 1.30
Diluted earnings (loss) per share	$ (1.28)	$ (0.89)	$ 1.29

(a) Due to the loss incurred during the years ended December 31, 2001 and 2000, 40,942 and 15,715 dilutive potential common shares, respectively are not included because the effect would be antidilutive.

</TABLE>

NOTE 2. BALANCE SHEET DATA

TRADE RECEIVABLES:

Trade receivables in the accompanying balance sheets at December 31, 2001 and 2000 are stated net of an allowance for doubtful accounts of $175,000 and $750,000 respectively.

INVENTORIES:

	2001	2002
Raw materials	$15,908,710	$17,130,635
Work in process	2,049,879	2,040,040
Finished goods	4,335,875	4,647,673
Materials purchased for resale	6,331,283	7,119,606
	$28,625,747	$30,937,954

PROPERTY AND EQUIPMENT:

	2001	2000
Land and improvements	$ 3,508,329	$ 3,509,609
Buildings and improvements	25,283,954	24,487,881
Machinery and equipment	56,737,001	58,680,294
Transportation equipment	1,950,731	2,304,343
Leasehold improvements	3,455,793	3,439,192
	90,935,808	92,421,319
Less accumulated depreciation	56,302,359	51,831,581
	$34,633,449	$40,589,738

INTANGIBLE AND OTHER ASSETS:

Goodwill, at amortized cost	$ -	$ 2,921,060
Cash value of life insurance	2,549,928	2,526,659
Other	659,000	799,854
	$ 3,208,928	$ 6,247,573

ACCRUED LIABILITIES:

Payroll and related expenses	$ 1,188,348	$ 1,132,012
Property taxes	968,600	879,900
Other	2,035,539	1,543,096
	$ 4,192,487	$ 3,555,008

NOTE 3. PLEDGED ASSETS AND LONG-TERM DEBT

Long-term debt at December 31, 2001 and 2000 is as follows:

	2001	2000
Senior Notes, insurance company	$ 10,285,716	$ 12,857,144
Indiana Development Finance Authority Bonds	1,500,000	1,800,000
State of Oregon Economic Development Revenue Bonds	3,200,000	3,600,000
State of North Carolina Economic Development Revenue Bonds	3,800,000	4,200,000
	18,785,716	22,457,144
Less current maturities	3,671,428	3,671,428
	$ 15,114,288	$ 18,785,716

The senior notes bear interest at a fixed rate of 6.82% and are unsecured. The notes are due in annual principal installments of $2,571,428 and the final installment is due September 15, 2005. This agreement requires that the Company maintain a minimum level of tangible net worth.

The Indiana Development Finance Authority Bonds are payable in annual installments of $300,000 plus interest at a variable tax exempt bond rate, set periodically to enable the bonds to be sold at par (1.95% at December 31, 2001). The final installment is due November 1, 2006. The bonds are collateralized by real estate and equipment purchased with the bond funds and are backed by a bank standby letter of credit totaling approximately $1,590,000.

The State of Oregon Economic Development Revenue Bonds are payable in annual installments of $400,000 plus interest at a variable tax exempt bond rate (1.95% at December 31, 2001). The final installment is due December 1, 2009. The bonds are collateralized by real estate and equipment purchased with the bond funds and are backed by a bank standby letter of credit totaling approximately $3,345,000.

The State of North Carolina Economic Development Revenue Bonds are payable in annual installments of $400,000 plus quarterly interest payments at a variable tax exempt bond rate (1.95% at December 31, 2001). Annual payments of $500,000 are due in each of the last two years with a final payment due August 1, 2010. The bonds are collateralized by real estate and equipment purchased with the bond funds and are backed by a bank standby letter of credit totaling approximately $3,937,000.

The Company has an unsecured revolving credit agreement which allows borrowings up to $10,000,000 or a borrowing base defined in the agreement and expires on January 28, 2003. Interest on this note is at either prime or the Eurodollar rate plus .75%. The Company pays .25% of the unused portion of the revolving line. In addition, this agreement requires the Company to, among other things, maintain minimum levels of tangible net worth, working capital, and debt to net worth.

Aggregate maturities of long-term debt for the years ending December 31, 2002 through 2004 are $3,671,428; 2005 $3,671,432; 2006 $1,100,000 and thereafter $3,000,000.

In addition, the Company is contingently liable for standby letters of credit of approximately $3,000,000 to meet credit policies of certain suppliers.

Based on the borrowing rates currently available to the Company for loans with similar terms and average maturities, the fair value of the long-term debt instruments approximates their carrying value.

Interest expense for the years ended December 31, 2001, 2000, and 1999 was approximately $1,280,000, $1,662,000, and $1,826,000 respectively.

