

2010
Proxy and Annual Financial Statements



Herman Miller, Inc., and Subsidiaries

Notice of 2010
Annual Meeting of Shareholders
Proxy Statement



Herman Miller, Inc., and Subsidiaries

August 31, 2010

Dear Fellow Herman Miller Shareholder,

With all the cutbacks and personal sacrifices of so many people and their families in our fiscal year 2010, we took significant steps to make sure Herman Miller will emerge stronger than ever from the most recent economic downturn. I believe we have come through the worst of it.

As I look back on the last year, I'm pleased that we were able to balance three things—the obligations we have to people who have invested in Herman Miller, keeping the talent we have, and investing in ways that broaden our markets. When we balance all of these things, we are making sure the Herman Miller community will thrive for years to come.

The core of our business continues to focus on serving the furniture needs of U.S. businesses. Over the past five years, however, we have made a deliberate and sustained effort to broaden our mix of customers and channels to market. We have pursued this direction through both internal development and acquisitions. The hard work and sacrifices of our employees enabled us to continue to invest in this long-term direction despite the recent challenging economic environment.

In June, 2009, we acquired Nemschoff, a \$90 million manufacturer of healthcare furniture. In April, 2010, we acquired Colebrook Bosson Saunders, a design leader in ergonomic work tools. As a result, today, nearly 50% of our sales are to hospitals, learning environments, individuals at home, and customers in locations outside the U.S. While this more diverse customer base did not enable us to avoid the negative effects of the global recession, we believe it will provide greater opportunities for recovery and growth.

Our financial position

Notwithstanding the difficult business conditions we faced this fiscal year, our commitment to forward investment and aggressive restructuring paid off in the form of solid financial results. We maintained a robust R&D program by investing \$33 million in product development. Over the past four years, our spending in this area has averaged 2.2% of sales. In fiscal 2010, approximately 23% of total revenue was derived from sales of new products introduced over the past four years.

We were aggressive in our efforts to adjust costs in line with business levels, recognizing \$17 million in restructuring expenses during the year. As a result, we remained profitable and generated \$99 million in cash flow from operations. We also took steps to reduce balance sheet risk by paying down \$75 million of outstanding debt and increasing the funded status of our employee retirement obligations.

Despite this and \$46 million in cash used for acquisitions, we ended the fiscal year with \$147 million in cash and investments. These efforts and the resulting financial performance helped drive a 35% increase in our stock price during the fiscal year.

Other progress

Throughout the downturn, the development of new products has remained a critical element of our business strategy. At the Neocon tradeshow in Chicago in June, we introduced 18 new products and demonstrated in clear and visible ways that Herman Miller is on the march.

Among the most significant areas of change at this year's show was Herman Miller for Healthcare. When you entered our new dedicated show space, it was clear that we are serious about servicing the needs of healing environments. We have a broad portfolio of capabilities to serve the entire hospital and a new innovation in a product called Compass™, which was a highlight of the entire show. And the teamwork between the folks of Herman Miller, Nemschoff, and Brandrud was remarkable.

The Combined Herman Miller and Geiger showroom demonstrated, once again, our ability to deliver innovative products that solve real problems and are simply beautiful. The introduction of new chairs and tables from Geiger shows we can still lead the industry with designs that delight, and our new workstation products proved we can deliver beauty and function better than anyone.

We formally launched the Thrive™ Portfolio of ergonomic tools and tables. In doing so, we demonstrated that we can and will move quickly to find new areas to serve our traditional customers and dealers. And, our new tables and soft furnishings offered a clear demonstration that we intend to grow our presence in educational settings.

We hosted an invitation-only event to preview a new chair family we believe will set a new reference point for comfort, beauty and value. We plan to launch this chair at Orgatec in Europe this fall.

We became the first company in our industry (and one of the first in the world) to fuel 100% of our facilities with renewable energy. This past year we made significant progress toward our 2020 vision of having zero impact on the environment, and while we still have progress to make, we can see the finish line.

Many groups here continue to create a better world around our neighbors here in West Michigan and elsewhere. From Martin Luther King Day to Habitat houses to Women's Day, the Herman Miller community truly connects with and improves the communities around us.

Thanks and farewell to Bill Pollard

After serving on our board of directors for 25 years, Bill Pollard, former chairman of ServiceMaster, is retiring. Bill has been involved in some of the most formative years of Herman Miller, and he has been colleague, advisor, and advocate for our company to five Herman Miller CEOs. We all thank him for his service and commitment.

Updating an interesting story

Two years ago, Herman Miller was one of six companies named to three meaningful lists—Fortune’s “Most Admired,” Fortune’s “100 Best Places to Work,” and Fast Company’s “Most Innovative.” This year, by coincidence, we were also one of only six companies to make all three lists (Fast Company’s list is now expanded to “Innovation All-Stars.”) The other five are Google, Microsoft, Intel, Qualcomm, and Cisco.

We must continue to do the things and stand for the things that placed us among such good company. We must continue—as our employees have made it possible for us to do—to move ahead, to progress, to become stronger as a community and a business.

Our business continues to change, we continue to diversify, we continue to look hard at where we are and where we need to go. Our job is to deal with reality—and remain committed and dedicated to creating a prosperous future for Herman Miller. We continue to live the values that have been our guide for almost 100 years.

Whether you are an employee, a customer, a shareholder, or a neighbor, we continue to work for a better world around you. Pursuing that goal is why we come to work and continue to find fulfillment here.

Sincerely,

A handwritten signature in black ink, reading "Brian C. Walker". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Brian C. Walker
President and Chief Executive Officer

Notice of Annual Meeting of Shareholders

The annual meeting of the shareholders of Herman Miller, Inc. (the "Company"), will be held on October 11, 2010, by means of remote communication on the Internet at the Company's website, www.hermanmiller.com, at 10:00 a.m. (EDT) for the following purposes:

1. To elect three directors, each for a term of three years
2. To consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm
3. To transact such other business as may properly come before the meeting or any adjournment thereof

Shareholders of record at the close of business on August 13, 2010, will be entitled to vote at the meeting.

Please note that this year's Annual Meeting will be held via the Internet only. The accompanying proxy materials include instructions on how to participate in the meeting and the means by which you may vote your shares of Company stock.

We encourage you to vote your Proxy, at your earliest convenience, by one of the following means:

By visiting www.proxyvote.com on the Internet

And if you request paper materials

By calling (within the U.S. or Canada) toll free at 1-800-690-6903; or

By signing and returning your Proxy card

You may also vote at the meeting by faxing your Proxy to (616) 654-7218 before the polls are closed during the meeting. Regardless of whether you expect to attend the meeting through the Internet, please vote your shares in one of the ways listed above.

By order of the Board of Directors

Daniel C. Molhoek, Secretary to the Board August 31, 2010

Table of Contents

5	Solicitation of Proxies and Voting
6	Election of Directors
6	Ratification of Appointment of Independent Registered Public Accounting Firm
7	Voting Securities and Principal Shareholders
8	Director and Executive Officer Information
9	Corporate Governance and Board Matters
15	Board Committees
16	Report of the Audit Committee
17	Compensation Discussion and Analysis
27	Executive Compensation Committee Report
28	Summary Compensation Table
29	Grants of Plan-Based Awards
30	Outstanding Equity Awards at Fiscal Year-End
31	Option Exercises and Stock Vested
32	Pension Benefits
32	Nonqualified Deferred Compensation
33	Potential Payments upon Termination, Death, Disability, Retirement or Change in Control
35	Potential Payments upon Termination without Change in Control
37	Director Compensation
39	Equity Compensation Plan Information
39	Section 16(a) Beneficial Ownership Reporting Compliance
40	Certain Relationships and Related Party Transactions
41	Submission of Shareholder Proposals for the 2011 Annual Meeting
41	Miscellaneous

Herman Miller, Inc.

855 East Main Avenue
PO Box 302
Zeeland, Michigan 49464-0302

Proxy Statement Dated August 31, 2010

This Proxy Statement and the accompanying Proxy, which are being made available to shareholders on or about August 31, 2010, are furnished to the shareholders of Herman Miller, Inc., in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Shareholders. This meeting will be held on October 11, 2010 at 10:00 a.m. (EDT). Please note that this year's Annual Meeting will be held via the Internet rather than in person.

How to Participate in the Electronic Meeting

In order to participate in this year's Annual Meeting, please log on to www.hermanmiller.com and click on the "About Us" then "For Our Investors" section and the "Annual Meeting Webcast" link at least 15 minutes prior to the start of the 10:00 a.m. meeting to provide time to register and download the required audio software if needed. All shareholders will need to register by entering your name and, if you would like to ask a question during the meeting, you will also need to enter the 12-digit control number received with your Notice or Proxy. Questions that would be appropriate to raise in person and that relate to the purpose of the meeting will be accepted during the meeting. To submit questions, please access the Annual Meeting Webcast and select "Ask a Question."

Solicitation of Proxies and Voting

Each shareholder, as an owner of the company, is entitled to vote on matters scheduled to come before the annual meeting. The use of proxies allows a shareholder to be represented at the annual meeting if he or she is unable to attend the meeting via the Internet.

You can vote by any of the following methods

- **Vote by Internet Before the Annual Meeting** Use your computer to access the website listed on the Proxy (or the written Notice mailed to you) and, with the Proxy or Notice in hand, record your vote. The deadline for internet voting is 11:59 p.m. (EDT) on October 10, 2010.

If you request paper materials you may also

- **Vote by Telephone** Call the toll free telephone number provided with your Proxy and, with the Proxy in hand, follow the instructions. The deadline for telephone voting is 11:59 p.m. (EDT) on October 10, 2010.
- **Vote by Mail** Complete, date, and sign your Proxy. Mail it in the prepaid envelope provided so that it reaches us before October 11, 2010.
- **Vote by Facsimile During the Annual Meeting** You may vote by facsimile during the Annual Meeting prior to the announcement that the polls are closed. You may do so by faxing a marked and signed copy of your Proxy to 1-616-654-7218.

If your Proxy is properly executed, the shares represented by the Proxy will be voted at the Annual Meeting of Shareholders and at any adjournment of that meeting. Where shareholders specify a choice, the Proxy will be voted as specified. If no choice is specified, the shares represented by the Proxy will be voted for the election of all nominees named in the Proxy and for the proposal described in this Proxy Statement.

A Proxy may be revoked prior to its exercise by (i) delivering a written notice of revocation to the Secretary of the company, (ii) executing and delivering a Proxy at a later date, or (iii) attending the meeting via the Internet and voting via fax. However, attendance at the meeting does not automatically serve to revoke a Proxy.

Election of Directors

The Board of Directors has nominated Dorothy A. Terrell, David O. Ulrich and Michael A. Volkema for election as directors, each to serve until the 2013 annual meeting. Each of the nominees previously has been elected as a director by our shareholders.

The latter portion of this Proxy Statement contains more information about the nominees. Unless otherwise directed by a shareholder's proxy, the persons named as proxy voters in the accompanying proxy will vote for the nominees named above. If any of the nominees become unavailable, which is not anticipated, the Board of Directors, at its discretion, may designate substitute nominees, in which event the enclosed proxy will be voted for such substituted nominees. Proxies cannot be voted for a greater number of people than the number of nominees named.

A plurality of the votes cast at the meeting is required to elect the nominees as our directors. Accordingly, the three people who receive the largest number of votes cast at the meeting will be elected as directors. Shares not voted at the meeting, whether by abstention, broker non-vote, or otherwise, will not be treated as votes cast at the meeting.

The Board of Directors currently consists of twelve directors, of which ten are independent. In connection with the retirement of C. William Pollard, as of the date of the Annual Meeting, the Board will consist of eleven members. The maximum number of directors for the Board is thirteen. The Amended and Restated Bylaws of Herman Miller, Inc. require that directors shall be divided into three classes, each class to be as nearly equal in number as possible. Each class shall hold office until the third succeeding annual meeting and until their successors shall be duly elected and qualified or until their removal or resignation.

The Board of Directors recommends a vote FOR the election of each person nominated by the Board.

Ratification of Appointment of Independent Registered Public Accounting Firm

Our Audit Committee has appointed Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for the fiscal year ending May 28, 2011. Representatives of Ernst & Young will be present at the annual meeting of shareholders and available to respond to appropriate questions submitted in advance. The Ernst & Young representatives will have the opportunity to make a statement if they so desire.

Although the submission of this matter for approval by shareholders is not legally required, our Board of Directors believes that such submission follows sound corporate business practice and is in the best interests of our shareholders. If our shareholders do not approve the selection of Ernst & Young, the selection of this firm as our independent registered public accounting firm will be reconsidered by the Audit Committee. This ratification of the appointment of Ernst & Young requires the affirmative vote of a majority of the votes cast on this proposal.

The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.

Disclosure of Fees Paid to Independent Auditors

Aggregate fees billed to us for the fiscal years ended May 30, 2009 and May 29, 2010 by our independent registered public accounting firm, Ernst & Young, were as follows:

Fiscal Year Ended	May 30, 2009	May 29, 2010
Audit Fees ⁽¹⁾	1,251,050	1,226,600
Audit Related Fees ⁽²⁾	30,600	35,000
Tax Fees ⁽³⁾	32,850	296,895
All Other Fees	0	0
Total	\$1,314,500	\$1,558,495

(1) Includes fees billed for the audit of and accounting consultations related to our consolidated financial statements included in Form 10-K, including the associated audit of our internal controls, the review of our financial statements included in our quarterly reports in Form 10-Qs, and services in connection with statutory and regulatory filings.

(2) Includes fees billed for audits of employees benefits plans and accounting consultations that are unrelated to the audit or review of financial statements.

(3) Includes fees billed for tax compliance, tax advice and, tax planning.

Our Audit Committee has adopted a policy for pre-approving services performed by Ernst & Young and other firms. This policy requires the Committee's pre-approval of all services that may be provided by our independent registered public accounting firm and certain audit services provided by other firms. The policy authorizes the committee to delegate to one or more of its members pre-approval authority with respect to permitted services. All of the services provided by Ernst & Young under the captions "Audit Fees," "Audit Related Fees," and "Tax Fees" were approved by the Audit Committee under this policy.

Voting Securities and Principal Shareholders

On August 13, 2010, we had 57,057,503 shares of common stock issued and outstanding, par value \$.20 per share. Shareholders are entitled to one vote for each share of common stock registered in their names at the close of business on August 13, 2010, the record date fixed by our Board of Directors. Votes cast at the meeting and submitted by proxy will be tabulated by our transfer agent. As of August 13, 2010, no person was known by management to be the beneficial owner of more than five percent of our common stock, except as follows.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Wellington Management Company, LLP 75 State Street Boston, MA 02109	4,487,518 ⁽¹⁾	7.86
Ariel Investments, LLC 200 East Randolph Drive, Suite 2900 Chicago, IL 60601	4,263,970 ⁽²⁾	7.47
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, IL 60606	3,692,100 ⁽³⁾	6.47
BlackRock Inc. 55 East 52 nd Street New York, NY 10055	3,462,725 ⁽⁴⁾	6.07

(1) This information is based solely upon information as of June 30, 2010 contained in a filing with the SEC on August 16, 2010 by Wellington Management Company, LLP, including notice that it has sole voting power as to 3,028,717 shares, shared dispositive power as to 666,053 and sole dispositive power as to 3,821,465 shares.

(2) This information is based solely upon information as of June 30, 2010 contained in a filing with the SEC on August 13, 2010 by Ariel Investments, LLC, including notice that it has sole voting power as to 4,149,750 shares and sole dispositive power as to 4,263,970 shares.

(3) This information is based solely upon information as of June 30, 2010 contained in a filing with the SEC on August 4, 2010 by Columbia Wanger Asset Management, L.P. including notice that it has sole voting power as to 3,532,100 shares and sole dispositive power as to 3,692,100 shares.

(4) This information is based solely upon information as of June 30, 2010 contained in a filing with the SEC on August 9, 2010 by BlackRock, Inc. including notice that it has sole voting and dispositive power as to 3,462,725 shares.

Director and Executive Officer Information

Security Ownership of Directors

The following table shows, as of August 13, 2010, the number of shares beneficially owned by each of the nominees and directors, except for Brian Walker who is reported in Management Ownership below. Except as described in the notes following the table, the following persons have sole voting and dispositive power as to all of their respective shares.

Name	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class ⁽²⁾
Mary Vermeer Andringa	53,354	.09
Douglas D. French	47,409	.08
Lord Brian Griffiths of Fforestfach	52,191	.09
J. Barry Griswell	19,202	.03
John R. Hoke III	13,142	.02
James R. Kackley	56,534	.10
Mark S. Nemschoff	2,041,666	3.58
C. William Pollard ⁽³⁾	51,393	.09
Dorothy A. Terrell	41,790	.07
David O. Ulrich	111,953	.20
Brian C. Walker	see table below	
Michael A. Volkema	118,950	.21

(1) Shares shown for each director include the following number of shares which that director has the right to acquire beneficial ownership under stock options exercisable within 60 days: 8,903 shares for Ms. Andringa; 31,037 shares for Mr. French; 25,605 shares for Lord Griffiths; 50,090 shares for Mr. Kackley; 22,668 for Mr. Pollard; 32,096 shares for Ms. Terrell; and 105,830 shares for Dr. Ulrich.

(2) Percentages are calculated based upon shares outstanding plus shares that may be acquired under stock options exercisable within 60 days.

(3) Includes 1,612 shares owned of record and beneficially by Mr. Pollard's wife. Mr. Pollard disclaims beneficial ownership of these shares.

Security Ownership of Management

The following table shows, as of August 13, 2010, the number of shares beneficially owned by each of the Named Executive Officers (NEOs) identified in the executive compensation tables of this Proxy Statement, and by all directors and executive officers as a group. Except as described in the notes following the table, the following persons have sole voting and dispositive power as to all of their respective shares.

Name	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class ⁽²⁾
Brian C. Walker	528,862	.93
Gregory J. Bylsma	25,052	.04
Kenneth L. Goodson	70,882	.12
Andrew J. Lock	106,598	.19
Curtis S. Pullen	47,077	.08
All executive officers and directors as a group (23 persons)	3,807,990	6.67

(1) Includes the following number of shares with respect to which the NEOs have the right to acquire beneficial ownership under stock options exercisable within 60 days: 265,977 shares for Mr. Walker; 20,414 shares for Mr. Bylsma; 36,429 shares for Mr. Goodson; 58,622 shares for Mr. Lock; and 32,209 shares for Mr. Pullen.

(2) Calculated based on the number of shares outstanding plus the option shares referred to in footnote (3) below.

(3) Included in this number are 1,390,446 shares with respect to which executive officers and directors have the right to acquire beneficial ownership under options exercisable within 60 days.