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NOTE 4. EQUITY TRANSACTIONS

SHAREHOLDER RIGHTS PLAN:

On February 29, 1996, the Company's Board of Directors adopted a shareholder rights agreement, granting certain new rights to holders of the Company's common stock. Under the agreement, one right was granted for each share of common stock held as of March 20, 1996, and one right will be granted for each share subsequently issued. Each right entitles the holder, in an unfriendly takeover situation, and after paying the exercise price (currently $30), to purchase Patrick common stock having a market value equal to two times the exercise price. Also, if the Company is merged into another corporation, or if 50 percent or more of the Company's assets are sold, then rightholders are entitled, upon payment of the exercise price, to buy common shares of the acquiring corporation's common stock having a then current market value equal to two times the exercise price. In either situation, these rights are not available to the acquiring party. However, these exercise features will not be activated if the acquiring party makes an offer to acquire the Company's outstanding shares at a price which is judged by the Board of Directors to be fair to all Patrick shareholders. The rights may be redeemed by the Company under certain circumstances at the rate of $.01 per right. The rights will expire on March 20, 2006. The Company has authorized 100,000 shares of preferred stock, Series A, no par value, in connection with this plan, none of which have been issued.

REPURCHASE OF COMMON STOCK:

The Company's Board of Directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide.

NOTE 5. COMMITMENTS AND RELATED PARTY LEASES

The Company leases office, manufacturing, and warehouse facilities and certain equipment under various noncancelable agreements, which expire at various dates through 2005. These agreements contain various renewal options and provide for minimum annual rentals plus the payment of real estate taxes, insurance, and normal maintenance on the properties. Certain of the leases are with the chairman emeritus/major shareholder and expire at various dates through September 30, 2005.

The total minimum rental commitment at December 31, 2001 under the leases mentioned above is approximately $5,480,000 which is due approximately $2,687,000 in 2002, $1,593,000 in 2003, $849,000 in 2004, $311,000 in 2005 and $40,000 in 2006.

The total rent expense included in the statements of operations for the years ended December 31, 2001, 2000, and 1999 is approximately $4,300,000, $3,900,000, and $4,100,000 respectively, of which approximately $1,300,000 each year was paid to the chairman emeritus/major shareholder.

NOTE 6. MAJOR CUSTOMERS

Net sales for the years ended December 31, 2001 and 2000 included sales to one customer accounting for 11.9% and 14.4% respectively of total net sales of the Company.

- --

Net sales for the year ended December 31, 1999 included sales to two customers, each of which accounted for 10% or more of the total net sales of the Company for the year. The percentage of sales for these customers was 11.9% and 10.4%.

The balances due from these customers at December 31, 2001 and 2000 were not significant to the total trade receivables balance.

NOTE 7. INCOME TAX MATTERS

Federal and state income taxes (credits) for the years ended December 31, 2001, 2000, and 1999, all of which are domestic, consist of the following:

	2001	2000	1999
Current:			
Federal	$(2,133,000)	$ (120,000)	$ 3,600,000
State	(473,000)	(31,000)	943,000
Deferred	(1,163,000)	(2,670,000)	226,000
	$(3,769,000)	$(2,821,000)	$ 4,769,000

The provisions for income taxes (credits) for the years ended December 31, 2001, 2000, and 1999 are different from the amounts that would otherwise be computed by applying a graduated federal statutory rate of 35% to income before income taxes. A reconciliation of the differences is as follows:

	2001	2000	1999
Rate applied to pretax income	$(3,339,000)	$(2,570,000)	$ 4,260,000
State taxes, net of federal tax effect	(572,000)	(368,000)	550,000
Write off of nondeductible goodwill	-	121,000	-
Other	142,000	(4,000)	(41,000)
	$(3,769,000)	$(2,821,000)	$ 4,769,000

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

The composition of the deferred tax assets and liabilities at December 31, 2001 and 2000 is as follows:

	2001	2000
Gross deferred tax liability, accelerated depreciation	$(2,006,000)	$(1,983,000)
Gross deferred tax assets:		
Trade receivables allowance	69,000	296,000
Inventory capitalization	257,000	308,000
Accrued expenses	1,247,000	696,000
Deferred compensation	879,000	807,000
Unvested stock awards	149,000	197,000
Inventory reserves	2,000	217,000
AMT credit carryforward	100,000	100,000
Goodwill	1,046,000	-
Other	190,000	132,000
	3,939,000	2,753,000
Net deferred tax assets	$ 1,933,000	$ 770,000

NOTE 8. SELF-INSURED PLANS

The Company has a self-insured health plan for its employees under which there is both a participant stop loss and an aggregate stop loss based on total participants. The Company is potentially responsible for annual claims not to exceed approximately $2,800,000 in aggregate at December 31, 2001. The excess loss portion of the employees' coverage has been insured with a commercial carrier.

The Company is partially self-insured for its workers' compensation liability. The Company is responsible for a per occurrence limit amount not to exceed approximately $500,000 individually and $1,998,000 in aggregate annually. The excess loss portion of the employees' coverage has been insured with a commercial carrier.

The Company has accrued an estimated liability for these benefits based upon claims incurred.

NOTE 9. COMPENSATION PLANS

DEFERRED COMPENSATION OBLIGATIONS:

The Company has deferred compensation agreements with certain key employees. The agreements provide for monthly benefits for ten years subsequent to retirement, disability, or death. The Company has accrued an estimated liability based upon the present value of an annuity needed to provide the future benefit payments.

BONUS PLAN:

The Company pays bonuses to certain management personnel. Historically, bonuses are determined annually and are based upon corporate and divisional income levels. The charge to operations amounted to approximately $540,000, $560,000, and $2,170,000 for the years ended December 31, 2001, 2000, and 1999 respectively.

PROFIT-SHARING PLAN:

The Company has a qualified profit-sharing plan, more commonly known as a 401(k) plan, for substantially all of its employees with over one year of service and who are at least 21 years of age. The plan provides for a matching contribution by the Company as defined in the agreement and, in addition, provides for a discretionary contribution annually as determined by the Board of Directors. The amounts of contributions for the years ended December 31, 2001, 2000, and 1999 were immaterial.

STOCK OPTION PLAN:

The Company has a stock option plan with shares of common stock reserved for options to key employees. As permitted under accounting principles generally accepted in the United States of America, grants under this plan are accounted for following APB Opinion No. 25 and related interpretations. Accordingly, no compensation cost has been recognized for grants under the plan. Had compensation cost for the plans been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123), reported net income and earnings per common share would have been reduced to the pro forma amounts shown below:

	2001	2000	1999
Net income (loss):			
As reported	$ (5,771,410)	$ (4,533,870)	$ 7,404,290
Pro forma	(5,922,109)	(4,895,300)	7,060,174
Primary earnings (loss) per share:			
As reported	$ (1.28)	$ (0.89)	$ 1.30
Pro forma	(1.31)	(0.96)	1.24
Fully diluted earnings (loss) per share:			
As reported	$ (1.28)	$ (0.89)	$ 1.29
Pro forma	(1.31)	(0.96)	1.23

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions for 2001: dividend rate of 2.25% for all years; risk-free interest rate of 5.25%; expected lives of 5 years; and price volatility of 52%.

Following is a summary of transactions of granted shares under option for the years ended December 31, 2001, 2000 and 1999:

	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	452,500	$ 12.55	417,500	$ 14.13	88,500	$ 10.75
Issued during the year	240,000	6.30	115,000	6.13	352,500	14.75
Canceled during the year	(342,700)	14.62	(80,000)	11.50	(21,000)	10.75
Exercised during the year	-	-	-	-	(2,500)	10.75
Outstanding, end of year	349,800	$ 6.25	452,500	$ 12.55	417,500	$ 14.13
Eligible, end of year for exercise	147,450	$ 6.27	84,375	$ 14.75	65,000	$ 10.75
Weighted average fair value of options granted during the year	N/A	$ 1.86	N/A	$ 2.07	N/A	$ 7.26

A further summary about fixed options outstanding at December 31, 2001 is as follows:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Exercise price of $6.13	109,800	8.5	$ 6.13	$ 27,450	$ 6.13
Exercise price of $6.30	240,000	7.5	$ 6.30	$ 120,000	$ 6.30

STOCK AWARD PLAN:

The Company has adopted a stock award plan for the seven existing non-employee directors. Grants awarded during May 2001 and 2000 of 24,000 shares are subject to forfeiture in the event the recipient terminates as a director within two years from the date of grant. The related compensation expense is being recognized over the two-year vesting period.

NOTE 10. ASSET IMPAIRMENTS AND RESTRUCTURINGS

During 2001 and 2000, the Company recorded asset impairments of approximately

$2,834,000 and $6,937,000 respectively. These charges approximated $1,700,000 after tax or $.38 per share in 2001 and approximately $4,283,000 after tax or $.84 per share in 2000. Additionally, the Company recorded restructuring charges of approximately $424,000 and $718,000 in 2001 and 2000 respectively. The restructuring charges approximated $254,000 after tax or $.06 per share in 2001, and approximately $431,000 after tax or $.08 per share in 2000.

Asset impairment charges were required to write down the net book values of long-lived assets primarily in the Company's Wood and Other Segments in both 2001 and 2000. These charges approximated $2,834,000 in pre-tax charges to the Other Segment in 2001 and approximately $5,371,000 and $1,566,000 in pre-tax charges to the Wood and Other Segments in 2000 respectively. Estimated future cash flows of these operations had indicated that an impairment had occurred.

Restructuring charges in 2001 were incurred from the strategic decision to relocate two manufacturing plants in the Other Segment and consolidate them into other existing plant locations. Restructuring charges in 2000 were incurred from the strategic decisions to close a manufacturing plant in the Wood Segment, moving manufacturing to other existing plant locations, the merging of certain facilities in the Southeast to gain operating efficiencies, and the closing of an unprofitable manufacturing facility in the Other Segment. The charges in both years include severance payments, write down of obsolete inventories, and future rental commitments related to the closed facilities. The remaining restructuring reserves amount to approximately $408,000 and $400,000 in 2001 and 2000 respectively. The reserves for 2000 were utilized in the second quarter of 2001 and the reserves for 2001 are expected to be utilized by the second quarter 2002. The majority of the cost savings related to these plans will be realized in future years.