Corporate Governance and Board Matters

Board Governance Guidelines

For many years, our Board of Directors has been committed to sound and effective corporate governance practices. These practices reflect the Board's long-standing philosophy that a proper structure, appropriate policies and procedures, and reflective cultural factors provide the cornerstone to good governance. The Board documented those practices by adopting our Board Governance Guidelines. These Guidelines address director responsibilities, the composition of the Board, required Board meetings and materials, Board committee composition and responsibilities, and other corporate governance matters. Under our Guidelines, a majority of the members of our Board must qualify as independent under the listing standards of the NASDAQ National Markets requirements. Our Guidelines also require the Board to have, among other committees, an Audit Committee, an Executive Compensation Committee, and a Nominating and Governance Committee, and that each member of those committees qualify as an independent director under the NASDAQ listing standards. Our Board Governance Guidelines, as well as the charters of each of the foregoing committees, are available for review on our website at www.hermanmiller.com/governance.

The Board Governance Guidelines relating to the offices of Chief Executive Officer ("CEO") and Chairperson state that "the Board believes the roles of CEO and Chairperson should normally be separated. If the positions are combined, the Board will closely monitor the performance and working relationship between the CEO/Chairperson and the Board and will establish a Lead Director who acts as a liaison between directors and the CEO/Chairman and who chairs meetings of the independent directors."

Consistent with our Guidelines, the roles of CEO and Chairperson are currently separate. At this time, the Board has also chosen to utilize a lead independent director to chair meetings of the independent directors or if the Chairperson is not present.

The Board's Role in Risk Oversight

The Company's management annually engages in an enterprise risk management process, the key output of which is a risk matrix that is intended to identify and categorize strategic risks. The matrix also identifies (1) those members of senior management who are responsible for monitoring each major risk, and (2) whether that risk is reviewed by the Board or a committee of the Board. The development of this matrix is facilitated by the Company's Business Risk Group, through discussions with executive and senior management. Management and the Business Risk Group annually review and discuss the risk assessment process and results with the Audit Committee, and if applicable recommend what risks are being adequately addressed, directly or indirectly, on a regular basis and of what risks should be further discussed with the full Board or other committees and the appropriate form and timing of such discussions.

Under the Company's governance rules the Board of Directors is responsible for evaluating CEO performance, monitoring succession planning, reviewing the Company's major financial objectives, evaluating whether the business is being properly managed and overseeing the processes for maintaining the integrity of the Company with respect to its financial statements, public disclosures and compliance with laws. The Board has delegated the primary oversight for managing the risk with respect to some of these to the various board committees as described in the committee charters.

The Board has delegated the oversight of the appropriateness of risk in compensation plans to the Executive Compensation Committee. During the year the Executive Compensation Committee asked management, in conjunction with the Company's Business Risk Group, to review the Company's compensation policies and practices to determine if those policies or practices are likely to have a material adverse impact on the Company. The Business Risk Group conducted its review and provided a report to management and the Executive Compensation Committee in June 2010. In conducting its review, management considered the structure of the compensation plans, the presence of risk mitigating features such as caps, multi-year earning provisions, multi-year vesting provisions and "clawbacks", and the inter-relationship of the compensation structure and mitigating controls on the Company's broader enterprise risk management matrix. Based on the review, and after consultation with Pearl Meyers and Partners, the Executive Compensation Committee's independent advisor, management reported to the Executive Compensation Committee that the Company's compensation policies and practices are not likely to create a material adverse impact on the Company.

Code of Conduct

Our Board has adopted a Code of Conduct that applies to all of our employees, officers, and directors. This code also serves as the code of ethics for our CEO and senior financial officers. This code is posted on our website at www.hermanmiller.com/code. Any changes to or waivers of the code must be approved by the Board of Directors and will be disclosed. There were no waivers in fiscal year 2010. The Code of Conduct was updated in December 2009. This update addressed issues encountered in various international locations and includes language reflective of the Company's commitment to comply with the Foreign Corrupt Practices Act, the Anti-Boycott Rules and fair labor practices and compliance initiatives worldwide. The code of conduct meets the requirements of the NASDAQ listing standards.

Corporate Governance and Board Matters *(continued)*

Determination of Independence of Board Members

As required by our Board Governance Guidelines, our Board has determined that each of our directors, other than Messrs. Walker and Nemschoff, qualifies as an "Independent Director," as such term is defined in the NASDAQ listing standards, and that none of those independent directors has a material relationship with the Company. The Board's determination was made as a result of its review of completed individual questionnaires addressing the nature and extent of each member's relationship with the Company and taking into consideration the definition of "Independent Director" under the NASDAQ rules. Our Board also determined that each member of the Audit Committee, Executive Compensation Committee, and Nominating and Corporate Governance Committee meets the independence requirements applicable to those committees as prescribed by the NASDAQ listing standards, and, as to the Audit Committee, the applicable rules of the Securities and Exchange Commission.

Meeting Attendance

Each of our directors is expected to attend all meetings of the Board and applicable committee meetings. The annual meeting of shareholders is held via the internet and the directors are encouraged to join the webcast. Eight of our directors did so for our 2009 Annual Shareholders' Meeting. During fiscal 2010, the Board held five meetings; each director attended at least 75 percent of the aggregate number of meetings of our Board and Board committees on which they served. Consistent with the requirements of our Guidelines, our Board met in executive sessions, without the presence of management, following the conclusion of each regularly scheduled Board meeting. These meetings were chaired by the Chairman, Mr. Volkema. In addition, following three of the four regularly scheduled Board Meetings, the independent directors met separately.

Communications with the Board

Shareholders and other parties interested in communicating directly with one or more of our directors may do so by writing to us, c/o Corporate Secretary, 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302. The Corporate Secretary will forward all relevant correspondence to the director or directors to whom the communication is directed.

Director Nominations

Our Bylaws contain certain procedural requirements applicable to shareholder nominations of directors. Shareholders may nominate a person to serve as a director if they provide written notice to us not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting of shareholders and, with respect to any special meeting of shareholders, not later than the close of business on the 10th day following the date on which the meeting is first publicly announced or, if there is no announcement, the 10th day following the date on which the notice of that meeting was first sent to our shareholders. The notice must include (1) the name and address of the shareholder providing notice and of the person or persons nominated, including information on the securities of the Company held by those individuals, including any derivative securities, the details of which are set forth in our Bylaws, (2) a representation that the shareholder is a current record holder and will continue to hold those shares through the date of the meeting and intends to attend the meeting in person or by proxy, (3) for each proposed nominee, (a) all information relating to that person that would be required to be disclosed in a proxy statement required to be made in connection with solicitations or proxies for election of directors in a contested election pursuant to Section 14 of the Securities and Exchange Act of 1934 (including that person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected), and (b) a description of all direct and indirect compensation and other material monetary arrangements existing during the past three years, as well as any other material relationships between or among the shareholders (and beneficial owner, if any) and their respective affiliates and associates and the proposed nominee and his or her respective affiliates and associates, including all information required to be disclosed pursuant to Rule 404 under Regulation S-K, and (4) the completed and signed questionnaire from each nominee with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made.

Our Nominating and Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board. To meet the needs of the Company in a rapidly changing environment, the Board Governance Guidelines explain that the Company requires a high-performance board of directors whose members subscribe to our values and meet the specific resource needs of the business. To that end, the Nominating and Governance Committee considers a diversity of factors it deems appropriate when considering candidates for the Board; such factors may include experience and knowledge of the Company's history and culture, technical experience and backgrounds such as manufacturing, design, marketing, technology, finance, management structure and philosophy, and experience as a senior executive of a public company. The Nominating and Governance Committee may consider such factors as race and gender as well as industry experience in annually assessing and reviewing the current slate of directors and potential director candidates as the need arises. The Nominating and Governance Committee is responsible with the Board for assessing the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. These factors, and others as considered useful by the Nominating and Governance Committee or the Board, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time.

Corporate Governance and Board Matters *(continued)*

Other than the procedural requirements described above, the Board has not adopted a policy with regard to the consideration of director candidates nominated by shareholders. The Board believes that all candidates, by whomever nominated, should be evaluated in the same manner and under the same standards.

Information about the Nominees and Directors

Certain information with respect to the nominees for election at the Meeting, as well as each of the other Directors, is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person held during the last five years, and the year in which each person became a Director of the Company. Additional information about each continuing Director is also included that describes some of the specific experiences, qualifications, attributes or skills that each Director possesses which the Board believes has prepared them to be effective Directors.

Nominees for Election as Director for Term to Expire in 2013			
Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
Dorothy A. Terrell, 65	1997	Venture Partner, First Light Capital since April 2003 President and CEO, Initiative for a Competitive Inner City from April 2005 to June 2007	General Mills, Inc. Lightbridge Inc.

Ms. Terrell is a Partner at First Light Capital, a venture capital fund investing in early stage products and service companies in enterprise software and integration, communications and business-to-business e-commerce. Concurrent with her service to First Light Capital, she was President and CEO of the Initiative for a Competitive Inner City, a national not-for-profit organization. Ms. Terrell has over twenty years of experience in the technology industry. At NMS Communications she was Senior Vice President of Worldwide Sales and concurrently President of Platforms & Services Group. She was also a Corporate Officer at Sun Microsystems, Inc. and President of its subsidiary, SunExpress.

Ms. Terrell's experience as a senior executive, her knowledge and service in the technology arena and service to other boards led the Board of Directors to recommend that she should serve as a director.

David O. Ulrich, 56	2001	Professor, University of Michigan since 1982	None
---------------------	------	--	------

Dr. Ulrich has served as a professor of Business Administration at the University of Michigan since 1988. He also provides counsel to more than half of the Fortune 200 companies through his consulting firm, Global Counseling Alliance, focusing on strategic management and competitive advantage issues as well as human resource management and planning.

Dr. Ulrich's academic research and consulting on strategic management and other business issues led the Board of Directors to recommend that he should serve as a director.

Michael A. Volkema, 54	1995	Chairman of the Board, Herman Miller, Inc. since October 2000	Wolverine Worldwide, Inc. Champion Enterprises, Inc. Applebee's
------------------------	------	--	---

Mr. Volkema has been Chairman of the Board of Directors of Herman Miller, Inc. since 2000. He has also served as CEO and President of the Company. Mr. Volkema has more than 20 years of experience as a senior executive in the home and office furnishings industry. This experience includes corporate leadership, branded marketing, international operations, and public company finance and accounting through audit committee service.

Mr. Volkema's knowledge of the Company's history and culture, operational experience, board governance service and industry experience led the Board of Directors to recommend that he serve as a director and Chairman.

Corporate Governance and Board Matters *(continued)*

Directors Whose Terms Expire in 2012			
Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
Douglas D. French, 56	2002	Managing Director, Santé Health Ventures since June 2007 Principal, JD Resources, LLC from May 2004 to May 2007	Emageon Old National Bancorp

Mr. French has served as the founding partner of Santé Health Ventures, an early-stage healthcare venture fund since 2007. Prior to joining Sante' Health Ventures, he served as the President and Chief Executive Officer of Ascension Health, the largest not-for-profit health system in the U.S. Mr. French has also served as CEO for St. Mary's Medical Center and St. Vincent Health System, both of Midwest Indiana. He has more than three decades of health management experience including serving as a director for numerous public and private companies.

Mr. French's governance experience, as well as his leadership roles and expertise in the health management industry, provides a valuable resource to management and the Board of Directors.

John R. Hoke III, 45	2005	Vice President, Nike Global Design, since January 2010 Vice President, Footwear Design, Converse, Inc. March 2008 to January 2010 Vice President Global Footwear Design, Nike, Inc. July 2003 to March 2008	None
----------------------	------	---	------

Since joining Nike, Inc. in 1993, Mr. Hoke has led the communication of Nike's culture of creativity internally and externally. He is currently the Vice President of Global Design inspiring and overseeing an international team of designers. Mr. Hoke also serves as a director to several not-for-profit organizations relating to art and design.

Mr. Hoke's design expertise, both domestically and internationally, including his leadership role in a major, global enterprise, brings additional, insightful perspective to our Board discussions and decisions.

James R. Kackley, 68	2003	President and Chief Operating Officer, Orion Energy Systems, Inc. July 2009 to May 2010 Director of various companies May 2002 to July 2009	PepsiAmericas Inc. Orion Energy Systems, Inc. Ryerson, Inc.
----------------------	------	--	---

Prior to joining the Board of Directors, Mr. Kackley served as the Chief Financial Officer for Anderson Worldwide until 1999. He was also a Certified Public Accountant and the Managing Partner for Arthur Andersen for a number of its regional office groups including Northern Florida and the Midwest Region. Mr. Kackley is a member of the Board of Directors' Audit Committee and also served on the Audit Committees of PepsiAmericas Inc. and Orion Energy Systems, Inc. and Ryerson, Inc.

Mr. Kackley's financial and accounting expertise, his previous experience as a Certified Public Accountant, and service as a director of other leading U.S. companies allows him to provide valuable input to management and the Board of Directors.

Corporate Governance and Board Matters *(continued)*

Directors Whose Terms Expire in 2011			
Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
Mary Vermeer Andringa, 60	1999	President and Chief Executive Officer Vermeer Corporation since February 2003	None

Since 1989, Ms. Andringa has been an executive officer of Vermeer Corporation, a leading manufacturer of agricultural, construction, environmental and industrial equipment located in Pella, Iowa. Ms. Andringa's tenure with Vermeer Corporation has spanned the gamut of functional expertise from marketing to international sales and acquisitions. With over 25 years of manufacturing experience, Ms. Andringa is currently the Vice-Chair of the National Association of Manufacturers which represents over 10,000 U.S. based manufacturing entities.

Ms. Andringa's experience as a Chief Executive Officer coupled with her focused efforts on lean manufacturing and continuous improvement initiatives and her involvement in international product sales and distribution provides an important resource to management and the Board of Directors.

Lord Brian Griffiths of Fforestfach, 68	1991	International Advisor, Goldman Sachs International Limited and House of Lords, United Kingdom since 1991	None
--	------	--	------

Since 1991, Lord Griffiths has served as vice chairman of Goldman Sachs International and an International Advisor to Goldman Sachs concerned with strategic issues relating to their United Kingdom and Asian operations. He also serves as chairman of the European Middle East and Africa Audit Business Practice and Compliance Committee. Lord Griffiths currently serves as a director of a number of privately held corporations.

Lord Griffiths' financial and accounting acumen, as well as his business expertise internationally, provides a unique perspective to Board deliberations.

J. Barry Griswell, 61	2004	President, Community Foundation of Greater Des Moines since July 2008 Chairman of the Board, Principal Financial Group, Inc. and Principal Life January 2002 to December 2008 Chief Executive Officer, Principal Financial Group, Inc. and Principal Life January 2000 to May 2008 President, Principal Financial Group, Inc. and Principal Life March 1998 to June 2006	National Financial Partners Corp. Principal Financial Group, Inc. and Principal Life
-----------------------	------	---	--

Mr. Griswell is the former Chairman and Chief Executive Officer of the Principal Financial Group and Principal Life, a global financial services provider which offers a wide range of insurance and financial products and services. With more than 30 years of financial services experience, Mr. Griswell was the President and CEO of MetLife Marketing Corporation prior to joining the Principal Financial Group. He is a former director of the Principal Financial Group and non-executive chairman of its board of directors. Mr. Griswell is currently a director of National Financial Partners Corp.

Mr. Griswell's financial expertise, governance experience and service as an executive of a publicly traded corporation make him a key contributor to the Board of Directors.

Corporate Governance and Board Matters *(continued)*

Directors Whose Terms Expire in 2011 <i>(continued)</i>			
Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
Mark S. Nemschoff, 64	2009	Consultant to Herman Miller, Inc. since June 2009 President and Chief Executive Officer, Nemschoff Chairs, LLC 1973 to June 2009	None

Mr. Nemschoff has been a leader in the development of healthcare furniture and has championed the cause of solving furnishing issues in real time with an eye on continuous improvement. Under his direction, Nemschoff Chairs, LLC (acquired by the Company in 2009) became a leading healthcare furniture company specializing in made to order, custom product and unique solutions for patients and caregivers.

Mr. Nemschoff's prior ownership of Nemschoff Chairs, LLC and experience in developing and manufacturing healthcare furniture enables him to be a valuable resource to management and the Board of Directors.

Brian C. Walker, 48	2003	President and Chief Executive Officer Herman Miller, Inc. since July 2004	Briggs & Stratton Corporation
---------------------	------	--	-------------------------------

Since 2004, Mr. Walker has served as President and Chief Executive Officer of the Company. Previously, he held other executive leadership positions with the Company having served as the Chief Operating Officer of Herman Miller Inc., President of Herman Miller North America and Chief Financial Officer. Mr. Walker is a Certified Public Accountant and serves on the Detroit Board of Directors of the Federal Reserve Bank of Chicago.

Mr. Walker is the only member of Company management on the Board of Directors, which provides an important link to the Company's ongoing business operations and challenges. Moreover, Mr. Walker's knowledge of the Company's history and culture, operational and executive leadership roles with the Company, accounting acumen and governance experience make him an important contributor to Board deliberations.

The Nominating and Governance Committee has not received any recommended nominations from any of our shareholders in connection with our 2010 annual meeting. The nominees who are standing for election as directors at the 2010 annual meeting are incumbent directors and each was recommended by the committee.

Board Committees

Our Board has four standing committees. Committee responsibilities are detailed in written charters. These charters are available on our Internet website at www.hermanmiller.com/charters. The committees are as follows:

Nominating and Governance Committee

We have a Nominating and Governance Committee comprised of Dorothy A. Terrell (chair), Lord Brian Griffiths of Fforestfach, and David O. Ulrich. The Nominating and Governance Committee develops and recommends to the Board governance standards and policies and board compensation including that of the chairman of the board. In addition, the committee identifies and recommends to the Board candidates for election to the Board. The committee met four times during the last fiscal year.

Executive Committee

We have an Executive Committee comprised of Michael A. Volkema (chair), J. Barry Griswell, James R. Kackley, C. William Pollard and Dorothy A. Terrell. The Executive Committee acts from time to time on behalf of the Board in managing our business and affairs (except as limited by law or our Bylaws) and is delegated certain assignments and functions by the Board of Directors. The committee met five times during the last fiscal year.

Audit Committee

We have an Audit Committee comprised of James R. Kackley (chair), Mary V. Andringa and C. William Pollard. Mr. Kackley is qualified as and serves as the "Audit Committee financial expert" within the meaning of the applicable SEC regulations. This committee, composed entirely of independent directors under the applicable listing standards of the NASDAQ listing requirements, as well as the requirements of the Sarbanes-Oxley Act of 2002, is responsible for overseeing management's reporting practices and internal controls on behalf of the Board of Directors. The committee is also responsible for appointing, approving the compensation of, and overseeing our independent registered public accounting firm. The Audit Committee met eight times during the last fiscal year. The June 2010 meeting included an annual review of the committee's written charter.