NOTE 11. CONTINGENCIES

The Company is subject to claims and suits in the ordinary course of business. In management's opinion, current pending legal proceedings and claims against the Company will not, individually or in the aggregate, have a material adverse effect on the Company's financial condition or results of operations.

NOTE 12. CASH FLOWS INFORMATION

Supplemental information relative to the statements of cash flows for the years ended December 31, 2001, 2000, and 1999 is as follows:

	2001	2000	1999
Supplemental disclosures of cash flows information:			
Cash payments for:			
Interest	$1,062,450	$1,275,745	$1,597,626
Income taxes	$ 125,234	$1,248,811	$4,850,244

NOTE 13. UNAUDITED INTERIM FINANCIAL INFORMATION

Presented below is certain selected unaudited quarterly financial information for the years ended December 31, 2001 and 2000 (dollars in thousands, except per share data):

<TABLE>

	Quarter Ended				
	March 31,	June 30,	September 30,	December 31,	
	2001				
<S>	<C>	<C>	<C>	<C>	
Net sales	$ 68,295	$ 78,908	$ 77,528	$ 68,339	
Gross profit	7,085	10,086	9,176	7,666	
Net income (loss)	(1,748)	212	(729)	(3,506)	*
Earnings (loss) per common					

share	(0.39)	0.05	(0.16)	(0.78)
Weighted average common shares outstanding	4,517,977	4,518,062	4,529,666	4,529,666

* During the 4th quarter ended December 31, 2001, the Company recorded an impairment charge net of taxes of approximately $1,700,000 ($.38) per share.

</TABLE>

<TABLE>

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	2000			
<S>	<C>	<C>	<C>	<C>
Net sales	$ 99,824	$ 100,902	$ 89,945	$ 70,949
Gross profit	10,753	12,566	11,122	7,463
Net income (loss)	(4,602)	880	605	(1,417)
Earnings (loss) per common share	(0.86)	0.16	0.11	(0.30)
Weighted average common shares outstanding	5,346,346	5,268,666	5,141,275	4,720,242

</TABLE>

NOTE 14. SEGMENT INFORMATION

The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting, which segregates its business by product category and production/ distribution process. The Company's reportable segments are as follows:

Laminating -- Utilizes various materials including gypsum, particleboard, plywood, and fiberboard which are bonded by adhesives or a heating process to a number of products including vinyl, paper, foil, and high pressure laminate. These laminated products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures.

Distribution -- Distributes primarily pre-finished wall and ceiling panels, particleboard, hardboard, vinyl siding, roofing products, passage doors, building hardware, insulation, and other products.

Wood -- Uses raw lumber including solid oak as well as other hardwood materials or laminated particleboard or plywood to produce cabinet door product lines.

Other -- Includes aluminum extruding, painting and distributing divisions, an adhesive division, a pleated shade division, a plastic thermoforming division, and a machine manufacturing division.

The accounting policies of the segments are the same as those described in "Significant Accounting Policies," except as described below. Segment data includes intersegment revenues, as well as a charge allocating a majority of the corporate costs to each of its operating segments based on a percentage of sales. Assets are identified with the segments with the exception of cash, land and buildings, and intangibles which are identified with the corporate division. The corporate division charges rents to the segment for use of the land and buildings based upon market rates. The Company accounts for intersegment sales as if the sales were to third parties, that is, at current market prices. The Company also records income from purchase incentive agreements as corporate division revenue. The Company evaluates the performance of its segments and allocates resources to them based on a variety of indicators including revenues, cost of goods sold, earnings before interest and taxes (EBIT), and total identifiable assets.

- --

The table below presents information about the net income (loss) and segment assets used by the chief operating decision makers of the Company as of and for the years ended December 31, 2001, 2000, and 1999.

<TABLE>

	Laminating	Distribution	Wood	Other	Total
			2001		
<S>	<C>	<C>	<C>	<C>	<C>
Sales	$ 127,092	$ 103,298	$ 29,256	$ 33,424	$ 293,070
Sales, intersegment	4,052	1,039	926	12,973	18,990
Total sales	131,144	104,337	30,182	46,397	312,060
Cost of goods sold	119,702	92,500	27,657	42,181	282,040
EBIT	(1,120)	619	(1,027)	(1,730)	(3,258)
Identifiable assets	30,324	12,561	5,323	8,318	56,526
Depreciation	2,644	343	647	1,201	4,835
			2000		
Sales	$ 156,525	$ 133,174	$ 34,050	$ 37,855	$ 361,604
Sales, intersegment	5,821	56	1,066	15,894	22,837
Total sales	162,346	133,230	35,116	53,749	384,441
Cost of goods sold	146,538	120,534	32,735	47,763	347,570
EBIT	1,763	1,110	(1,596)	(636)	641
Identifiable assets	32,368	13,177	6,132	11,486	63,163
Depreciation	2,668	457	947	1,384	5,456

</TABLE>

- --

	Laminating	Distribution	Wood	Other	Total
			1999		
Sales	$185,300	$185,053	$ 42,458	$ 43,747	$456,558
Sales, intersegment	6,733	51	1,209	21,381	29,374
Total sales	192,033	185,104	43,667	65,128	485,932
Cost of goods sold	171,288	167,507	41,639	55,184	435,618
EBIT	5,229	4,588	(2,572)	2,623	9,868
Identifiable assets	39,750	20,270	11,956	15,444	87,420
Depreciation	2,398	437	1,630	1,360	5,825

A reconciliation of total segment sales, cost of goods sold, and EBIT to consolidated sales, cost of goods sold, and segment information to the consolidated financial statements as of and for the years ended December 31, 2001, 2000, and 1999 is as follows (dollars in thousands):

	2001	2000	1999
Sales:			
Total sales for reportable segments	$ 312,060	$ 384,441	$ 485,932
Elimination of intersegment revenue	(18,990)	(22,821)	(28,576)
Consolidated sales	$ 293,070	$ 361,620	$ 457,356

<TABLE>

<S>	2001 <C>	2000 <C>	1999 <C>
Cost of goods sold:			
Total cost of goods sold for reportable segments	$ 282,040	$ 347,570	$ 435,618
Elimination of intersegment cost of goods sold	(18,990)	(22,821)	(28,576)
Consolidation reclassifications	(1,535)	(2,000)	(2,890)
Corporate incentive agreements	(2,286)	(2,589)	(3,681)
Other	(171)	(445)	(454)
Consolidated cost of goods sold	$ 259,058	$ 319,715	$ 400,017
Earnings before interest and taxes (EBIT):			
EBIT for reportable segments	$ (3,258)	$ 641	$ 9,868
Corporate incentive agreements	2,286	2,589	3,681
Consolidation reclassifications	21	(329)	(780)
Gain (loss) on sale of property and equipment	67	617	643
Impairment charge	(2,834)	(6,937)	-
Restructuring charge	(424)	(718)	-
(Underallocated) overallocated corporate expenses	(4,437)	(1,994)	154
Consolidated EBIT	$ (8,579)	$ (6,131)	13,566
Consolidated assets:			
Identifiable assets for reportable segments	$ 56,526	$ 63,163	$ 87,420
Corporate property and equipment	22,586	23,764	24,693
Current assets not allocated to segments	9,917	9,694	6,035
Intangible and other assets not allocated to segments	3,209	6,248	8,420
Consolidation eliminations	(268)	(349)	(365)
Consolidated assets	$ 91,970	$ 102,520	$ 126,203
Depreciation and amortization:			
Depreciation for reportable segments	$ 4,835	$ 5,456	$ 5,825
Corporate depreciation and amortization	2,677	2,781	3,079
Consolidated depreciation and amortization	$ 7,512	$ 8,237	$ 8,904

</TABLE>

NOTE 15. SUBSEQUENT EVENT

On February 11, 2002, the Company agreed to purchase certain leased real estate from the chairman emeritus/major shareholder for $2,000,000.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTAL SCHEDULE AND CONSENT

To the Board of Directors
PATRICK INDUSTRIES, INC.
Elkhart, Indiana

Our audits of the consolidated financial statements of PATRICK INDUSTRIES, INC. AND SUBSIDIARIES included Schedule II, contained herein, for each of the years in the three-year period ended December 31, 2001. Such schedule is presented for purposes of complying with the Securities and Exchange Commission's rule and is not a required part of the basic consolidated financial statements. In our opinion, such schedule presents fairly the information set forth therein, in conformity with generally accepted accounting principles.

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-04187) and in the related Prospectus of our report, dated February 12, 2002, with respect to the consolidated financial statements and schedule of PATRICK INDUSTRIES, INC. AND SUBSIDIARIES included in this Annual Report on Form 10-K for the year ended December 31, 2001.

/s/ McGladrey & Pullen, LLP

Elkhart, Indiana
February 12, 2002

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
DECEMBER 31, 2001, 2000, AND 1999

	Balance At Begining Of Period	Charged To Operations	Deductions From Reserves	Balance At Close Of Period
Allowance for doubtful accounts - - deducted from trade receiv- ables in the balance sheets:				
1999	$125,000	$268,595	$118,595	$275,000
2000	$275,000	$641,676	$166,676	$750,000
2001	$750,000	$196,195	$771,195	$175,000
Allowance for restructuring charges - in accrued liabilities in the balance sheets:				
1999	$ -	$ -	$ -	$ -
2000	$ -	$714,598	$588,598	$126,000