Executive Compensation Committee

We have an Executive Compensation Committee comprised of J. Barry Griswell (chair), Douglas D. French, and John R. Hoke III. The Executive Compensation Committee recommends to the Board the annual executive incentive plan and the annual remuneration of our Chief Executive Officer and President, approves the annual remuneration and executive incentive plan for the other executive officers, approves the grants of employee stock options and other equity awards, and acts as the administrative committee for our employee stock option and long-term incentive plans. A description of the committee's processes and procedures for the consideration and determination of executive and director compensation is set forth under the caption "Compensation Disclosure and Analysis -The Executive Compensation Committee" below in this Proxy Statement. The committee met five times during the last fiscal year.

Executive Compensation Committee Interlocks and Insider Participation

No member of the Executive Compensation Committee is or has been an officer or employee of the company or had any relationship that is required to be disclosed as a transaction with a related party except as noted under Certain Relationships and Related Party Transactions. In addition, no current executive officer of the Company has ever served as a member of the Board of Directors or Compensation Committee of any other entity that has or has had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Report of the Audit Committee

The Audit Committee's purpose is to oversee the accounting and financial reporting processes of the company, the audits of the company's financial statements and management's assessment of the company's internal controls, the qualifications of the public accounting firm engaged as the company's independent registered public accounting firm, and the performance of the company's internal auditors and independent registered public accounting firm. The Committee's function is more fully described in its charter, which the Board has adopted and is available on the Company's website at

http://www.hermanmiller.com/MarketFacingTech/hmc/about_us/Investors/audit_committee_charter.pdf

The Committee reviews the charter on an annual basis. The Board annually reviews the NASDAQ listing standards definition of independence for audit committee members and has determined that each member of the Committee meets that standard.

Management is responsible for the preparation, presentation, and integrity of the company's financial statements, accounting and financial reporting principles, internal controls, and procedures designed to ensure compliance with accounting standards, applicable laws, and regulations. The company's independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles. Ernst & Young LLP is also responsible for providing an opinion on the effectiveness of the company's internal control over financial reporting.

We have reviewed—and discussed with management and Ernst & Young LLP—the company's audited financial statements for the year ended May 29, 2010, management's assessment of the effectiveness of the company's internal controls over financial reporting, and Ernst & Young LLP's evaluation of the company's internal controls over financial reporting.

We have discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standards No. 114, The Auditor's Communication with Those Charged with Governance (which superseded Auditing Standards No. 61, Communication with Audit Committees Concerning Independence, as amended)

We have received and reviewed the written disclosures and the letter from Ernst & Young LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding Ernst and Young LLP's communications with the Audit Committee regarding independence and we have discussed with Ernst & Young LLP their independence including a consideration of the compatibility of non-audit services with their independence.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the company's Form 10-K Report for the year ended May 29, 2010, and we selected Ernst & Young LLP as the independent auditor for fiscal year 2011. The Board is recommending that shareholders ratify that selection at the annual meeting.

James R. Kackley (chair)

Mary Vermeer Andringa

C. William Pollard

Compensation Discussion and Analysis

Overview of Compensation Program

The Executive Compensation Committee of the Board (the “Committee”) is responsible for establishing the executive compensation programs at Herman Miller, Inc. (the “Company,” “us” or similar pronouns). The Committee seeks to insure that the compensation paid to the Company’s corporate officers is fair, reasonable, competitive and consistent with our compensation philosophy.

The Company is required to provide information regarding our compensation policies and decisions for our President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and the three other most highly compensated executive officers. We refer to our CEO, CFO and the other highly compensated executive officers for whom disclosure is required collectively as our “Named Executive Officers” or “NEOs.” This Compensation Discussion and Analysis is intended to provide information regarding, among other things, the overall objectives of our compensation program and each element of compensation provided to the NEOs.

The Executive Compensation Committee

The Committee is comprised of three directors, each qualifying as an independent director under NASDAQ’s listing requirements. The Board has determined that each member of the Committee also meets the definition of independence under Herman Miller’s corporate governance guidelines and further each member qualifies as a non-employee Director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934.

The Committee’s primary functions are to oversee the compensation philosophy and strategy, to determine or recommend the compensation of company officers, including the NEOs, and to act as the Administrative Committee for the Company’s key executive compensation plans.

The Committee is responsible for recommendations to the full Board with respect to all aspects of the annual compensation of the Company’s President and Chief Executive Officer. The Committee, based upon recommendations from our CEO, approves the annual compensation for all other corporate officers covered by Section 16 of the Securities Exchange Act of 1934 including the NEOs (Corporate Officers). Our President and Chief Executive Officer establishes the base salary of all other company executives. The Committee establishes any performance objectives for the Economic Value Added (EVA®) Incentive Cash Bonus Plan and the equity-based compensation plans, which cover the President and Chief Executive Officer, Corporate Officers, and executive employees of the company.

The Committee does not set compensation for the Board of Directors. The Nominating and Governance Committee is responsible for reviewing, and recommending to the Board of Directors, the amount and form of payment of director compensation including that of the Chairman.

Compensation Philosophy and Objectives

Our compensation philosophy, as formulated by management and endorsed by the Committee and by our Board of Directors, is to allow for an appropriate level of compensation variability that bears a relationship to the competitive market, to the responsibilities of the employee and to the performance of the employee and Company. Consistent with this philosophy, the key objectives of our executive compensation program are to:

- Link a material portion of executives’ total annual compensation directly to the Company’s performance
- Reinforce our values, build corporate community, and focus employees on common goals
- Align the interests of executives with the long-term interests of shareholders
- Attract, motivate, and retain executives of outstanding ability.

The compensation program is intended to provide executives who are judged to perform their duties at a proficient level with compensation that approximates the market median compensation for their position based upon the data provided by Towers Watson (as described later in the Benchmarking of Compensation section). The compensation program is also intended to have the portion of a Corporate Officer’s compensation determined by the Company’s performance increase as the responsibility and authority of the Corporate Officer increases. The Committee believes that the compensation program through the use of base salary, annual incentive cash bonus and long-term incentives operates in a manner consistent with these objectives and rewards performance that generates both consistent and long-term enhancement of shareholder value. The compensation program and its various elements are described in more detail in the section entitled Elements of the Compensation Program.

Compensation Discussion and Analysis *(continued)*

External Consultants

During fiscal year 2010, the Committee retained Pearl Meyers and Partners as independent compensation consultants to the Committee. Pearl Meyers was not permitted to provide other consulting services to the Company. The independent services which Pearl Meyers provided to the Committee included reviewing the elements of compensation of the President and Chief Executive Officer, as well as the other Corporate Officers, and comparing those elements to the Company's compensation philosophy and objectives and to the market practices for such compensation. Pearl Meyers concluded that the compensation program established for those officers is consistent with the Company's compensation philosophy and objectives and with market practices.

The Company retains Towers Watson to provide benchmarking data and compensation consulting services to management and, from time to time, other specialized work as may be required, such as conducting a review of retirement or other benefit programs. With the approval of the Committee, Towers Watson in 2010 also provided consulting services to the Company including consulting services concerning certain aspects of executive compensation.

Benchmarking of Compensation

To ensure that executive compensation is competitive in the marketplace, the Committee uses benchmarking data to compare our compensation programs to general market pay practices. The Committee chooses to benchmark compensation levels against industrial companies in general as it minimizes the potential volatility of market pay data due to changes in database/survey participation or mergers/acquisitions; lessens the impact that a single entity can have on the overall data; provides a more consistent result; and better reflects the market in which the Company competes for executive talent. The Committee believes the competitive market for executive talent in which the Company operates is the general corporate talent market, not just the office furniture or West Michigan talent markets.

Towers Watson annually presents the Committee with benchmarking data, market practices and trends to provide appropriate context for the Committee's deliberations. Our CEO makes recommendations to the Committee regarding the compensation package for each of the Corporate Officers (other than himself). The CEO's recommendations are based on the Towers Watson information, his evaluation of the individual's performance, the Company's performance and other factors. The Committee's approval of the CEO's recommendations as to the compensation of Corporate Officers (other than the CEO) is based upon the Committee's review of the information from Towers Watson relative to market pay, advice from Pearl Meyers and their own judgment, including their judgment on the relative performance of both the Company and its executives. Based upon these same factors relative to the CEO's performance and the independent advice of Pearl Meyers, the Committee makes a recommendation to the full board for the CEO's compensation. The Board of Directors determines the compensation of the CEO.

Towers Watson in 2010 used the following survey sources when analyzing the market competitiveness pay levels of Corporate Officers; Towers Perrin Executive Compensation Database, Watson Wyatt Top Management Compensation Report, and the Mercer Executive Database (collectively these are referred to as "Published Survey Data"). The Published Survey Data is used to determine competitiveness of base pay, cash incentive bonus and long term incentive awards. Towers Watson uses a regression analysis and aging to make allowances for time differences in the data and to align the data so that it is representative of companies having revenues equivalent to the operations managed by our individual NEOs. The entities within the comparator groups were not disclosed to the Company.

Towers Watson compares the base salary, target total cash and target total direct compensation of each NEO to the 25th, 50th (market median) and 75th percentile of the Published Survey Data or Towers Perrin Executive Compensation Database for a comparable benchmark position. Each of the compensation elements is explained in more detail below. Positions are benchmarked based upon comparability of responsibilities and the annual revenues of the operations managed.

The Committee annually reviews executive information provided by Towers Watson which reflects the total direct compensation to the NEOs and also information relating to the other elements of compensation including payments under severance or change in control obligations. The Committee uses this information to help it determine that the Company's compensation program is consistent with market norms and with our compensation philosophy and the objectives referenced above.

The Committee, based upon its experience, the compensation information, the benchmarking data, the proxy statement compensation information of our direct competitors and advice from Pearl Meyers has determined that total compensation for each NEO in fiscal 2010 was appropriate, reasonable and consistent with the Company's compensation philosophy and objectives as described above.

Compensation Discussion and Analysis *(continued)*

Elements of the Compensation Program

Our Corporate Officer compensation package includes five distinct elements:

1. Base Salary
2. Annual Executive Incentive Cash Bonus
3. Long-Term Equity Incentives
4. Retirement and Health Benefits
5. Perquisites and Other Executive Compensation Plans

These five elements form an executive's total compensation package. The first two elements form an executive's total cash compensation and the first three elements form an executive's total direct compensation package. It is the Company's goal to align the compensation packages with prevailing market rates. The alignment is accomplished primarily through adjustments to each Corporate Officer's total direct compensation.

Each element of total direct compensation is benchmarked to the prevailing market. However, globally, in certain circumstances local practices related to long-term incentives and bonuses may be significantly different than those applicable to the Company as a whole. In those circumstances, the Company attempts to accommodate local practices but emphasizes consistency in the application of its long-term incentive programs and adjusts base and bonus so as to maintain total direct compensation in an amount that is consistent with the Company's compensation philosophy. The compensation program is intended to provide executives who are judged to perform their duties at a proficient level with a total direct compensation package that approximates the market median compensation for such position based upon the data provided by Towers Watson. However, because of the performance based nature of the Annual Executive Incentive Cash Bonus and the Long-Term Equity Incentives, actual compensation of the NEOs may vary from market rates from year to year.

As a result of impact of the recession upon the Company's performance, the Committee temporarily reduced the NEO compensation programs for 2009 and 2010. The Committee, given the improving economic outlook for 2011, has approved returning 95% of their normalized base pay and partially reversing last year's reductions to their long-term equity incentive grants, which changes are described below. The Committee determined that the total direct compensation (base salary, target incentive cash bonus and target long-term incentive grant) for each NEO for 2010 and 2011 is within the benchmarked range, given the NEO's performance, position and the Company's performance.

Base Salary

The CEO evaluates each of the Corporate Officers annually and makes recommendations to the Committee for base salary. The base salary of the CEO is set by the Board of Directors. In general, but subject to individual circumstances, base salaries reflect market rates for comparative positions and the NEO's level of proficiency and performance. The base salary of NEOs assessed by the CEO and the Committee to be proficient is generally targeted at the market median of the Published Survey Data. The base compensation of NEOs with less experience in general would be below the market median and those judged to be performing at a level higher than proficient generally would be above the market median. The Committee in each circumstance uses its judgment and experience in setting the specific level of base salary relative to the general market median data.

Base Salary in 2010

The base salaries for the NEOs for 2010 reflect the temporary reductions implemented during fiscal year 2009 and continued throughout all of fiscal 2010.

Effective July 21, 2008 the Board and the Committee set NEOs' base salary for fiscal 2009. The base salary of Brian C. Walker was set by the Board at \$720,000. This base salary was approved by the Board of Directors based upon Mr. Walker's excellent performance in driving the operating results of the Company in the previous fiscal year. Gregory J. Bylsma was appointed chief financial officer in February, 2009 and his base salary set at \$250,000 which reflected the fact that he was new in his position. The base salary for Kenneth L. Goodson, Executive Vice President-Operations was set by the Committee at \$270,000 and reflected the Committee's determination that he continued to perform well in his position. The base salary of Andrew J. Lock was set at \$330,000 and reflected the Committee's determination that Mr. Lock continued to meet all the requirements of his role as Chief Administrative Officer. Effective April 1, 2010 Mr. Lock assumed the role of President Herman Miller International and his base salary continued at the existing level. The base salary of Curtis S. Pullen was set by the Committee at \$350,000. This base salary reflected Mr. Pullen's role as chief financial officer for the first part of fiscal 2009 and was maintained upon his subsequent appointment as President of North American Office and Learning Environments.

In fiscal 2009 and 2010 the Company and the economy continued to endure a period of severe economic stress. As the depth of the recession became clear, the Committee and the Board approved recommendations from the Executive Leadership Team to temporarily reduce the Base Salary (and Long Term Incentives) for most Corporate Officers including the NEOs described above. Effective January 1, 2009, the Committee and the Board, with the support of management, temporarily reduced the compensation of the members of the Executive Leadership Team, except for Brian Walker by five percent (Mr. Walker's base salary was reduced by 10%) and then effective

Compensation Discussion and Analysis *(continued)*

March 9, 2009 the Committee and Board approved a second temporary reduction for most of the NEOs and a 10% reduction in base salary for the other Corporate Officers. After this reduction the effective base salary of Brian Walker was \$583,200, the effective base salary of Greg Bylsma was \$225,000, the effective base salary of Ken Goodson was \$230,850, the effective base salary of Andy Lock was \$282,150, and the effective base salary of Curt Pullen was \$299,250.

The reductions were implemented consistent with the Committee's philosophy that base salary should in part reflect the Company's business performance. None of the changes in base salary reflected a change in the individual performance of the NEOs.

Also effective March 9, 2009 the Company implemented a reduced work schedule for most other salaried employees under which the employees worked nine out of every ten weekdays. The Company implemented this work schedule in response to the economic downturn. The schedule results in an effective 10 percent reduction in pay for those employees impacted by the change. In connection with that reduced schedule, the Committee adopted at management's recommendation a salary replacement plan that would recover some of the reduced compensation for those employees when the Company exceeded certain operating income goals. Members of the Executive Leadership Team, including NEOs were not eligible to participate in this plan.

Base Salary in 2011

The Board and the Committee have decided to not grant general merit increases to the Company's employees including most of the NEOs for fiscal 2011, but did approve returning the salaried employees, including all of the NEOs, to 95% of their normalized base salaries. The Board and Committee have approved returning all hourly employees to their normal work schedule. Salaried employees have returned to their normal work schedule at 95% of their normalized base salary and such employees other than the Executive Leadership Team (including all of the NEOs) will continue to participate in the salary replacement plan which will allow the participants to receive up to their normalized base salary. The NEOs will not participate in a base salary reduction bonus program. The Committee also approved an increase in Greg Bylsma's normalized base salary to \$300,000. The increase in Greg Bylsma's normalized base salary reflects the completion of his first full year as Chief Financial Officer. As of July 19, 2010, the effective base salary of Brian Walker is \$684,000, the effective base salary of Greg Bylsma is \$285,000, the effective base salary of Ken Goodson is \$256,500, the effective base salary of Andy Lock is \$313,500, and the effective base salary of Curt Pullen is \$332,500.

Each of the normalized base salaries set for the NEOs by the Committee were within the range established for their performance in position.

Annual Executive Incentive Cash Bonus

The annual executive incentive cash bonus for the Corporate Officers is paid pursuant to the Executive Incentive Cash Bonus Plan. This plan is intended to link annual incentive compensation to the creation of shareholder value. The Executive Incentive Cash Bonus Plan provides for the annual payment of a cash bonus (Incentive Cash Bonus) to selected executives based upon the performance of the Company during the fiscal year. The annual Incentive Cash Bonus is reported in the Summary Compensation Table under the column titled "Non-equity Incentive Plan Compensation." Payments are made following the end of the fiscal year.

The measure of performance for the Incentive Cash Bonus is EVA. EVA in general terms is equal to the Company's net operating income after subtraction of taxes and a charge for capital. The Committee believes that the utilization of the EVA measurement system, with its focus on maximizing the Company's return on capital investments relative to its cost of capital, is an effective means of evaluating and rewarding executive performance.

Under the Executive Incentive Cash Bonus Plan a participant is assigned an Incentive Cash Bonus target expressed as a percentage of his or her base pay, and the actual bonus payment is determined by comparing the actual improvement in EVA achieved by the Company against expected improvement. The expected improvement is the dollar amount of EVA improvement necessary to earn the targeted EVA bonus. The interval is the dollar amount of EVA change, either above or below the expected improvement, necessary to either double the EVA bonus amount or reduce it to zero.

The actual Incentive Cash Bonus amount paid with respect to any year may range from 0 to 2 times of the target based upon the relative achievement of our EVA targets described below. The Committee normally sets the EVA targets for 3 year periods. The current 3 year period expired at the end of fiscal 2010. The Incentive Cash Bonus earned by participants is expected over time to average 100% of his or her individual target. The target Incentive Cash Bonus percentage for the NEOs generally is set so that the incentive cash bonus at on-target performance will equal 100% of the market median bonus amount for comparable positions as shown in the Towers Perrin Executive Compensation Database, although as explained earlier, base pay and bonus may be adjusted in order to maintain total compensation in an amount that is consistent with our compensation philosophy. The Committee believes that this use of Incentive Cash Bonus is consistent with the objective of making compensation for senior corporate officers more variable with the Company's performance.