2001	$126,000	$423,617	$141,617	$408,000

INDEX TO EXHIBITS

	reference) .....
*10(h)	-Patrick Industries, Inc. 1987 Stock Option Program, as amended (filed as Exhibit 10(e) to the Company's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
*10(i)	-Patrick Industries, Inc. 401(k) Employee Savings Plan (filed as Exhibit 10(a) to the Company's Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference) ....
*10(j)	-Form of Employment Agreements with Executive Officers (filed as Exhibit 10(e) to the Company's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) .....
*10(k)	-Form of Deferred Compensation Agreements with Executive Officers (filed as Exhibit 10(f) to the Company's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) ....
10(l)	-Commercial Lease and dated as of October 1, 1994 between Mervin D. Lung, as lessor, and the Company, as lessee (filed as Exhibit 10(k) to the Company's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
10(m)	-Commercial Lease dated September 1, 1994 between Mervin D. Lung Building Company, Inc., as lessor, and the Company, as lessee (filed as Exhibit 10(l) to the Company's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
10(n)	-Commercial Lease dated November 1, 1994 between Mervin D. Lung Building Company, Inc., as lessor, and the Company, as lessee (filed as Exhibit 10(m) to the Company's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
10(o)	-Commercial Lease dated October 1, 1999 between Mervin D. Lung, as lessor, and the Company, as lessee (filed as Exhibit 10(o) to the Company's Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference) ....
10(p)	-Commercial Lease dated September 1, 2000 between Mervin D. Lung Building Company, Inc., as lessor, and the Company, as lessee (filed as Exhibit 10(p) to the Company's Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference)..........

Exhibit Number	Exhibits
10(q)	-Commercial Lease dated November 1, 2000 between Mervin D. Lung Building Company, Inc., as lessor, and the Company, as lessee (filed as Exhibit 10(q) to the Company's Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference)..........
10(r)	-Credit Agreement dated as of January 28, 2000 among the Company, Bank One, Indiana, N.A. (filed as Exhibit 10(r) to the Company's Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference) ....
10(s)**	-Commercial Lease dated August 1, 2001 between Mervin D. Lung Building Company, Inc., as lessor, and the company, as lessee..........
12**	-Computation of Operating Ratios ....
23	-Consent of accountants (included in Independent auditor's report on supplemental schedule & consent on page F-21) .....

*Management contract or compensatory plan or arrangement
**Filed herewith

COMMERCIAL LEASE

THIS AGREEMENT, made and entered into this First day of August 2001, between MERVIN D. LUNG BUILDING COMPANY, INC., an Indiana Corporation, of St. Joseph County, State of Indiana, hereinafter know as "LESSOR", and PATRICK INDUSTRIES, INC., an Indiana Corporation with principal offices in Elkhart County, Indiana, hereinafter referred to as "LESSEE", for and in consideration of the covenants and agreements hereinafter mentioned, that real estate located in Elkhart County, State of Indiana, and more particularly described in ITEM 1. LEASED PREMISES.

WHEREAS, LESSOR is owner of certain property situated in Elkhart, Indiana; and

WHEREAS, LESSEE is desirous of leasing said property.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained with applicable ordinances, laws and regulations, the parties agree as follows:

1. LEASED PREMISES: the LESSOR hereby leases to LESSEE those premises bearing the street address of 800 Wagner Street, Elkhart, Indiana, more particularly described as follows:

Part of the Northwest Quarter (NW 1/4) of section 8, Township 37 North, Range 5 East of the Second Principal Meridian in the City of Elkhart, County of Elkhart, State of Indiana, described as follows:

Beginning at a point in the centerline of Wagner Avenue in said City of Elkhart, said point being 942.85 feet west of a point where said centerline is intersected by the southerly extension of the westerly line of Chapman's South Elkhart Addition as the same is platted west of Sixth Street and north of said Wagner Avenue; thence due west along the centerline of said Wagner Avenue a distance of 500.00 feet to a point; thence due north along the east line of a tract of land conveyed to Northern Indiana Public Service Company (Elkhart County Deed Record 258 Page 55) a distance of 114.55 feet to an iron stake at the northeast corner of said tract of land; thence due east along the north line of land conveyed to Mervin D. Lung and Dorothy M.

Lung, husband and wife, in Elkhart County Deed Record 297 page 534, a distance of 135 feet to an iron stake; thence north 54 degrees - 08 feet east along the north line of said Lung land a distance of 369.42 feet to an iron stake; thence due east a distance of 65.98 feet; thence south 0 degrees 5 feet west a distance of 330.9 feet to the place of beginning of this description.

Containing 2.39 acres of land.

2. TERM: The term of this Lease shall be from the 1st of August, 2001, through the 31st day of July, 2004.

3. RENTAL: Lessee agrees to pay to Lessor in advance of the first day of each month throughout the term of this lease, a rental of Nine Thousand Nine Hundred and Forty-nine ($9,949.80) Dollars per month for the first year Thereafter rent will increase three (3%) percent per year of the lease. Lessee further agrees that if its operations hereunder and use of said property cause an increase in the cost of fire and extended coverage insurance on any building, which in whole or in part is included in the leased premises, over and above the cost that would otherwise be applicable to said building, then the monthly rent provided for hereinabove will be increased by the amount of the increase in the cost of such insurance by the amount of the increase in the cost of such insurance on a monthly basis. Lessee additionally, agrees to pay, Real Estate Taxes each year as provided in this Agreement.

4. CONDITION. USE AND CARE OF LEASED PREMISES: Lessee hereby accepts the leased premises in its present condition. Lessee agrees to use said premises for its warehousing and display, sales, repair and modification of its products, and for all additional uses and purposes as may be customarily incidental to the operation of Lessee's business.

Lessee agrees that in no event shall it conduct any business on said premises which would be in violation of any local, state, or federal rules, regulations, ordinances, or statutes.

Lessee agrees that it shall place no sign upon leased premises until Lessor shall first have approved, in writing, the size and location of said sign.

Lessee agrees to maintain the leased premises in good condition at all times, subject only to reasonable wear and tear of the kind normally accounted for by depreciation; and Lessee agrees to maintain the leased premises in a neat and presentable condition at all times and not to permit accumulations of any unsightly deposits of rubbish or other matter.

Lessor reserves the right to make an inspection of the leased premises at reasonable times during business hours no oftener than once every three (3) months; provided, however, that said inspection shall not in any way interrupt Lessee's normal business operations.

Lessee shall have the right to make such interior changes, improvements, and alterations to the leased premises, at its own cost and expense, as may be desired or necessary to adapt the leased premises to the business to be carried out by the Lessee; provided, however, that no structural change shall be made in such leased premises without prior written consent of the Lessor, and Lessee will not allow any liens or encumbrances to attach to the premises for any such changes, improvements, and/or alterations, and will hold the Lessor harmless for any such liens and encumbrances that may arise therefrom. Any changes, alterations, and/or additions made by the Lessee in the leased premises shall be and become a part of such premises and remain thereon the property of the Lessor; but if such alterations, changes or additions, or any of them, are removable without injury to the premises, then the same may be removed at the option of the Lessee.

5. EFFECT OF DESTRUCTION OF THE LEASED PREMISES; If the leased premises should be wholly or substantially destroyed without any fault on the part of the Lessee, then an equitable adjustment of the rental due hereunder shall be made with respect to the

length of time between the date of the destruction and the date when the premises are restored, said adjustment to be made upon a prorata basis. If Lessor elects not to restore the destroyed premises or if such restoration is not completed within four (4) months from the date of such destruction, then this lease shall terminate as of said date of destruction.

6. TAXES AND UTILITIES: Lessor agrees to pay all real estate taxes levied with respect to the leased premises at the rate of taxes assessed for the 2000 taxes payable in 2001 subject to other paragraphs of this agreement.

Lessee agrees to pay, in equal monthly installments, any increase in real estate taxes levied, with respect to the leased premises, subsequent to the 2000 tax year. The first monthly installment of the annual amount of increased taxes shall be paid on the 1st day of the month following the notice of increase in taxes made by Lessor to Lessee upon receipt of the same by Lessor.

Lessee agrees to pay, all taxes levied with respect to all property of Lessee situated on the leased premises.

Lessee agrees to pay the installation costs of all current charges for all utilities used by Lessee on the leased premises, except water.

7. LESSOR'S RESPONSIBILITY FOR REPAIR OF LEASED PREMISES; The Lessor shall be responsible, at its expense, to keep in repair the warehouse flooring, heating and air conditioning equipment, and the exterior of said leased premises, including the roof, exterior walls, footings, foundations, parking areas, and access roads. The Lessee, however, shall have the responsibility of notifying the Lessor immediately when any repairs are required hereunder, before the Lessor shall be held responsible for the repair. The Lessee, however, shall be responsible for maintenance or repairs of a minor nature which result from ordinary wear and tear of the leased premises, as well as the utilities

contained therein, or result from the acts of the Lessee, its agents, employees, or invitees.

8. ASSIGNMENT OR SUBLETTING; Lessee may assign or sublet all or any portion of the leased premises; provided, however, that nothing in this paragraph shall be construed as relieving Lessee from any responsibility it may have under this lease for nonpayment of rent or any other responsibility, and provided further, that Lessee shall remain primarily liable on said lease in the event of any assignment or subletting.

9. HOLD HARMLESS, INSURANCE, AND SUBROGATION: Lessee agrees to

maintain in full force and effect at all times public liability insurance with bodily injury limits of at least $500,000 per person, $1,000,000 aggregate, and property damage limits in amounts of at least $500,000 with an insurance carrier acceptable to Lessor duly protecting. Lessee also agrees to keep the real property, including all fixtures, adequately insured against fire and other casualty; Lessee agrees to keep all personal property adequately insured against fire and other casualty. Lessee shall deliver to Lessor evidence of the existence of such liability insurance.

Lessee agrees to hold Lessor free and harmless from any and all liability to which Lessor might otherwise be subjected by reason of Lessee's activities on leased premises, including, among other things, reimbursing Lessor for all costs, attorney's fees, etc., that may be incurred by Lessor in defending against any such claimed liability except that neither Lessor or Lessee shall be liable to the other for damage or loss to property growing out of or in connection with Lessee's use and occupancy of the leased premises or to the contents caused by the negligence or fault of Lessor or Lessee or of their respective agents, employees, subtenants, assignees, or invitees, to the extent such damage or loss is covered by the fire and other casualty insurance maintained by the parties. Lessor and

Lessee agree to notify their respective insurance companies, in writing, of the provisions of this paragraph, and in the event either party cannot waive its subrogation rights pursuant to this paragraph, such parties shall immediately notify the other party of this fact in writing.