The Committee is responsible for administering all elements of the Executive Incentive Cash Bonus Plan, except that those elements of the plan relating to the CEO (including target percentage payment) are approved by the Board. The Committee approves participants in the plan, the target payment percentage, the EVA improvement goals and the cost of capital. The Audit Committee at the end of each fiscal year approves the calculation of EVA results for the year and the EVA change from the previous year and the resulting bonus factor. The Committee certifies the use of the bonus factor for use in the Incentive Cash Bonus calculation. The EVA targets for 2010 were an expected improvement of \$9 million and an interval of \$32 million. The cost of capital in 2010 was 10.5%.

Compensation Discussion and Analysis *(continued)*

The Committee has determined that in the light of the current uncertain economic conditions that it would establish EVA targets for 2011 only, rather than for the normal 3 year period. The EVA targets for 2011 are an expected improvement of \$19 million, an interval of \$19 million and the cost of capital will be 10.5%.

Incentive Cash Bonus for 2010

The Incentive Cash Bonus payment target percentages for NEOs in fiscal 2010 ranged from 100% of base salary for the CEO to 60% of base salary for other NEOs and were based upon consolidated EVA for the entire Company. For fiscal 2010 participants in the Executive Incentive Cash Bonus Plan received no Incentive Cash Bonus payments as the Company's EVA performance was below the required threshold for a payout.

Incentive Cash Bonus for 2011

For fiscal 2011, the Committee has approved basing a portion of certain NEO's incentive cash bonus based upon business unit operating results. The payment target percentage for our CEO and NEOs remained unchanged from 2010. The incentive cash bonus for Brian Walker, Ken Goodson and Greg Bylsma remain 100% based upon consolidated EVA for the entire company. The incentive cash bonus for Andy Lock and Curt Pullen will be based 25% upon the modified EVA driven metrics of their respective business units and 75% upon the consolidated EVA. The Committee believes that the Incentive Cash Bonus target percentages reflect the appropriate market information provided by the Published Survey Data and are within the range for each NEO.

Long-Term Incentives

In 2004 our shareholders approved our Long-Term Incentive Plan (LTI Plan). The plan authorizes the Company to issue stock, restricted stock, options, restricted stock units, and other forms of equity-based compensation (Long-Term Incentive Grants). The key objectives of making Long-Term Incentive Grants under the LTI Plan are:

- To provide an appropriate level of equity reward to Corporate Officers that ties a meaningful part of their compensation to the long-term returns generated for shareholders.
- To provide an appropriate equity award to the next level of executives where market data would support their inclusion in an annual equity award plan.
- To assist the achievement of our share ownership requirements.
- To attract, retain and reward key employees.

We believe that a significant portion of executive pay should be aligned with long-term shareholder returns and that encouraging long-term strategic thinking and decision-making requires that executives have a significant stake in the long-term success of Herman Miller. The Committee is responsible for administering all elements of the LTI Plan and for making all Long-Term Incentive Grants under the LTI Plan, except that the Board approves the grants to the CEO.

The LTI Plan allows for the issuance of options with a reload feature. A reload feature permits an option holder who exercises an option to receive an additional (reload) option in connection with the exercise of an existing option. The reload option has an exercise price equal to the price at which the existing option was exercised and represents a number of shares equal to the number of shares traded in to exercise the option and to pay the taxes on the exercise of the option. The reload feature exists in option grants made before fiscal year 2007. The Committee, beginning in fiscal year 2007, discontinued the practice of issuing new options with reload features.

At its June meeting each year the Committee normally grants the awards for the fiscal year just ended and it sets the target LTI awards for the current fiscal year, determines the types of awards to be used, and sets the performance criteria, if any, for receiving the awards. The Committee in granting any awards also determines if any applicable performance measures have been met. This CD&A will discuss four separate Committee actions with respect to the LTI awards described in the following matrix. The values shown in the Summary Compensation Table and the Grant of Plan-Based Awards reflect the grants awarded in 2010.

Description of Action	Date Action taken	Award relates to
Grants awarded in 2010	July 2009	Fiscal year ended May 2009
Target awards established for 2010	July 2009	Fiscal year ended May 2010
Grants awarded in 2011	July 2010	Fiscal year ended May 2010
Target awards established for 2011	July 2010	Fiscal year ending May 2011

Compensation Discussion and Analysis *(continued)*

LTI Grants in fiscal year 2010 (July 2009)

At the June and July 2009 meetings (the beginning of fiscal 2010) the Committee and the Board made LTI awards for the just completed 2009 fiscal year and established target values for LTI grants to be made with respect to fiscal year 2010.

The target LTI grants established in July 2009 were the basis for the grants actually made in July 2010. For NEOs (other than Ken Goodson) the target value was expressed as a percentage of his or her normalized base salary.

The actual LTI grants awarded in July 2009 were divided; one-third restricted stock units, one-third market priced stock options, and one-third to be selected by the participant between the two forms of equity awards, except for the grants to the CEO and to Ken Goodson. The LTI grant to Brian Walker, CEO consists entirely of options. The LTI grant to Ken Goodson consists entirely of RSUs pursuant to his retention agreement which is described in the Termination and Retention Payments section. The Committee believes that allowing the NEOs to have some flexibility in modifying the mix between options and RSUs gives the NEOs a greater sense of deriving value from the awards. The Committee believes limiting the LTI award to the CEO to options in this difficult economic environment is an appropriate method to link the risk and reward associated with his LTI compensation to the Company's performance.

The Committee and Board in June and July 2008 had set target LTI grant values. Prior to the grants being awarded in July 2009, they reduced the value of the LTI grants to be awarded to NEOs with respect to fiscal 2009 to 50% of the target value. The reduction from target value reflects the performance of the Company and the weak overall economic conditions during fiscal year 2009 and do not reflect a change in the performance of any individual NEO. The value of the LTI grants actually made in July 2009 as a percent of base salary (including options and restricted stock units) was 112.5% for Brian Walker, 50% for Curt Pullen, Andy Lock and Greg Bylsma. For Ken Goodson the grant was set at \$103,000. The values of these grants are reflected in both the Summary Compensation Table and the Grants of Plan-Based Awards Table. The characteristics of the restricted stock units and options are more fully described below.

The key features of the restricted stock units and options awarded in fiscal year 2010 are as follows:

Restricted Stock Units: The restricted stock units (RSUs) consist of units representing the right to receive shares of Herman Miller, Inc. common stock. These units reflect fair market value of the common stock as of the date of grant and cliff vest after three years. If the employee leaves the company for any reason other than death, disability, retirement or termination without cause, vesting of the units will stop and any unvested units will be forfeited. RSUs convert into shares after they vest. Dividends accrue on the RSUs and are added to the total value of the units.

Stock Options: The options vest equally over three years, have a ten year life and are priced at fair market value on the date of grant.

The following table discloses the actual awards received by the NEOs based upon determination by the Board for Mr. Walker, the retention agreement for Mr. Goodson and upon elections made by the other NEOs with respect to the awards received in July 2009 (fiscal 2010) with respect to fiscal 2009.

Name	Number of Options	Option Exercise Price	Restricted Stock Units
Brian Walker	121,236	\$15.74	
Greg Bylsma	7,984	\$15.74	3,163
Ken Goodson			6,544
Andy Lock	16,849	\$15.74	3,338
Curt Pullen	12,993	\$15.74	5,148

LTI Grants Awarded in FY 2011 (July 2010)

The Committee and Board at their June and July 2010 meetings awarded the LTI grants with respect to fiscal 2010. The Committee-approved LTI grant awards again consist of options and RSUs with the features described above. The value of the LTI grants for fiscal year 2010 were 75% of the target value tentatively established for each participant for fiscal year 2010 to be applied against normalized salary (before the temporary reductions imposed as cost saving measures). The target values for fiscal year 2010 as a percent of normalized base salary for the Long-Term Incentive Grants (including options and restricted stock units) remained unchanged from fiscal year 2009 for all NEOs. The value of the actual LTI grants made in July 2010 for fiscal year 2010 therefore as a percent of normalized base salary was 168.75% for Brian Walker, 75% for Curt Pullen, Andy Lock, and Greg Bylsma and 67.5% for Ken Goodson. Brian Walker's award consists solely of stock options and Ken Goodson's award consists solely of restricted stock units. The awards for all other participants consisted of one-third stock options, one-third restricted stock units and one-third to be selected by the participant between the two forms of equity awards. The change in the actual award percentage to 75% of target value reflects the weak overall economic conditions during fiscal year 2010 and Committee and Board's perception of the relative overall performance of the Company during fiscal 2010. The changes do not reflect a change in the performance of any individual NEO. Options granted in July 2010 have the same characteristics as those granted in July 2009.

The restricted stock units (RSUs) consisted of units representing the right to receive shares of Herman Miller, Inc. common stock. These units reflect the fair market value of the common stock as of the date of grant and cliff vest after three years. If the employee leaves the company for any reason other than death, disability, retirement or termination without cause, during the three year vesting period any unvested units are forfeited. If an employee dies, becomes disabled or is terminated for reasons other than cause during the

Compensation Discussion and Analysis *(continued)*

three year period then a prorated portion of the shares will vest. If an employee retires during the first 12 months after grant, one-twelfth of the grant will be eligible for vesting for each month that the employee works and those shares eligible for vesting will vest at the end of the three year period, provided the employee does not accept employment with a competitor. RSUs convert into shares after they vest. Dividends accrue on the RSUs and are added to the total value of the units.

The following table discloses the actual awards received by the NEOs based upon determination by the Board for Mr. Walker, the retention agreement for Mr. Goodson and upon elections made by the other NEOs with respect to the awards received in July 2010 (fiscal 2011) with respect to fiscal 2010.

Name	Number of Options	Option Exercise Price	Restricted Stock Units
Brian Walker	179,008	\$17.30	
Greg Bylsma	13,812	\$17.30	5,419
Ken Goodson			10,535
Andy Lock	18,232	\$17.30	7,153
Curt Pullen	19,337	\$17.30	7,587

LTI Awards Target for FY 2011 (July 2010)

The Committee and Board at their June and July 2010 meetings established target values for the LTI grants for fiscal 2011 (the actual awards will be approved in June and July 2011 and will be granted in July 2011). The Committee-approved target LTI grant awards will result in actual grants in July 2011 and the grants will again consist of options and restricted stock awards with the features described above. The target values for fiscal year 2011 as a percent of normalized base salary for the Long-Term Incentive Grants (including options and restricted stock units) is 225% for Brian Walker, 100% for Curt Pullen and Greg Bylsma, 75% for Andy Lock and 90% for Ken Goodson. The Committee reduced the value of the target grant to Andy Lock to be 75% of his normalized base salary. The reduction in the value of the target grants to Andy Lock reflects the benchmarking data for his new position as President of Herman Miller International. The grants to Ken Goodson reflect his retention arrangement with the Company. The grants to Ken Goodson will consist entirely of RSUs. The value of the LTI awards actually awarded in July 2011 remains subject to adjustment at the discretion of the Committee and the Board.

Practices Concerning Grant Dates

Grants under the LTI Plan are typically made in connection with the Board of Directors meeting in July of each year. The number of restricted stock units is determined using the closing price for the Company's common stock on the date of grant and the number of options is based on the Black-Scholes valuation method described in the footnote to the Long-Term Incentive Grants table. The Company does not attempt to influence the amount of executive compensation by timing equity grants in connection with the disclosure of material information to the public. The Company's year-end financial information is normally disclosed through a press release in the third week of June. The backdating of equity award dates is specifically prohibited under policies adopted by the Board of Directors.

Retirement and Health Plans

Health Plans

The Company maintains a broad base of health insurance plans available to all full-time and most part-time employees. The NEOs participate in such health insurance plans on the same terms as all other employees within their respective geographic region.

Retirement Plans

The Company maintains broad based retirement plans available for all non-union employees in the United States. Our employees in England and who are union members are covered by separate defined benefit retirement plans. Our retirement plans are designed to provide an appropriate level of replacement income upon retirement. The benefits available to NEOs are the same as available to other non-executive employees in their respective geographic region subject to limitations provided by law or regulation. The NEOs participate in the full range of benefits and are covered by the same plans (with exceptions noted) on the same terms as provided to all non-union U.S. employees.

The retirement plans include:

- The Herman Miller, Inc. Retirement Income Plan
- The Herman Miller, Inc. Profit Sharing and 401(k) Plan
- The Herman Miller Limited Retirement Benefits Plan

Compensation Discussion and Analysis *(continued)*

Retirement Income Plan: The Herman Miller, Inc. Retirement Income Plan (Cash Balance Plan) is what is known as a hybrid plan. Under the Plan the Company accrues a benefit for the participant which is expressed as a fixed dollar amount (cash balance). The Company credits each employee's account with an amount equal to 4% of his or her salary, up to the maximum salary level permitted by the Internal Revenue Service (currently \$245,000). Each account is also credited with hypothetical interest earning pegged to a predetermined benchmark (for fiscal 2010 interest was credited at 3.76%).

Profit Sharing Plan: The Herman Miller, Inc. Profit Sharing and 401(k) Plan consists of two parts. The Company annually makes a contribution to the profit sharing portion based upon the Company's EVA results for the year that may range from 0% to 6% of base salaries, with a target contribution of 3% of base salary. Based upon our EVA results, the actual percentage contributed for fiscal year 2010 was 0%. The amount of salary included in the base for the calculation is limited to the maximum salary level permitted by the IRS. The 401(k) portion of the plan is a salary deferral plan. Each employee may elect to defer up to the maximum amount permitted. The Company normally matches up to half of the amount deferred by the employee up to the first 6% of the employee's compensation contributed. Beginning March 9, 2009 the Company suspended matching payments to the plan.

Herman Miller Limited Retirement Plan: Herman Miller Limited, the Company's wholly owned UK subsidiary maintains an average final pay pension plan for all of its retirees. Under the plan each employee is entitled to a normal basic pension equal to an equivalent of 1/70th of final pensionable salary for each complete year of service. The pension is subject to a maximum of 40/70^{ths} of final pensionable salary. Effective June 1, 2009 the Company received the consent of the participants in the UK plan to suspend further benefit accruals under the plan. This plan was reinstated in June 2010.

Perquisites and Other Executive Compensation Plans

Perquisites

The Company is conservative in its approach to executive perquisite benefits. Company compensation practices in general do not provide for personal perquisites and the Committee has adopted a policy which specifically restricts the use of corporate aircraft for non-business purposes. We provide a limited number of perquisites to Corporate Officers. The Company normally provides each NEO with a specified dollar amount which can be used for a range of perquisites. These perquisites include financial planning, life insurance, spousal travel and other benefits. In fiscal year 2010 the dollar amount of these benefits awarded was \$20,000 for the CEO and \$12,000 for each of the other NEOs.

The Company does not normally provide non-business-related use of chartered aircraft for Corporate Officers and none was provided in 2010.

The Company in 2010 did provide the NEOs and all other Corporate Officers with the opportunity to purchase certain additional disability insurance and to obtain comprehensive physicals paid for by the Company.

Deferred Compensation Plans

In 2008 the Committee discontinued use of the Non-qualified Deferred Compensation Plan and approved the Herman Miller, Inc. Executive Equalization Retirement Plan.

The Non-qualified Deferred Compensation Plan allowed selected employees to defer part or all of their Executive Incentive Cash Bonus payment each year. The Company matched any such deferral, up to 50% of the incentive cash bonus payment. The matching payment vests over three years and vesting is dependent upon the executive remaining employed with the Company. Amounts deferred are converted into units having the same value as the Company's stock and are credited with amounts at the same rate as the Company's dividend on its common stock. Units are converted into shares of the Company's common stock at the time of distribution. Only one executive, Brian Walker, elected to participate in the Non-qualified Deferred Compensation Plan in fiscal 2007. The vesting on the Company matching contribution is shown on the 2010 Summary Compensation Table under All Other Compensation.

The Herman Miller, Inc. Executive Equalization Retirement Plan was approved by the Committee and the Board in 2008. The plan is a supplemental deferred compensation plan and became available for salary deferrals beginning in January 2008. The plan is available to highly compensated United States employees who are selected for participation by the Committee. All of the NEOs are currently allowed to participate. The plan allows participants to defer up to 50% of their base salary and 100% of their Incentive Cash Bonus. Company contributions to the plan "mirror" the amounts the Company would have contributed to the Herman Miller Retirement Income Plan and the Herman Miller Profit Sharing and 401(k) Plan had the employee's compensation not been above the statutory ceiling (currently \$245,000). Investment options under this plan are the same as those available under the 401(k) Plan except for Company stock which is not an investment option under this plan. For that part of fiscal year 2009 before March 9, 2009, the Company's contribution was equal to 50% of the participant's retirement savings contributions until the matching contribution for the NEO brought the Company's contribution credited to the Executive Equalization Retirement Plan, the Herman Miller Retirement Income Plan and the Herman Miller Profit Sharing and 401(k) Plan up to the amount necessary to accomplish the "mirroring." On March 9, 2009 the Company in conjunction with the suspension of matching contributions to the Profit Sharing and 401(k) Plan also suspended the "mirroring" profit sharing and 401(k) contributions under the Executive Equalization Plan. Company contributions for amounts deferred in fiscal 2009 prior to the suspension were made in 2010 and appear in the 2010 Summary Compensation Table under All Other Compensation.

Compensation Discussion and Analysis *(continued)*

Executive Long Term Disability Plan

The plan covers 60% of the rolling two year average of executive incentive compensation. Executives are eligible to participate when they have earned over \$6,000 in annual executive incentive compensation. This benefit continues as long as the executive is disabled until age 65. The monthly benefit is capped at \$10,000. The executive can maintain the plan by paying Unum, the provider, directly when they leave the Company.

Deductibility of Compensation

The income tax laws of the United States limit the amount the Company may deduct for compensation paid to the company's CEO, CFO and the other three most highly paid executives. Under IRS certain guidelines compensation that qualifies as "performance based" is not subject to this limit. During fiscal 2010 approximately \$1,300,000 of compensation received by Brian Walker did not meet the requirements for deductibility. This non-deductible compensation primarily resulted from the vesting of a stock grant made to Mr. Walker in fiscal year 2005. Going forward we do not anticipate paying compensation that does not meet the IRS guidelines for deductibility as "performance based" compensation.

Stock Ownership Guidelines

The Committee believes that significant stock ownership by top management is of critical importance to the ongoing success of the Company, as it helps link the interests of senior management and company shareholders. Stock ownership requirements apply to the nine members of the Executive Leadership Team for the Company. Under these requirements, the President and Chief Executive Officer must own shares of company stock with an aggregate market value of at least six (6) times base salary, Corporate Officers having a Long-Term Incentive Plan target equal to 100% of base salary must own shares of Company stock with an aggregate market value of at least four times their respective base salaries and all other direct reports to the CEO must own shares with an aggregate market value of three times their respective base salaries.