Lessor shall be entitled at all times to post on the leased premises appropriate notices of non-responsibility with respect to any work by Lessee which might otherwise subject the leased premises to mechanic's lien claims.

10. RIGHTS OF LESSOR ON RECEIVERSHIP OR BANKRUPTCY OF ANY LESSEE: At the option of Lessor, this lease shall terminate and Lessor shall forthwith be entitled to the possession of the leased premises upon the occurrence of any of the following events:

(a) The execution by any Lessee of an assignment for the benefit of creditors.

(b) The appointment by any court of competent jurisdiction of a receiver or other similar officer to administer the assets of any Lessee.

(c) The filing of a petition in bankruptcy by or against any Lessee.

(d) The filing of a petition for any arrangement or any other similar proceeding under any provision of the Federal Bankruptcy Act, as amended, with respect to any Lessee.

This option shall be exercised, if at all, by Lessor mailing postage prepaid, a written notice to Lessee at the leased premises or to the assignee, trustee, etc., as the case may be, at his place of business, advising of Lessor's election to so terminate this lease as of the date of the occurrence of such event. Such written notice must be mailed within ninety (90) days after Lessor receives actual notice of the occurrence of

such event. Lessee, when used in this paragraph, shall mean any one or more of several persons embraced within the term Lessee under this lease.

11. RIGHTS OF LESSOR UPON DEFAULT BY LESSEE: If at any time Lessee defaults, under this lease, by failing to fully observe and perform all conditions and promises to be observed and performed by Lessee hereunder or defaults in any other manner, and such default is not cured within ten (10) days (except default in payment of rent for which the period is three (3) days after the delivery in person to Lessee by or on behalf of Lessor or the mailing to Lessee, by or on behalf of Lessor, postage prepaid, addressed to Lessee at the leased premises of a written notice of such default and a demand that the default be cured, then at any time thereafter Lessor may pursue any one or more of the following remedies (such remedies being cumulative and not mutually exclusive):

(a) Lessor may immediately recover from Lessee all amounts due to Lessor hereunder, together with damages arising from Lessee's default.

(b) Lessor shall forthwith be entitled to the possession of the leased premises without thereby in any way relieving Lessee of Lessee's obligation to pay rent hereunder. If pursuant hereto, Lessor should repossess the leased premises, Lessor may, at its option, re-let the leased premises for the benefit of Lessee, in which case Lessee agrees to pay all costs of re-letting, pay monthly, the excess of the monthly rental provided for hereunder over the monthly rental received from such re-letting with Lessor being entitled to retain the excess, if any, of the monthly rental received from such re-letting over the monthly rental provided for hereunder. Neither repossession by Lessor hereunder nor re-letting by Lessor hereunder shall in any

way take away Lessor's right to thereafter terminate this lease as provided for in the following subparagraph (c).

(c) Lessor may terminate this lease by delivering to Lessee in person or by mailing, postage prepaid, to Lessee at the leased premises, a writing stating Lessor's election to terminate this lease.

If Lessor should thus terminate this lease, then Lessor may forthwith recover, from Lessee the excess of rentals provided for hereunder above the then reasonable rental value of the remainder of the term of this lease.

Lessee agrees that if Lessor pursues any of the foregoing remedies, Lessee will pay to Lessor all expenses and attorney's fees reasonable incurred by Lessor in connection therewith and that in any litigation the same shall be provided for as incidental damages.

12. Lessee agrees that this lease and Lessee's rights hereunder shall at all times during the term hereof be subject and subordinate to the lien of any mortgage, deed of trust, or other encumbrance which presently exists with respect to the leased premises or which may be placed upon the leased premises hereafter by Lessor or Lessor's successor in interest and Lessee agrees to execute and deliver to Lessor or Lessor's successor in interest any instrument or instruments requested by Lessor with respect to any such encumbrance placed or to be placed upon the leased premises and subordinating this lease thereto.

13. OPTION TO RENEW: If Lessee is not in default, it is granted an option to renew and extend the term of this lease for an additional period of three (3) years, on terms and conditions to be negotiated by Lessor and Lessee at the time the option is exercised. Said option shall be exercised by Lessee providing Lessor written notice no less than sixty (60) days prior to the termination of this lease term.

This agreement constitutes the entire agreement by and between the parties and may only be altered, amended, or changed in writing.

IN WITNESS WHEREOF, the parties have hereunto executed this agreement on the day first above written.

LESSOR:
MERVIN D. LUNG BUILDING COMPANY, INC.

By: /S/ Mervin D. Lung

Mervin D. Lung

LESSEE:

PATRICK INDUSTRIES, INC.

By: /S/ Keith V. Kankel

KEITH V. KANKEL

Attest:

/S/ Michael T. Rietgraf
- -----------------------

DATED: 08/01/01

Exhibit 12

PATRICK INDUSTRIES, INC.

Statement of Computation of Operating Ratios

Operating ratios which appear in this Form 10-K, including gross profit, warehouse and delivery expenses, selling, general, and administrative expenses, operating income, and net income were computed by dividing the respective amounts by net sales for the periods indicated.