All participants must achieve their ownership requirement over a five-year period from the date of their appointment to the position. The Committee reviews the NEOs' progress toward these goals annually during the Company's fourth quarter. Ownership for the purpose of the guidelines is defined to include shares owned by the executives, as well as shares held in the Company's Profit Sharing and 401(k) plan, restricted stock and restricted stock units (both vested and unvested), and deferred accounts for his or her benefit. Stock options and unissued performance shares are not included in the calculation of an executive's total ownership. If a participant fails to meet the ownership guidelines within the specified period half of his or her Incentive Cash Bonus will be paid in the form of Company stock until the guideline is met.

An executive who has met the minimum expectation of ownership of the Company's stock as approved by the Board or the Board Executive Compensation Committee within five years of assuming his or her key leadership position shall be certified as compliant with the Executive Stock Ownership Guidelines. Assuming no reduction in that ownership position, such executive shall continue to be compliant with the original certification in the event of temporary market fluctuations in Company stock price that would cause the value of the executive's stock to fall below the approved Stock Ownership Guidelines.

Impact of Prior Compensation in Setting Elements of Compensation

Prior compensation of the NEOs does not normally impact how the Committee sets the current elements of compensation. The Committee believes the current competitive environment is more relevant in determining an NEO's current total level of compensation. The Committee tracks all of the elements of current compensation to enable the Committee to determine whether the compensation which the NEO is currently receiving is consistent with market practices. The Committee, however, has the ability to consider the impact of any special equity grants upon the value of future grants made to Corporate Officers under the LTI plan.

Impact of Restatements Retroactively Impacting Financial Goals

The Company has not had any material restatement of prior financial results. If such restatements were to occur, the Committee would review the matter and determine what, if any, adjustment to current compensation might be appropriate. The LTI plan and the Executive Incentive Bonus Plan give the Committee the right to "claw back" Incentive Cash Bonus payments and LTI grants in the event of certain restatements.

Post-Employment Compensation

Change in control and discharge for other than cause can result in additional compensation being paid to or for certain NEOs. In addition, as described above, certain of the Long-Term Incentives payments continue to vest if the NEO leaves employment as the result of death, disability or retirement.

Compensation Discussion and Analysis *(continued)*

Termination and Retention Payments

All of the NEOs are “at will” employees. This means that they can be discharged at any time and for no reason. The Company has agreed to pay Corporate Officers and other executives severance if they are terminated for reasons other than malfeasance or voluntary separation. For 2010 the severance payments for each NEO would have been equal to 18 months of base salary. The Committee’s determination as to the amount of severance payments is the result of benchmarking our practices to the Published Survey Data. In addition, the Company maintains the health insurance on such employee during the salary continuation period. In exchange for such payments the employee provides the Company with a mutual release of all claims and agrees not to work for a competitor or solicit the Company’s employees during the salary continuation period.

In fiscal 2008 Ken Goodson entered into a three year retention agreement with the Company. He received a retention grant of 9,422 shares of the company stock which cliff vested in July 2010. Under the agreement he also received a cash bonus, in addition to his Incentive Cash Bonus, of \$15,000 per year and his LTI annual grant was fixed at \$206,000 per year and was awarded solely in RSUs. The Committee in January 2010 provided Ken Goodson with a new two year retention arrangement with the Company under which his normalized LTI grant will be equal to 90% of his normalized base salary and consist entirely of RSUs and he will continue to receive the additional annual bonus of \$15,000. In December 2009 he also received a retention grant of 3,000 shares of Company stock to cliff vest on June 1, 2012 provided he remains with the Company.

Change in Control Agreements

Each NEO is party to a change in control agreement with the Company. In 2006 the Committee retained Frederic W. Cook to review the existing change in control agreements and to advise it on whether the continued use of such agreements was appropriate and if so whether the agreements were consistent with competitive practices. Frederic W. Cook advised the Committee that the continued use of change in control agreements is appropriate and that the amounts payable under the agreements were consistent with market practice. In 2006 the Company entered into new change in control agreements with the NEOs and certain other Corporate Officers and executives. The new form of change in control agreement is found under Exhibit 10 in the Company’s consolidated financial statements for the fiscal year ended June 2, 2007, included in our Annual Report on Form 10-K.

The Committee believes that the use of change in control agreements is appropriate as they help insure a continuity of management during a threatened take-over and help insure that management remains focused on completing a transaction that is likely to maximize shareholder value. Potential payments under the change in control agreements are included in the compensation information provided annually to the Committee.

The narrative and footnotes to the tables entitled Potential Payments upon Termination in Connection with a Change in Control describe the change in control payments in greater detail.

Executive Compensation Committee Report

The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

J. Barry Griswell (chair)

Douglas D. French

John R. Hoke III

Summary Compensation Table

The summary compensation table below shows the compensation for the Named Executive Officers "NEO" for the fiscal year ended May 29, 2010 ("Fiscal 2010"), May 30, 2009 ("Fiscal 2009") and May 31, 2008 ("Fiscal 2008"). The details of the Company's executive compensation programs are found in the CD&A.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$) ⁽²⁾	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Brian C. Walker President and Chief Executive Officer	2010	583,200			756,028		12,300	100,835	1,452,363
	2009	668,685		497,308	994,618		13,578	184,649	2,358,838
	2008	664,615		687,298	687,283	908,349	12,964	111,355	3,071,864
Gregory J. Bylsma ⁽⁵⁾ EVP and Chief Financial Officer	2010	225,000		49,786	49,788		8,122	8,971	341,667
	2009	201,542		16,537	33,063		8,683	7,605	267,430
Kenneth L. Goodson ⁽⁶⁾ EVP Operations	2010	230,850	15,000	153,253			20,308	26,446	445,857
	2009	257,179	15,000	205,997			23,712	56,558	558,446
	2008	259,327	15,000	506,001	111,050	212,993	23,539	40,965	1,168,875
Andrew J. Lock ⁽⁷⁾ President, Herman Miller International	2010	282,150		52,540	105,070		113,241	24,497	577,498
	2009	313,956		104,428	208,848			49,157	676,389
	2008	313,654		201,611	100,805	257,489	135,837	38,247	1,047,643
Curtis S. Pullen EVP and President, North American Office and Learning Environments	2010	299,250		81,030	81,024		11,915	25,957	499,176
	2009	325,029		86,666	173,335		12,882	47,094	645,006
	2008	262,500		49,989	50,002	200,427	12,988	23,393	599,299

(1) Amounts represent the aggregate grant date fair value of stock awards and option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating these amounts are set forth in Note 14, in the Company's consolidated financial statements for the fiscal year ended May 29, 2010, included in our Annual Report on Form 10-K.

(2) Reflects bonus payments under our Annual Executive Incentive Cash Bonus Plan earned by the NEOs during the reported year and paid in the following fiscal year.

(3) Amounts represent the aggregate change in the actuarial present value of the accumulated benefits under the Company's Retirement Plans. For Fiscal 2009, Mr. Lock's change in the Herman Miller, Inc. Retirement Income Plan was \$10,431 and his change in the Herman Miller, UK Pension Plan was (\$42,809).

(4) The amounts in this column for all other compensation are described in the table below.

(5) Fiscal 2009 was the first year Mr. Bylsma was a named executive officer.

(6) A \$15,000 annual bonus was approved by the Compensation Committee as part of Mr. Goodson's retention arrangement.

(7) On April 1, 2010 Mr. Lock assumed the role of President, Herman Miller International. Prior to that he served as Chief Administration Officer.

	Bundled Benefits ^(a)	Dividends on restricted stock	Long-term Disability Insurance	Vesting of Registrants contributions to Deferred Compensation Plan	Nonqualified Deferred Compensation Contribution ^(b)	Total Other Compensation
Brian C. Walker	30,206	2,200	2,809	11,605	54,015	100,835
Gregory J. Bylsma	7,225		720		1,026	8,971
Kenneth L. Goodson	12,000	895	3,899		9,652	26,446
Andrew J. Lock	7,240		3,549		13,708	24,497
Curtis S. Pullen	12,000		2,176		11,781	25,957

(a) Bundled Benefits includes accounting fees, cell phone fees, club dues, family travel, financial planning, home office expenses, vehicle expenses, and life insurance. Mr. Walker's benefits include the approved amount for calendar 2010 plus carryover for calendar 2009.

(b) Amounts represent the Company's contribution to the Herman Miller, Inc. Executive Equalization Retirement Plan.

Grants of Plan-Based Awards

The Grant of Plan-Based Awards table below sets forth information on equity awards granted by the Company to the NEOs during fiscal 2010 under the Long Term Incentive Plan (LTI Plan) and the possible payouts to the NEOs under the Executive Incentive Cash Bonus Plan (Annual Cash Bonus Plan) for fiscal 2010. The CD&A provides further details of grants under the LTI Plan, as well as the performance criteria under the Annual Cash Bonus Plan. (The LTI grants are discussed in the CD&A under the heading LTI Grants Awarded in 2010).

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock of Units (#) ⁽²⁾	All Other Option Awards: Number of Securities Underlying Options (#) ⁽³⁾	Exercise or Base Price of Option Awards (\$/Sh) ⁽⁴⁾	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁵⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Brian C. Walker	07/20/09	0	583,200	1,166,400					121,236	15.74	756,028
Gregory J. Bylsma	07/20/09							3,163			49,786
	07/20/09	0	135,000	270,000					7,984	15.74	49,788
Kenneth L. Goodson	07/20/09							6,544			103,003
	12/14/09	0	138,510	277,020				3,000			50,250
Andrew J. Lock	07/20/09							3,338			52,540
	07/20/09	0	169,290	338,580					16,849	15.74	105,070
Curtis S. Pullen	07/20/09							5,148			81,030
	07/20/09	0	179,550	359,100					12,993	15.74	81,024

(1) Under the Annual Cash Bonus Plan executives can earn incentive compensation based on the achievement of certain company performance goals. The actual Cash Bonus amount paid with respect to any year may range from 0 to 2 times of the target based upon the relative achievement of our EVA targets.

(2) The awards dated 07/20/09 represent restricted stock units consisting of units representing the right to receive share of Herman Miller, Inc common stock. These units reflect fair market value of the common stock as of the date of grant and cliff vest after three years except that of Mr. Goodson's dated 07/20/09 which cliff vests after one year. The award dated 12/14/09 is a retention grant described in the Termination and Retention Payments section of the Compensation Discussion and Analysis.

(3) Each option has a term of ten years and vests pro rata over three years.

(4) Stock options are awarded at an option price not less than the market value of the Company's common stock at the grant date in accordance with the LTI Plan.

(5) Aggregate grant date values are computed in accordance with FASB ASC Topic 718.

Outstanding Equity Awards at Fiscal Year-End

The Outstanding Equity Awards at Fiscal Year-End table below shows the option awards and stock awards that were outstanding as of May 29, 2010. The table shows both exercisable and unexercisable options. The table also shows share units and equity plan awards that have not vested.

Name	Grant Date	Option Awards		Option Exercise Price (\$)	Option Expiration Date	Stock Awards			
		Number of Securities Underlying Unexercised Options (#) ⁽¹⁾ Exercisable	Number of Securities Underlying Unexercised Options (#) ⁽¹⁾ Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽³⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽³⁾⁽⁴⁾
Brian C. Walker	06/27/05	18,709		33.517	06/27/15	6,457	124,168		
	07/24/06	20,066		30.536	07/24/16	8,495	163,359		
	10/30/06	8,589		34.510	07/05/10				
	10/30/06	3,616		34.510	06/29/11				
	10/30/06	33,430		34.510	04/23/12				
	07/24/07	45,163	22,587	31.840	07/24/17			21,586	415,099
	07/21/08	40,999	82,009	25.520	07/21/18			19,487	374,735
	07/20/09		121,236	15.740	07/20/19				
Gregory J. Bylsma	04/23/01	2,500		25.100	04/23/11				
	06/29/01	431		24.200	06/29/11				
	04/23/02	2,800		25.000	04/23/12				
	05/19/04	1,400		23.870	05/19/14				
	06/27/05	2,495		33.517	06/27/15	174	3,346		
	07/24/06	2,676		30.536	07/24/16	189	3,634		
	07/24/07	1,816	908	31.840	07/24/17			620	11,923
	07/21/08	1,363	2,726	25.520	07/21/18			648	12,461
Kenneth L. Goodson	07/20/09		7,984	15.740	07/20/19	3,175	61,055		
	07/05/00	4,900		27.359	07/05/10				
	04/23/02	17,000		25.000	04/23/12				
	04/16/04	3,272		27.160	06/29/11				
	06/27/05	7,796		33.517	06/27/15	2,690	51,729		
	07/24/06	8,361		30.536	07/24/16	3,540	68,074		
	07/24/07							6,470	124,418
	07/24/07					9,422	181,185		
	07/21/08							8,072	155,225
	07/20/09					6,569	126,322		
Andrew J. Lock	12/14/09					3,000	57,690		
	06/27/05	12,473		33.517	06/27/15	4,305	82,785		
	07/24/06	13,378		30.536	07/24/16	5,663	108,899		
	07/24/07	6,625	3,312	31.840	07/24/17			6,332	121,764
	07/21/08	8,609	17,220	25.520	07/21/18			4,092	78,689
	07/20/09		16,849	15.740	07/20/19	3,351	64,440		

Outstanding Equity Awards at Fiscal Year-End (continued)

Curtis S. Pullen	06/27/05	4,178		33.517	06/27/15	1,442	27,730		
	07/24/06	4,481		30.536	07/24/16	1,897	36,479		
	07/24/07	3,286	1,643	31.840	07/24/17			1,570	30,191
	07/21/08	7,145	14,292	25.520	07/21/18			3,396	65,305
	07/20/09		12,993	15.740	07/20/19	5,168	99,381		

(1) Options granted on 07/20/09, 07/21/08, 07/24/07, 07/24/06 and 06/27/05 vest in three equal annual installments beginning on the first anniversary of the grant date. Options granted prior to 06/27/05 or in connection with a reload vest 100 percent on the one year anniversary date of the award except for those granted on 04/23/02 which vest ratably over two years and those granted on 04/23/01 which vest at the end of two years. Options granted on 10/30/06 reflect options granted pursuant to stock option reload rights contained in certain option agreements. The rights permit employees to receive new options if an employee exercises options by trading in shares. Reload options allow for the purchase of shares of Company stock equal to the number of shares that were exchanged upon exercise of the underlying option. The reload options retain the expiration date of the original option, but the exercise price equals the fair market value of the company's stock on the date of grant of the reload option.

(2) Awards issued on 06/27/05 and 07/24/06 vest 100 percent on the five year anniversary date of the award. The 07/24/07 and 07/20/09 awards vest 100 percent on the three year anniversary of the award except for Mr. Goodson's 07/20/09 award which vests 100 percent on the one year anniversary. The 12/14/09 award is a retention grant and vests on 06/01/12. Except for Mr. Goodson's awards dated 07/24/07 and 12/14/09, these awards reflect credited dividends.

(3) Assumes a stock price of \$19.23 per share, which was the closing price of a share of Common Stock on the last trading day of the fiscal year, May 29, 2010.

(4) The performance share units represent shares of the Company's common stock and are to be issued to participants at the end of a future 3-year measurement period beginning in the year that performance shares are granted. The value of the performance shares is initially based upon a target grant to each participant. The actual payout of shares can vary between 0% and 200% of target shares depending upon the cumulative average EVA performance over the three-year measurement period.

Option Exercises and Stock Vested

This table provides information on the number and value of (1) options exercised in Fiscal 2010 (of which there were none), and (2) the vesting of restricted stock (on an aggregate basis).

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾
Brian C. Walker			100,000	1,692,000
Gregory J. Bylsma				
Kenneth L. Goodson				
Andrew J. Lock				
Curtis S. Pullen				

(1) Value based on the closing market price of the Company's common stock on the vesting date.

Pension Benefits

The Pension Benefit table which is below provides certain information on the retirement benefits available under each retirement plan to each NEO at the end of fiscal 2010. The retirement plans are described in the CD&A.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Brian C. Walker	Herman Miller, Inc. Retirement Income Plan	21	142,512	
Gregory J. Bylsma	Herman Miller, Inc. Retirement Income Plan	9	52,349	
Kenneth L. Goodson	Herman Miller, Inc. Retirement Income Plan	23	324,504	
Andrew J. Lock ⁽¹⁾	Herman Miller, Inc. Retirement Income Plan	8	69,539	
	Herman Miller Limited Retirement Plan	12	586,658	
Curtis S. Pullen	Herman Miller, Inc. Retirement Income Plan	19	124,664	

(1) Mr. Lock was covered from 1990-2002 under the UK Pension Plan and from 2002-2010 under the Retirement Income Plan.

Nonqualified Deferred Compensation

The Nonqualified Deferred Compensation table below provides certain information relating to our two defined contribution plans that provides for the deferral of compensation on a basis that is not tax-qualified.

Name	Executive Contributions in Last Fiscal Year (\$) ⁽¹⁾	Registrant Contributions in Last Fiscal Year (\$) ⁽²⁾	Aggregate Earnings in Last Fiscal Year (\$) ⁽³⁾	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Brian C. Walker	46,656	54,015	274,056		1,258,142
Gregory J. Bylsma	4,500	1,026	1,243		14,174
Kenneth L. Goodson	13,851	9,652	9,278		94,355
Andrew J. Lock	16,929	13,708	11,435		121,300
Curtis S. Pullen	17,955	11,781	26,567		134,828

(1) Amounts in this column represent the deferral of base salary earned in fiscal 2010. The amounts identified in this column are also reported in the Summary Compensation Table under Salary for Fiscal 2010.

(2) Amounts in this column represent the Company's contribution and are included in the "All Other Compensation" column of the Summary Compensation Table.

(3) Amounts reflect increases in value of the employees account during the year, based upon deemed investment of deferred amounts.

The Company's Non-qualified Deferred Compensation Plan, which was terminated on fiscal 2007, allows certain employees to defer part or all of their Executive Incentive Cash Bonus payment each year. The Company matched any such deferral, up to 50 percent of the incentive cash bonus payment. The matching payment vests over 3 years and vesting is dependent upon the executive remaining employed with the Company. Amounts deferred are converted into units having the same value as the Company's stock and are credited with amounts at the same rate as the Company's dividend on its common stock. Units are converted into shares of the Company's common stock at the time of distribution.

The Committee approved The Herman Miller, Inc. Executive Equalization Retirement Plan for salary deferrals that began in January 2008. The plan allows all United States employees who have compensation above the statutory ceiling to defer income in the same proportion as if the statutory ceiling did not exist. The Company makes contributions to the plan such that the amounts in the plan "mirror" the amounts the Company would have contributed had the employee's compensation not been above the statutory ceiling. Distributions from the plan are paid out in cash based on the deferral election specified by the participant.

Potential Payments upon Termination, Death, Disability, Retirement or Change in Control

The following tables quantify both the estimated payments that would be made to each NEO in the event of his/her termination by the Company without cause, and in the event of his/her termination under circumstances that would trigger payments under the change in control agreements. The tables also provide information regarding the incremental amounts that would have vested and become payable on May 29, 2010 if a change in control occurred on that date or if the NEO's employment had terminated on that date because of death, disability or retirement. The amounts potentially payable to each NEO in the event of separation without cause, death, disability, retirement or in connection with a change in control in which a termination occurs are illustrated below. The narrative that follows the tables gives more details concerning the plans and the circumstances under which either accelerated payment or vesting would occur.

Assumes termination occurs at end of Fiscal Year 2010 (May 29, 2010)

	Benefit	Death	Disability	Retirement	Without Cause	Change in Control
Brian C. Walker	Cash Severance				1,080,000	3,499,200
	Prorated Annual Incentive					
	Equity					
	Restricted Stock					
	Restricted Stock Units	247,936	247,936		247,936	287,532
	Performance Shares (at target)					
	Unexercisable Options					423,114
	Total	247,936	247,936		247,936	710,646
	Retirement Benefits ⁽¹⁾					
	Unvested Deferred Stock Units					
	Other Benefits					
	Health and Welfare				29,292	58,585
	Outplacement				25,000	25,000
	Tax Gross-Ups					
	Total				54,292	83,585
	Total	247,936	247,936		1,382,228	4,293,431
Gregory J. Bylsma	Cash Severance				375,000	720,000
	Prorated Annual Incentive					
	Equity					
	Restricted Stock					
	Restricted Stock Units	23,549	23,549		23,549	68,026
	Performance Shares (at target)					
	Unexercisable Options					27,864
	Total	23,549	23,549		23,549	95,890
	Retirement Benefits ⁽¹⁾					
	Unvested Deferred Stock Units					
	Other Benefits					
	Health and Welfare				22,556	30,074
	Outplacement				25,000	25,000
	Tax Gross-Ups					366,750
	Total				47,556	421,824
	Total	23,549	23,549		446,105	1,237,714

Potential Payments upon Termination, Death, Disability, Retirement or Change in Control *(continued)*

	Benefit	Death	Disability	Retirement	Without Cause	Change in Control
Kenneth L. Goodson	Cash Severance				405,000	763,101
	Prorated Annual Incentive					
	Equity					
	Restricted Stock	229,648	229,648		229,648	238,875
	Restricted Stock Units	211,732	211,732		211,732	246,126
	Performance Shares (at target)					
	Unexercisable Options					
	Total	441,380	441,380		441,380	485,001
	Retirement Benefits ⁽¹⁾					
	Unvested Deferred Stock Units					
	Other Benefits					
	Health and Welfare				22,411	29,882
	Outplacement				25,000	25,000
	Tax Gross-Ups					
	Total				47,411	54,882
	Total	441,380	441,380		893,791	1,302,984
Andrew J. Lock	Cash Severance				495,000	926,698
	Prorated Annual Incentive					
	Equity					
	Restricted Stock					
	Restricted Stock Units	183,721	183,721		183,721	256,117
	Performance Shares (at target)					
	Unexercisable Options					58,803
	Total	183,721	183,721		183,721	314,920
	Retirement Benefits ⁽¹⁾					
	Unvested Deferred Stock Units					
	Other Benefits					
	Health and Welfare				26,813	35,751
	Outplacement				25,000	25,000
	Tax Gross-Ups					
	Total				51,813	60,751
	Total	183,721	183,721		730,534	1,302,369
Curtis S. Pullen	Cash Severance				525,000	960,000
	Prorated Annual Incentive					
	Equity					
	Restricted Stock					
	Restricted Stock Units	83,794	83,794		83,794	163,579
	Performance Shares (at target)					
	Unexercisable Options					45,346
	Total	83,794	83,794		83,794	208,925
	Retirement Benefits ⁽¹⁾					
	Unvested Deferred Stock Units					
	Other Benefits					
	Health and Welfare				24,524	32,698
	Outplacement				25,000	25,000
	Tax Gross-Ups					
	Total				49,524	57,698
	Total	83,794	83,794		658,318	1,226,623

(1) The retirement benefits available to the Named Executive Officers are the same as those available to all salaried employees.

Potential Payments upon Termination without Change in Control

The Company under its salary continuation plan has agreed to pay Corporate Officers and other executives severance if they are terminated for reasons other than cause. The payments are equal to 18 months base salary continuation for the NEOs. In addition the Company maintains the health insurance on such employee during the salary continuation period. In exchange for such payments the employee provides the Company with a mutual release of all claims and agrees not to work for a competitor during the salary continuation period. In the event of a termination covered by the change in control agreements described below, the payments under those agreements is reduced by any amounts received under the salary continuation plan.

The Executive Long Term Disability Plan provides a monthly benefit to an executive of 60% of their 2 year average executive incentive up to a monthly maximum of \$10,000. Each of the NEOs would be entitled to a \$10,000 monthly benefit if they became disabled as of May 29, 2010 as long as they are disabled or until age 65.

Potential Payments upon Termination in Connection with Change in Control

In Fiscal 2010 each NEO was party to a change in control agreement with the Company. The change in control agreements are all "dual trigger" agreements. This means there both must be a change in control and the employee must incur an actual or constructive termination of employment by us in order to be entitled to a payment.

The agreements define change in control as having occurred (1) when a third party becomes the owner of 35 percent or more of the Company's stock, (2) when a majority of the Board of directors is composed of persons who are not recommended by the existing Board, or (3) under certain transactions involving a merger or reorganization, sale of all or substantially all of the company's assets or a liquidation in which the Company does not maintain certain control thresholds.

An employee is entitled to a payment under the change in control agreement if within 2 years after a change in control he or she (1) loses his or her employment with the Company for reasons other than cause or voluntary termination, (2) the responsibilities of his or her job are significantly reduced, (3) the base salary or bonus he or she receives is reduced, (4) the benefits he or she receives are reduced by more than 5 percent, (5) the location of his or her job is relocated more than 50 miles from its current location, or (6) the obligations of the change in control agreement is not assumed by any successor company.

If both triggering events occur, then the NEO is entitled to a change in control payment. The change in control payment consists of three elements (1) amounts owed for current year base salary, on target bonus prorated to the date of termination and all amounts of deferred income, (2) medical and other insurance benefits, and (3) a separation payment. In addition, all existing unvested options and other equity units become immediately vested and exercisable. The separation payment in the case of the CEO is to be equal to 3 times the amount described below and in the case of all other NEOs the payment is equal to 2 times the amount described below. The separation payment is a lump sum equal to either two or three times the sum of (a) the executive's base salary plus (b) the greater of the executive's actual bonus for the preceding year or his or her on-target bonus for the current year. This amount is reduced by any severance payment that executive receives under the severance program described above.

The Company has the obligation to make a "gross up" payment to the executive if the amount of the payments under the change in control agreements is subject to an excise tax under Section 4999 of the Internal Revenue Code of 1986. However, if a reduction of 5 percent in the separation payments to the executive would prevent them from being subject to the excise tax, the Company may reduce the payments up to 5 percent but only to the extent necessary to avoid the imposition of the excise tax.

In order to receive the payments the NEO is obligated to comply with the non-competition covenant of the agreement, committing him or her to refrain from competing with the Company for a period equal to the number of years of compensation received by the NEO under the agreement.

Accelerated Vesting upon Death, Disability, Retirement or Change in Control

Various compensation plans contain provisions that permit accelerated vesting upon death, disability or change in control. In the event of a change in control, the Key Executive Deferred Compensation Plan, the Long-Term Incentive Plan, and the Executive Incentive Cash Bonus Plan provide for the acceleration of vesting and/or payment even if the NEO has not been terminated. These are so called single trigger payment provisions. The Long-Term Incentive Plan, Executive Incentive Cash Bonus Plan and Key Executive Deferred Compensation Plan each has provisions dealing with vesting upon death, disability or retirement. The definition of change in control for these plans is the definition contained in Treasury Regulations for Section 409A of the American Jobs Creation Act of 2004.

Key Executive Deferred Compensation Plan

The Key Executive Deferred Compensation Plan, which terminated in fiscal 2007, permits a participant to elect to have his or her account distributed immediately upon his death, disability, or termination of employment in addition to change in control. The plan also permits the Committee to distribute to the employee amounts deferred before December 31, 2005 in the event of his death, disability or termination of employment.

Potential Payments upon Termination without Change in Control *(continued)*

Long-Term Incentive Plan

The Long-Term Incentive Plan provides that all unvested options, restricted stock units and performance shares vest and become immediately exercisable in the event of a change in control. The measurement period for performance shares ends as of the date of a change in control and the number of performance shares actually vesting is determined by the Company's average EVA performance during the shortened measurement period.

Options granted under the LTI Plan to the extent vested at the date of death, disability or retirement, remain exercisable for the balance of their original term but not more than 60 months following the date of termination of employment.

In all other cases the options terminate 3 months after the termination of employment. Restricted stock units vest ratably up to the date of termination if an employee dies, becomes disabled, or is terminated for reasons other than cause. Vesting is determined by comparing the number of months the employee has been with the Company between the date of grant and the date of termination to the original 5 year (3 year for the 2009 awards) vesting period. If an employee retires the grant of restricted stock units will continue to vest over the original vesting period, provided the employee is available to provide 10 hours per quarter of consulting services and does not work for a competitor.

Performance shares, as explained earlier, are granted at a target value and the actual number of units converted into shares is determined at the end of a 3 year measurement period. The percentage of the performance share target grant that is eligible to vest if an employee dies, becomes disabled, or is terminated for reasons other than cause is determined by comparing the number of months between the date of grant and the date of termination to the original 3 year vesting period. If an employee retires in the first year the percentage of the performance share target grant subject to vesting will be equal to the number of months the employee remains employed during the year divided by 12. If the employee retires after the first year 100 percent of the target performance share grant is subject to vesting.

The Executive Incentive Cash Bonus Plan

The Executive Incentive Cash Bonus Plan requires that an employee be employed by the Company on the last day of a fiscal year in order to be eligible to receive the Incentive Cash Bonus, with certain exceptions noted below. The plan provides that in the events of death, disability or retirement an employee does not need to be employed on the last day of the fiscal year in order to receive a bonus. The employee's bonus will be reduced to reflect the portion of the year that he or she was employed by the Company. In the event of a change in control, the Incentive Cash Bonus is immediately vested (based upon EVA results achieved through the date of the change in control) and payable and is not reduced by virtue of the fact that it is calculated upon a partial year. The same provisions governing payment in the event of death, disability, retirement or change in control are also found in the bonus plan applicable to all other employees.

Director Compensation

The following Director Compensation table provides information on the compensation of each director for fiscal year 2010. The standard compensation of each director is \$108,000. This remains at a ten percent reduction from 2008. The audit committee chair receives an additional \$17,500, the executive compensation committee chair receives an additional \$10,000 and the nominating and governance committee chair receives an additional \$7,500. The chairman of the Board of Directors receives additional annual compensation of \$180,000 (reduced from \$305,000 in 2008 and \$205,000 in 2009) and is eligible to participate in the Company's health insurance plan. Brian Walker, the Company's CEO, does not receive any additional compensation for serving on the Board of Directors.

The annual retainer and any chairperson fee (collectively, the "Annual Fee") is payable by one or more of the following means, as selected by each director: (1) in cash; (2) in shares of our stock valued as of January 15 of each year; (3) credit under the Director Deferred Compensation Plan described below, valued as of January 15 of each year; (4) stock options valued as of January 15 of each year under the Black-Scholes Valuation Model; or (5) as a contribution to our company employee scholarship fund. Any director who does not meet the stock ownership guideline must take at least 50 percent of his or her fee in one of the permissible forms of equity.

Stock Option Plan

We have in effect a Stock Option Plan under which non-employee officers and directors may be granted options to purchase shares of our stock if they elect to receive their compensation in stock options. Subject to certain exceptions, the options are not exercisable until 12 months after the date of grant and expire 10 years after the date of the grant. The option price is payable upon exercise in cash or, subject to certain limitations, in shares of our stock already owned by the optionee, or a combination of shares and cash.

Deferred Compensation Plan

We also maintain a Nonemployee Officer and Director Deferred Compensation Stock Purchase Plan. The Plan permits participants to defer receipt of all or a portion of his or her Annual Fee to his or her deferred account. The account is held in a Rabbi Trust. Each account is credited with a number of stock units equal to a number of shares of the investment selected by the director. The initial value of the deferral is equal to the dollar amount of the deferral, divided by the per share fair market value of the selected investment at the time of the deferral. The units are credited with any dividends paid on the investment.

Stock Ownership Guidelines

Director stock ownership guidelines have been in effect since 1997. These guidelines, like those of the management team, are intended to reinforce the importance of linking shareholder and director interests. Under these guidelines, beginning in 2000, each director is encouraged to reach a minimum level of share ownership having a value of at least three times the annual director retainer over a five-year period after first becoming a director.

Other

Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their services for the Company, and they are covered under the Company's business travel insurance policies and under the Director and Officer Liability Insurance Policy.

Perquisites

Some Directors' spouses accompany them to Board meetings. The Company pays for their expenses and for some amenities for the Directors and their spouses, including some meals and social events. The total of these perquisites is less than \$10,000 per Director.

Director Compensation (continued)

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Options Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$) ⁽³⁾	Total (\$)
Mary Vermeer Andringa	10,000	98,000					108,000
Douglas D. French	108,000						108,000
Lord Brian Griffiths of Fforestfach	108,000						108,000
J. Barry Griswell	118,000						118,000
John R. Hoke III	54,000	54,000					108,000
James R. Kackley	125,500						125,500
Mark S. Nemschoff	108,000					268,526	376,526
Dorothy A. Terrell	57,750		57,750				115,500
David O. Ulrich	8,000	100,000					108,000
Michael A. Volkema	300,500						300,500

(1) The amounts shown in the "Fees Earned or Paid in Cash" column include amounts which may be deferred under the Non-employee Officer and Director Deferred Compensation Plan. Amounts deferred are retained as units equal to shares of stock under the plan. The plan permits non-employee directors to elect to defer amounts which they would otherwise receive as director fees. Amounts deferred are credited with earnings at the same rate as the dividend on the Company's stock. Directors at the time of deferral elect the deferral period. The units together with the earnings on the units are converted to shares of the Company's common stock at the end of the deferral period and are distributed to the director at the end of the deferral period. These amounts may also reflect contributions to the Michael Volkema Scholarship fund which awards college scholarships to children of employees. During fiscal year 2010 ten directors contributed a portion of their fees to the fund.

(2) Amounts represent the aggregate grant date fair value of stock awards and option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating these amounts are set forth in Note 14, in the Company's consolidated financial statements for the fiscal year ended May 29, 2010, included in our Annual Report on Form 10-K.

(3) See "Certain Relationships and Related Party Transactions" section below regarding the terms and conditions of Mr. Nemschoff's Executive Consulting and Noncompete Agreement with the Company.

As of May 29, 2010, each Director had the following aggregate number of outstanding options :

Name	Aggregate Number of Outstanding Options
Mary Vermeer Andringa	8,903
Douglas D. French	31,037
Lord Brian Griffiths of Fforestfach	25,605
J. Barry Griswell	
John R. Hoke III	
James R. Kackley	50,090
Mark S. Nemschoff	
Dorothy A. Terrell ⁽¹⁾	41,053
David O. Ulrich	105,830
Michael A. Volkema	

(1) Included in the aggregate number of outstanding options for Ms. Terrell are 8,957 options granted during the fiscal year with a grant date fair value of \$57,750.

Equity Compensation Plan Information

As noted in the Compensation Discussion and Analysis, we maintain certain equity compensation plans under which common stock is authorized for issuance to employees and directors in exchange for services. In addition, we maintain the Nonemployee Officer and Director Stock Option Plan, Long Term Incentive Plan, 2000 Employee Stock Option Plan, Employees' Stock Purchase Plan, and various employee ownership and profit sharing plans under which common stock is authorized for issuance to employees and directors in exchange for services.

The 2000 Employee Stock Option Plan is our only equity compensation plan under which common stock is authorized for issuance that has not been approved by our shareholders. Under the 2000 Employee Stock Option Plan, each full- or part-time employee of the company, or any U.S. or Canadian subsidiary, and certain foreign subsidiaries who was not eligible to participate in the Long-Term Incentive Plan, received a one-time, nontransferable grant of a nonqualified stock option to purchase 100 shares of our common stock, at the fair market value of the shares on the grant date. The options were not exercisable until after one year of continuous employment from the grant date and remain exercisable until the earlier of 10 years after the grant date or three months after termination of employment (other than termination due to of retirement, disability, or death, which events allow for a longer exercise period). The Board is sensitive to dilution of shareholder interests resulting from the granting of stock options and therefore has allocated the options granted under this plan against the authorized shares available under the Long-term Incentive Plan.

The following table sets forth certain information regarding the above referenced equity compensation plans as of May 29, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,008,734	\$25.56	6,241,425 ⁽²⁾
Equity compensation plans not approved by security holders	163,170	\$27.25	
Total	3,171,904	\$25.66	6,241,425

(1) We have not granted warrants or rights applicable to this chart.

(2) The number of shares remaining available for future issuance under our plans for awards other than options is limited to 12 percent of the shares authorized by shareholders. There are 325,280 shares remaining available for future issuance for awards other than options.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and officers, as well as any person holding more than 10 percent of our common stock, are required to report initial statements of ownership of our securities and changes in such ownership to the Securities and Exchange Commission. Based upon written representations by each director and officer, all the reports were timely filed by such persons during the last fiscal year.

Certain Relationships and Related Party Transactions

The Board of Directors has adopted a policy on Related Party Transactions. Under that policy, with certain limited exceptions, all proposed transactions between the Company and any directors or officers or their respective affiliates are required to be reported to the Nominating and Governance Committee prior to entering into such a transaction. Management is obligated to provide that committee with information relating to the terms and conditions of the proposed transaction, how it complies with the policy, and if the proposed transaction is with a director, advise the Committee if the transaction would impact that director's status as an independent director. The Nominating and Governance Committee has the authority to determine whether the proposed transaction is exempt from approval or, if not, approve the transaction as compliant with the policy or refer the matter to the Board of Directors. All approved or exempted transactions must be reported by the Committee to the full Board of Directors.

In order to approve a transaction under the policy, the Nominating and Governance Committee must determine that either (1) the dollar amount of the transaction and other transactions with the director during that year is less than \$100,000, and, for any director that is a member of the Audit Committee, does not constitute a proscribed consulting, advisory, or other compensated fee, or (2) if the proposed transaction is for the acquisition of products or services and is either less than \$100,000 or is subject to a bid process involving three or more competing parties, and the transaction is in the best interest of the Company and its shareholders, provided that (a) management determined that the proposed transaction will provide the best value for the Company, (b) the compensation is consistent with the proposals submitted by the other bidders, and (c) the director did not directly participate in the proposal process.

J. Barry Griswell is the Chairman of the Board of Directors and Chief Executive Officer of Principal Financial Group, Inc. During fiscal 2007, management submitted a request to the Nominating and Governance Committee to approve a proposed transaction under which the Principal Financial Group would provide Family Medical Leave Act (FMLA) and short-term and long-term disability management work on behalf of the Company. Mr. Griswell did not participate in the bid process or discuss the proposal with management of the Company. Based upon management's recommendation, the Committee determined that the proposed transaction was in the best interest of the Company and its shareholders and approved the proposed transaction. Under the terms of the transaction, Principal Financial Group will provide FMLA administration, short-term disability and long-term disability for a period of three years at an annual rate of approximately \$1.5 million for each of the three years of the contract.

In December 2007 the Company sought bids in connection with \$200 million in Private Placement Notes. Nineteen different bids were received totaling approximately \$400 million in subscriptions. One of the bids received was from the Principal Financial Group. Mr. Griswell did not participate in the bid process or discuss it with management of the Company. Based upon the pricing of their bid and management's recommendation, the Committee determined that the transaction did not constitute a conflict of interest and was in the best interest of the Company and its shareholders. The Committee approved the inclusion of the Principal Financial Group, Inc. for \$8 million within the current Debt Private Placement.

Effective June 24, 2009, the Company acquired all of the equity interests of Nemschoff Chairs, LLC, the majority, beneficial owner of which was Mark Nemschoff. In connection with that transaction, Mr. Nemschoff was appointed to the Board of Directors of the Company and entered into an Executive Consulting and Noncompete Agreement. Under the terms of that Agreement, Mr. Nemschoff has agreed to provide consulting services to the Company on a substantially full-time basis with the purpose of facilitating the transition and integration of Nemschoff Chairs with the Company as well as participating with strategic planning and business development. The agreement is for a term of two years and provides for an annual consulting fee of \$275,000 and certain health insurance and fringe benefits. Also, in connection with that transaction, the Company entered into a lease agreement with an entity that is indirectly controlled by Mr. Nemschoff. The premises, consisting of approximately 90,000 square feet, is to be leased by the Company for a period of five years at an annual base rent of \$240,000. Finally, also in connection with the transaction, the Company entered into a three-year supply agreement with Colby Metal, Inc., an entity indirectly controlled by Mr. Nemschoff, for the supply of certain light gauge sheet steel and tubular fabrication and/or paint equipment, products and services.

Submission of Shareholder Proposals for the 2011 Annual Meeting

Shareholders wishing to submit proposals on matters appropriate for shareholder action to be presented at our 2011 annual meeting of shareholders and to be included in our proxy materials for that meeting may do so in accordance with Rule 14a-8 promulgated under the Exchange Act, whereby (1) all applicable requirements of Rule 14a-8 must be satisfied, (2) the notice must include various stock ownership and related information detailed in our Bylaws, and (3) such proposals must be received by us at our principal executive offices at 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302, no later than May 3, 2011.

Our bylaws, which are available on our website at www.hermanmiller.com/bylaws, contain certain procedural requirements that shareholders must follow to nominate a person for election as a director at an annual meeting or to bring an item of business before the annual meeting. These procedures require that notice of an intention to nominate a person for election to the Board and/or to bring an item of business before our 2011 annual meeting must be received in writing by our secretary at 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302 no earlier than June 13, 2011 and no later than July 13, 2011. The notice must contain certain information about the shareholder making the proposal for nomination, including a representation that the shareholder intends to appear in person or by proxy at the annual meeting to nominate the person named in the notice or bring the item of business before the meeting, and about the nominee and/or the item of business and, in the case of a nomination, must be accompanied by a written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected. As of August 31, 2010, no proposals to be presented at the 2010 annual meeting have been received by us.

Miscellaneous

The cost of the solicitation of proxies will be borne by us. In addition to the use of the mails, proxies may be solicited personally or by telephone or electronic means by a few of our regular employees. We may reimburse brokers and other people holding stock in their names or in the names of nominees for their expenses in sending proxy materials to the principals and obtaining their proxies.

Our mailing for the fiscal year ended May 29, 2010, includes the Notice Regarding the Availability of Proxy Materials. A copy of the Notice of 2010 Annual Meeting of Shareholders and the 2010 Annual Financial Statements as well as the Proxy Statement and our Report on Form 10-K both filed with the Securities and Exchange Commission are available, without charge, upon written request from the Secretary of the company, 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302.


Shareholders are urged to vote promptly. Questions related to your holdings can be directed as follows:

Computershare Investor Services, LLC, 250 Royall Street, Canton, Massachusetts 02021 Phone: 1-866-768-5723 inside the United States Phone: 1-781-575-2723 outside the United States <http://www.computershare.com>

By Order of the Board of Directors

Daniel C. Molhoek, Secretary to the Board August 31, 2010

© 2010 Herman Miller, Inc., Zeeland, Michigan Printed in U.S.A. on recycled paper P.MS2846-1

® Herman Miller and  are among the registered trademarks of Herman Miller, Inc.

™ Compass and Thrive are among the trademarks of Herman Miller, Inc., and its owned subsidiaries

® Geiger is a registered trademark of Geiger International

® EVA is a registered trademark of Stern Stewart & Co.



2010 Annual Financial Statements



Herman Miller, Inc., and Subsidiaries

Available Information

The company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are made available free of charge through the "About Us" then "For Our Investors" section of the company's internet website at www.hermanmiller.com, as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The company's filings with the SEC are also available for the public to read and copy in person at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549, by phone at 1-800-SEC-0330, or via their internet website at www.sec.gov.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

As defined in Item 304 of Regulation S-K, there have been no changes in, or disagreements with, accountants during the 24-month period ended May 29, 2010.

Table of Contents

2	Share Price, Earnings, and Dividends Summary
4	Review of Operations
6	Management's Discussion and Analysis of Financial Condition and Results of Operations
22	Quantitative and Qualitative Disclosures about Market Risk
24	Quarterly Financial Data
25	Consolidated Statements of Operations
26	Consolidated Balance Sheets
27	Consolidated Statements of Shareholders' Equity
29	Consolidated Statements of Cash Flows
30	Notes to the Consolidated Financial Statements
65	Management's Report on Internal Control over Financial Reporting
66	Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
67	Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
68	Board of Directors
69	Leadership Team
70	Shareholder Reference Information

Share Price, Earnings, and Dividends Summary

Herman Miller, Inc., common stock is traded on the NASDAQ-Global Select Market System (Symbol: MLHR). As of July 23, 2010, there were approximately 18,200 record holders, including individual participants in security position listings, of the company's common stock.

Per Share and Unaudited	Market Price High (at close)	Market Price Low (at close)	Market Price Close	Earnings Per Share- Diluted ⁽¹⁾	Dividends Declared Per Share
Year Ended May 29, 2010					
First quarter	\$17.20	\$13.43	\$16.13	\$0.14	\$0.02200
Second quarter	19.15	15.17	15.17	0.17	0.02200
Third quarter	18.23	15.19	18.20	0.12	0.02200
Fourth quarter	22.37	18.06	19.23	—	0.02200
Year	\$22.37	\$13.43	\$19.23	\$0.43	\$0.08800
Year ended May 30, 2009:					
First quarter	\$28.54	\$23.70	\$28.14	\$0.60	\$0.08800
Second quarter	30.39	11.38	14.71	0.60	0.08800
Third quarter	15.13	10.08	10.08	(0.10)	0.08800
Fourth quarter	15.02	8.05	14.23	0.14	0.02200
Year	\$30.39	\$8.05	\$14.23	\$1.25	\$0.28600

(1) The sum of the quarters may not equal the annual balance due to rounding associated with the calculation of earnings per share on an individual quarter basis.

Dividends were declared and paid quarterly during fiscal 2010 and 2009 as approved by the Board of Directors. While it is anticipated that the company will continue to pay quarterly cash dividends, the amount and timing of such dividends is subject to the discretion of the Board depending on the company's future results of operations, financial condition, capital requirements, and other relevant factors.

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the fourth quarter ended May 29, 2010.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average price Paid per Share or Unit	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs ⁽¹⁾
2/28/10-3/27/10	30	17.87	30	\$170,375,922
3/28/10-4/24/10	377	22.00	377	\$170,367,628
4/25/10-5/29/10	1,327	19.70	1,327	\$170,341,476
Total	1,734	20.17	1,734	

(1) Amounts are as of the end of the period indicated.

The company repurchases shares under a previously announced plan authorized by the Board of Directors on September 28, 2007, which provided share repurchase authorization of \$300,000,000 with no specified expiration date.

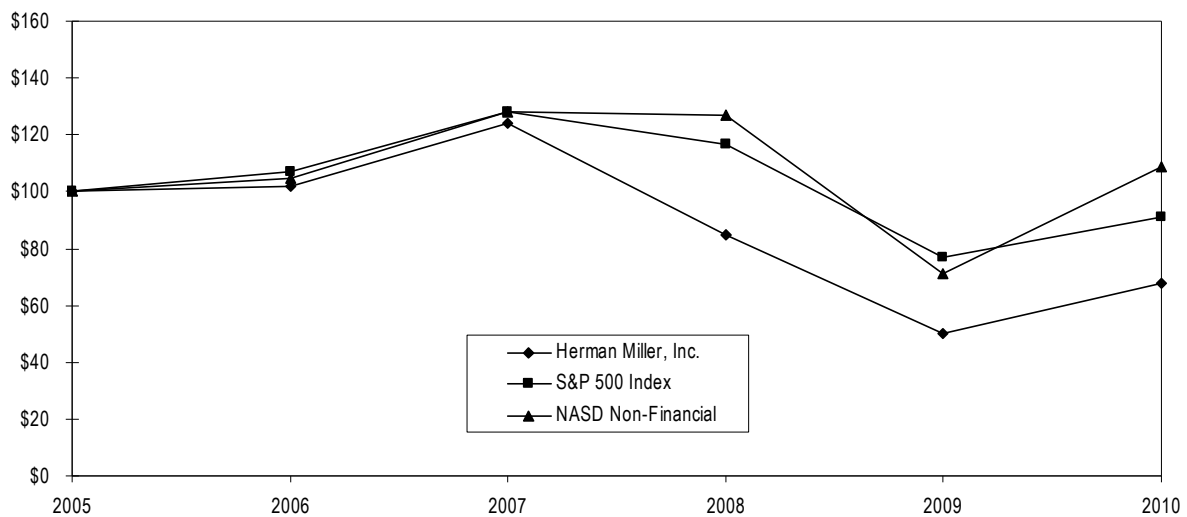
No repurchase plans expired or were terminated during the fourth quarter of fiscal 2010, nor do any plans exist under which the company does not intend to make further purchases.

During the period covered by this report the company did not sell any of its equity shares that were not issued under the Securities Act of 1933.

Share Price, Earnings, and Dividends Summary *(continued)*

Shareholder Return Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the company's common stock with that of the cumulative total return of the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index for the five-year period ended May 29, 2010. The graph assumes an investment of \$100 on May 28, 2005 in the company's common stock, the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index, with dividends reinvested.



	2005	2006	2007	2008	2009	2010
Herman Miller, Inc.	\$100	\$102	\$124	\$85	\$50	\$68
S&P 500 Index	\$100	\$107	\$128	\$117	\$77	\$91
NASD Non-Financial	\$100	\$105	\$128	\$127	\$71	\$109

Review of Operations

(In millions, except key ratios and per share data)

	2010	2009	2008	2007	2006
Operating Results					
Net sales	\$1,318.8	\$1,630.0	\$2,012.1	\$1,918.9	\$1,737.2
Gross margin	428.5	527.7	698.7	645.9	574.8
Selling, general, and administrative ⁽⁸⁾	334.4	359.2	400.9	395.8	371.7
Design and research	40.5	45.7	51.2	52.0	45.4
Operating earnings	53.6	122.8	246.6	198.1	157.7
Earnings before income taxes	34.8	98.9	230.4	187.0	147.6
Net earnings attributable to controlling interest	28.3	68.0	152.3	129.1	99.2
Cash flow from operating activities	99.1	91.7	213.6	137.7	150.4
Depreciation and amortization	42.6	41.7	43.2	41.2	41.6
Capital expenditures	22.3	25.3	40.5	41.3	50.8
Common stock repurchased plus cash dividends paid	5.7	19.5	287.9	185.6	175.4
Key Ratios					
Sales growth (decline)	(19.1)%	(19.0)%	4.9%	10.5%	14.6%
Gross margin ⁽¹⁾	32.5	32.4	34.7	33.7	33.1
Selling, general, and administrative ⁽¹⁾⁽⁸⁾	25.4	22.0	19.9	20.6	21.4
Design and research expense ⁽¹⁾	3.1	2.8	2.5	2.7	2.6
Operating earnings ⁽¹⁾	4.1	7.5	12.3	10.3	9.1
Net earnings attributable to controlling interest growth (decline)	(58.4)	(55.4)	18.0	30.1	45.9
After-tax return on net sales ⁽⁴⁾	2.1	4.2	7.6	6.7	5.7
After-tax return on average assets ⁽⁵⁾	3.7	8.8	21.0	19.4	14.4
After-tax return on average equity ⁽⁶⁾	64.2%	433.1%	170.5%	87.9%	64.2%
Share and Per Share Data					
Earnings per share-diluted	\$0.43	\$1.25	\$2.56	\$1.98	\$1.45
Cash dividends declared per share	0.09	0.29	0.35	0.33	0.31
Book value per share at year end	1.41	0.15	0.42	2.47	2.10
Market price per share at year end	19.23	14.23	24.80	36.53	30.34
Weighted average shares outstanding-diluted	57.5	54.5	59.6	65.1	68.5
Financial Condition					
Total assets	\$770.6	\$767.3	\$783.2	\$666.2	\$668.0
Working capital ⁽³⁾	181.7	243.7	182.7	103.2	93.8
Current ratio ⁽²⁾	1.3	1.6	1.6	1.4	1.3
Interest-bearing debt and related swap agreements	301.2	377.4	375.5	176.2	178.8
Shareholders' equity	80.1	8.0	23.4	155.3	138.4
Total capital ⁽⁷⁾	381.3	385.4	398.9	331.5	317.2

(1) Shown as a percent of net sales.

(2) Calculated using current assets divided by current liabilities.

(3) Calculated using current assets less non-interest bearing current liabilities.

(4) Calculated as net earnings attributable to controlling interest divided by net sales.

(5) Calculated as net earnings attributable to controlling interest divided by average assets.

(6) Calculated as net earnings attributable to controlling interest divided by average equity.

(7) Calculated as interest-bearing debt plus shareholders' equity.

(8) Selling, general, and administrative expenses include restructuring expenses in years that are applicable.

2005	2004	2003	2002	2001	2000
\$1,515.6	\$1,338.3	\$1,336.5	\$1,468.7	\$2,236.2	\$2,010.2
489.8	415.6	423.6	440.3	755.7	680.4
327.7	304.1	319.8	399.7	475.4	404.4
40.2	40.0	39.1	38.9	44.3	41.3
121.9	61.2	48.3	(79.9)	236.0	234.7
112.8	51.6	35.8	(91.0)	225.1	221.8
68.0	42.3	23.3	(56.0)	140.6	139.7
109.3	82.7	144.7	54.6	211.8	202.1
46.9	59.3	69.4	112.9	92.6	77.1
34.9	26.7	29.0	52.4	105.0	135.7
152.0	72.6	72.7	30.3	105.3	101.6
13.2%	0.1%	(9.0)%	(34.3)%	11.2%	9.9%
32.3	31.1	31.7	30.0	33.8	33.8
21.6	22.7	23.9	27.3	21.3	20.1
2.7	3.0	2.9	2.6	2.0	2.1
8.0	4.6	3.6	(5.4)	10.6	11.7
60.8	81.5	141.6	(139.8)	0.6	(1.5)
4.5	3.2	1.7	(3.8)	6.3	6.9
9.6	5.7	3.0	(6.3)	14.5	16.5
37.3%	21.9%	10.3%	(18.2)%	43.5%	55.5%
\$0.96	\$0.58	\$0.31	\$(0.74)	\$1.81	\$1.74
0.29	0.18	0.15	0.15	0.15	0.15
2.45	2.71	2.62	3.45	4.63	3.76
29.80	24.08	19.34	23.46	26.90	29.75
70.8	73.1	74.5	75.9	77.6	80.5
\$707.8	\$714.7	\$757.3	\$788.0	\$996.5	\$941.2
162.3	207.8	189.9	188.7	191.6	99.1
1.5	1.8	1.7	1.8	1.5	0.9
194.0	207.2	223.0	235.1	259.3	225.6
170.5	194.6	191.0	263.0	351.5	294.5
364.5	401.8	414.0	498.1	610.8	520.1

Management's Discussion and Analysis

You should read the issues discussed in Management's Discussion and Analysis in conjunction with the company's Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in this Form 10-K.

Executive Overview

At Herman Miller, we work for a better world around you. We do this by designing and developing award-winning furniture and related services and technologies that improve your environment, whether it's an office, hospital, school, home, an entire building, or the world at large. At present, most of our customers come to us for work environments in both corporate office and healthcare settings. We also have a growing presence in educational and residential markets, including home office. Our primary products include furniture systems, seating, storage and material handling solutions, freestanding furniture, and casegoods. Our other services extend from workplace solutions to furniture asset management.

More than 100 years of innovative business practices and a commitment to social responsibility have established Herman Miller as a recognized global company. In 2009, we were again cited by FORTUNE as both the "Most Admired" in our industry and among the "100 Best Companies to Work For" in America, while Fast Company named Herman Miller among the innovative "Companies to Watch."

Our products are sold internationally through wholly-owned subsidiaries or branches in various countries including the United Kingdom, Canada, France, Germany, Italy, Japan, Mexico, Australia, Singapore, China, India, and the Netherlands. Our products are offered elsewhere in the world primarily through independent dealerships. We have customers in over 100 countries.

We are globally positioned in terms of manufacturing operations. In the United States, our manufacturing operations are located in Michigan, Georgia, Iowa and Wisconsin. In Europe, we have a manufacturing presence in the United Kingdom, our largest marketplace outside of the United States. In Asia, we have manufacturing operations in Ningbo, China. We manufacture our products using a system of lean manufacturing techniques collectively referred to as the Herman Miller Performance System (HMPS). We strive to maintain efficiencies and cost savings by minimizing the amount of inventory on hand. Accordingly, production is order-driven with direct materials and components purchased as needed to meet demand. The standard lead time for the majority of our products is 10 to 20 days. These factors result in a high rate of inventory turns and typically cause our inventory levels to appear relatively low compared to our sales volume.

A key element of our manufacturing strategy is to limit fixed production costs by sourcing component parts from strategic suppliers. This strategy has allowed us to increase the variable nature of our cost structure while retaining proprietary control over those production processes that we believe provide us a competitive advantage. As a result of this strategy, our manufacturing operations are largely assembly-based.

Our business consists of various operating segments as defined by generally accepted accounting principles. These operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions and are organized by the various markets we serve. For external reporting purposes, we aggregate these operating segments as follows.

- *North American Furniture Solutions* - Includes the business associated with the design, manufacture, and sale of furniture products for office, learning and healthcare environments throughout the United States, Canada, and Mexico.
- *Non-North American Furniture Solutions* - Includes the business associated with the design, manufacture, and sale of furniture products primarily for work-related settings outside North America.
- *Other* - Includes our North American residential furniture business as well as other business activities such as Convia, unallocated corporate expenses, and restructuring costs.

Core Strengths

We rely on the following core strengths in delivering workplace solutions to our customers.

- *Brand* - Our brand is recognized by customers as a pioneer in design and sustainability, and as an advocate that supports their needs and interests. Within our industry, Herman Miller is acknowledged as one of the leading brands that inspire architects and designers to create their best commercial design solutions. Leveraging our brand equity across our lines of business to extend our reach to customers and consumers is an important element of our business strategy.
- *Problem-Solving Design and Innovation* - We are committed to developing research-based functionality and aesthetically innovative new products and have a history of doing so. We believe our skills and experience in matching problem-solving design with the workplace needs of our customers provide us with a competitive advantage in the marketplace. An important component of our business strategy is to actively pursue a program of new product research, design, and development. We accomplish this through the use of an internal research, engineering, and design staff as well as third party design resources generally compensated on a royalty basis.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview (*continued*)

- *Operational Excellence* - We were among the first in our industry to embrace the concepts of lean manufacturing. HMPS provides the foundation for all of our manufacturing operations. We are committed to continuously improving both product quality and production and operational efficiency. We have extended this lean process work to our non-manufacturing processes as well as externally to our manufacturing supply chain and distribution channel. We believe this work holds great promise for further gains in reliability, quality and efficiency.
- *Building and Leading Networks* - We value relationships in all areas of our business. We consider our networks of innovative designers, owned and independent dealers, and suppliers to be among our most important competitive factors and vital to the long-term success of our business.

Channels of Distribution

Our products and services are offered to most of our customers under standard trade credit terms between 30 and 45 days and are sold through the following distribution channels.

- *Independent Contract Furniture Dealers and Licensees* - Most of our product sales are made to a network of independently owned and operated contract furniture dealerships doing business in many countries around the world. These dealers purchase our products and distribute them to end customers. We recognize revenue on product sales through this channel once our products are shipped and title passes to the dealer. Many of these dealers also offer furniture-related services, including product installation.
- *Owned Contract Furniture Dealers* - At May 29, 2010, we owned 9 contract furniture dealerships, some of which have operations in multiple locations. The financial results of these owned dealers are included in our Consolidated Financial Statements. Product sales to these dealerships are eliminated as inter-company transactions from our consolidated financial results. We recognize revenue on these sales once products are shipped to the end customer and installation is substantially complete. We believe independent ownership of contract furniture dealers is generally the best model for a financially strong distribution network. With this in mind, our strategy is to continue to pursue opportunities to transition our owned dealerships to independent owners. Where possible, our goal is to involve local managers in these ownership transitions.
- *Direct Customer Sales* - We sometimes sell products and services directly to end customers without an intermediary (e.g. sales to the U.S. federal government). In most of these instances, we contract separately with a dealership or third-party installation company to provide sales-related services. We recognize revenue on these sales once products are shipped and installation is substantially complete.
- *Independent Retailers* - Certain products are sold to end customers through independent retail operations. Revenue is recognized on these sales once products are shipped and title passes to the independent retailer.

Challenges Ahead

Like all businesses, we are faced with a host of challenges and risks. We believe our core strengths and values, which provide the foundation for our strategic direction, have us well prepared to respond to the inevitable challenges we will face in the future. While we are confident in our direction, we acknowledge the risks specific to our business and industry. Refer to Item 1A of our Annual Report on Form 10-K for discussion of certain of these risk factors.

Future Avenues of Growth

We believe we are well positioned to successfully pursue our mission in spite of the risks and challenges we face. That is, we will design and develop furniture and related services and technologies that reflect sustainable business practices that improve your environment and help create a better world around you. In pursuing our mission, we have identified the following as key avenues for our future growth.

- *Primary Markets* - Capture additional market share within our primary markets by offering superior solutions to customers who value space as a strategic tool.
- *Adjacent Markets* - Further apply our core skills in space environments such as healthcare, higher education, and residential.
- *Developing Economies* - Expand our geographic reach in areas of the world with significant growth potential.
- *New Markets* - Develop or acquire new products and technologies that serve new markets.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview *(continued)*

Industry Analysis

The Business and Institutional Furniture Manufacturer's Association (BIFMA) is the trade association for the U.S. domestic office furniture industry. We monitor the trade statistics reported by BIFMA and consider them an indicator of industry-wide sales and order performance. BIFMA publishes statistical data for the contract segment and the office supply segment within the U.S. furniture market. The U.S. contract segment is primarily with large to mid-size corporations installed via a network of dealers. The office supply segment is primarily to smaller customers via wholesalers and retailers. We primarily participate, and are a leader in, the contract segment. It is important to note that our diversification strategy lessens our dependence on the U.S. office furniture market.

We also analyze BIFMA statistical information as a benchmark comparison against the performance of our domestic U.S. business and also to that of our competitors. The timing of large project-based business may affect comparisons to this data in any one period. Finally, BIFMA regularly provides its members with industry forecast information, which we use internally as one of several considerations in our short and long-range planning process.

Discussion of Business Conditions

Our fiscal years ended May 29, 2010 and May 30, 2009 each included 52 weeks of operations.

Fiscal 2010 was a year marked by economic challenge and strategic achievement. For the second year in a row sales decreased by 19 percent and we were called upon to make tough choices to balance current profitability against future investments. From an economic perspective, the macro drivers of demand in the contract office furniture industry have remained relatively soft with lagging office construction rates and reduced employment levels. However, after finishing the year with two consecutive quarters of year-over-year order growth, it appears that our business is benefiting from some momentum in the broader economy.

Apart from the overall economic challenges, we have made great progress this year toward our strategic goals. Despite lower sales relative to last year, we have remained solidly profitable, achieving an operating earnings of 4.1 percent of sales for the full year. We took action to de-leverage our balance sheet in the first quarter through the early retirement of \$75 million of long-term debt and then in the third quarter by partially funding our pension obligations. As part of our continuing efforts to reduce fixed operating expenses, our operations team worked diligently toward the implementation of two factory consolidation projects, both of which were successfully concluded during the fourth quarter. Even in this challenging environment we have continued our focus on operational excellence with our manufacturing operations maintaining a reliability score above 99 percent throughout the year. At this year's NeoCon, the contract furniture industry's largest tradeshow, our new healthcare showroom was named the large showroom winner, and, for the fourth time in five years, we received the Office Furniture Dealers Alliance (OFDA) Gold award as the Manufacturer of the Year.

During the year, we worked hard to deliver superior products and services to our dealer network. Despite the economic downturn, the development of new products has remained a critical element of our business strategy. At this year's NeoCon we introduced 18 new products. Among the most significant achievements at this year's show was a new healthcare product called Compass™, which won a Gold award in the healthcare furniture category and the launch of the Thrive™ portfolio of ergonomic products, which includes the technology support category's Silver award winning Flo™ monitor arm. In launching Thrive™ we demonstrated that we can and will move quickly to find new areas to serve our traditional customers and dealers. We also hosted an invitation-only event to preview a new chair family we believe will set a new reference point for comfort, beauty and value.

During the NeoCon show we announced another milestone for our company: being the first in our industry (and one of the first in the world) to fuel 100% of our facilities with renewable energy. This past year we made significant progress toward our goal of having zero impact on the environment by the year 2020. While we still have progress to make, we believe the finish line is in sight.

As in our own business, the severity of the downturn over the past two years has forced our independent dealer network to reduce costs and increase operating efficiencies. As a rule, the financial health of the network remained remarkably strong all year. During the fourth quarter one exception to this rule prompted action on our part. We assumed ownership control of an independent dealer, the Living Edge Group, with locations throughout Australia, in order to protect the continuity of distribution in that region. We have moved aggressively to restructure operations and are pursuing a strategy aimed at returning the dealership to profitability and independent ownership.

During our first fiscal quarter of 2010, we completed the acquisition of Nemschoff, a healthcare furniture manufacturer in Sheboygan, Wisconsin. We immediately began the process of integrating its products and processes into our existing healthcare business. This acquisition, along with the fiscal 2008 acquisition of Brandrud, greatly expands our healthcare lineup and our ability to bring complete solutions to the marketplace.

During the fourth quarter we acquired U.K.-based Colebrook Bosson Saunders (CBS) a leading designer and distributor of ergonomic work accessories. This acquisition enhances the scale of our existing accessories business and provides a compelling lineup of solutions to our dealers. The products offered by CBS are now included under the Thrive™ portfolio of ergonomic products and services.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

As we look forward, with business conditions seemingly improving, there's a growing sense of optimism within the company. Our continued investments in product and business development throughout the downturn have enhanced both the depth and diversity of our market offering, leaving us well equipped to grow in each of our markets. And it's all backed by the innovative spirit of our people and a brand that we believe is second-to-none in our industry.

Looking forward, the general economic outlook for our industry in the U.S. is expected to improve in fiscal 2011. For calendar 2011, BIFMA expects positive 9.9 percent and 11.1 percent growth for orders and sales, respectively. This projected improvement is based on a forecasted improvement in the U.S. economy, and assumptions that higher employment will prevail in sectors most likely to consume office furniture and that vacancy rates will decline as unemployment rates fall.

Financial Results

The following is a comparison of our annual results of operations and year-over-year percentage changes for the periods indicated.

(Dollars In millions)	Fiscal 2010	% Chg from 2009	Fiscal 2009	% Chg from 2008	Fiscal 2008
Net sales	\$1,318.8	(19.1)%	\$1,630.0	(19.0)%	\$2,012.1
Cost of sales	890.3	(19.2)%	1,102.3	(16.1)%	1,313.4
Gross margin	428.5	(18.8)%	527.7	(24.5)%	698.7
Operating expenses	374.9	(7.4)%	404.9	(10.4)%	452.1
Operating earnings	53.6	(56.4)%	122.8	(50.2)%	246.6
Net Other expenses	18.8	(21.3)%	23.9	47.5%	16.2
Earnings before income taxes	34.8	(64.8)%	98.9	(57.1)%	230.4
Income tax expense	6.5	(79.0)%	31.0	(60.4)%	78.2
Net loss attributable to noncontrolling interest	—	(100.0)%	(0.1)	—	(0.1)
Net earnings attributable to controlling interest	\$28.3	(58.4)%	\$68.0	(55.4)%	\$152.3

The following table presents, for the periods indicated, the components of the company's Consolidated Statements of Operations as a percentage of net sales.

Fiscal Year Ended	May 29, 2010	May 30, 2009	May 31, 2008
Net sales	100.0%	100.0%	100.0%
Cost of sales	67.5	67.6	65.3
Gross margin	32.5	32.4	34.7
Selling, general, and administrative expenses	24.1	20.3	19.7
Restructuring	1.3	1.7	0.3
Design and research expenses	3.1	2.8	2.5
Total operating expenses	28.4	24.8	22.5
Operating earnings	4.1	7.5	12.3
Net other expenses	1.4	1.5	0.8
Earnings before income taxes	2.6	6.1	11.5
Income tax expense	0.5	1.9	3.9
Net earnings attributable to controlling interest	2.1	4.2	7.6

Net Sales, Orders, and Backlog

Fiscal 2010 Compared to Fiscal 2009

For the fiscal year ended May 29, 2010, consolidated net sales declined 19.1 percent to \$1,318.8 million from \$1,630.0 million for the fiscal year ended May 30, 2009. This year-over-year decline was driven by the global economic environment and was experienced across nearly all operating and geographic units. While the U.S. dollar strengthened against many major currencies during fiscal 2010, it weakened against others, notably the Canadian dollar. The overall impact of foreign currency changes for the fiscal year was to increase net sales by approximately \$5 million.

Consolidated net trade orders for fiscal 2010 totaled \$1,322.4 million compared to \$1,564.7 million in fiscal 2009, a decrease of 15.5 percent. Order rates began the year at a steady pace with orders averaging between approximately \$25 million and \$27 million per week through the first two quarters. These order rates, and other economic inputs, gave a solid signal that the business had hit bottom and was stabilized. Moving into the second half of the year, the third quarter, which historically has the weakest order rate of the year, orders dipped down to an average weekly rate of approximately \$22 million per week. Although low, this order rate represented a slight increase in order rates from the prior year. The fourth quarter order rates averaged approximately \$28 million per week, which represented our highest order rate in 18 months. The overall impact of foreign currency changes for the fiscal year was to increase net orders by approximately \$4 million to \$5 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results (*continued*)

Our backlog of unfilled orders at the end of fiscal 2010 totaled \$243.6 million, a 17.2 percent increase from the \$207.8 million backlog at the end of fiscal 2009.

BIFMA reported an estimated year-over-year decline in U.S. office furniture shipments of approximately 22.3 percent for the twelve-month period ended May 2010. By comparison, the net sales decline for our domestic U.S. business was approximately 18.8 percent. We believe that while comparisons to BIFMA are important, we continue to pursue a strategy of revenue diversification that makes us less reliant on the drivers that impact BIFMA.

Net Sales, Orders, and Backlog

Fiscal 2009 Compared to Fiscal 2008

For the fiscal year ended May 30, 2009, consolidated net sales declined 19.0 percent to \$1,630.0 million from \$2,012.1 million in fiscal 2008. This year-over-year decline was driven by the global economic environment and was experienced across nearly all operating and geographic units. The strengthening of the U.S. dollar during fiscal 2009 against most major foreign currencies reduced our top line by approximately \$30 million.

Consolidated net trade orders for fiscal 2009 totaled \$1,564.7 million. This is comparable to net trade orders of \$2,008.5 million in fiscal 2008, and represents a decrease of 22.1 percent. Starting with the financial market volatility in early fiscal 2009, in part related to the instability in the banking industry, we experienced a sudden and dramatic fall in order rates through most of the third quarter of fiscal 2009. Order rates stabilized through the fourth quarter of fiscal 2009, albeit at much lower level than fiscal 2008. The strong dollar reduced orders by approximately \$38 million compared with fiscal 2008.

Our backlog of unfilled orders at the end of fiscal 2009 totaled \$207.8 million, a 27.4 percent decline from \$286.2 million at the end of fiscal 2008.

BIFMA reported an estimated year-over-year decline in U.S. office furniture shipments of approximately 13.8 percent for the twelve-month period ended May 2009. By comparison, the net sales decline for our domestic U.S. business was approximately 14.6 percent. We believe that while comparisons to BIFMA are important, we continue to pursue a strategy of revenue diversification that makes us less reliant on the drivers that impact BIFMA.

Discussion of Operating Segments

Fiscal 2010 Compared to Fiscal 2009

Net sales within the North American Furniture Solutions (North America) segment were \$1,074.5 million in fiscal 2010, a \$274.9 million or 20.4 percent decrease from fiscal 2009 net sales of \$1,349.4 million. We again experienced a decline throughout our North American business operations in fiscal 2010, except for healthcare which benefited from the acquisition of Nemschoff in the first quarter. Nemschoff sales were \$67.6 million during fiscal 2010 or 6.3 percent of net sales. Within this segment, we again experienced better than average sales from education, government and healthcare customers. Operating earnings for the segment in fiscal 2010 were \$72.3 million, or 6.7 percent of net sales. This compares to segment earnings of \$133.0 million or 9.9 percent in fiscal 2009. With net sales in the segment down 20.4 percent, having operating earnings of 6.7 percent of sales shows the ability to generate strong operating performance despite a significant decline in volume. This performance is largely due to the variable cost business model, which has allowed costs to be shed as net sales declined.

Net sales from the non-North American Furniture Solutions (non-North America) segment were \$196.3 million in fiscal 2010, a \$42.1 million, or 17.7 percent, decrease from fiscal 2009 net sales of \$238.4 million. There were regions that experienced year-over-year sales growth, including India, China and Brazil. The areas hardest hit during the year were the Middle East and North Latin America which were down 41 and 37 percent from prior year, respectively. Operating losses within the non-North American segment totaled \$1.0 million for the year or negative 0.5 percent of net sales. This compares to operating earnings of \$15.1 million or 6.3 percent of net sales in fiscal 2009, a decrease of 680 basis points. The operating loss in fiscal 2010 was significantly affected by an independent dealer in Australia that went into receivership and resulted in bad debt expense of approximately \$5 million.

Net sales within the "Other" segment category were \$48.0 million in fiscal 2010 an increase of \$5.8 million, or 13.7 percent, compared to fiscal 2009 net sales of \$42.2 million. The increase in net sales is the result of strong sales by our North American Home business. It should be noted that while the majority of corporate costs are allocated to the operating segments, certain costs that are generally considered the result of isolated business decisions are not subject to allocation. Restructuring and asset impairment expenses are some of these costs, and have been allocated entirely to the "Other" category in fiscal 2010. Restructuring and asset impairment expenses totaled \$16.7 million in fiscal 2010 and \$28.4 million in fiscal 2009 and are discussed further in Note 21 of the Consolidated Financial Statements.

Operating losses within the "Other" segment category totaled \$17.7 million for the year or negative 36.9 percent of net sales. This compares to a loss of \$25.3 million or negative 60.0 percent of net sales in the prior year, an improvement of 2,310 basis points. The significant driver of operating losses in both years were restructuring expenses, though it should be noted that in the current year there were also \$2.5 million of asset impairment charges related to the Convia business that contributed to the operating loss.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

The U.S. dollar was up and down against the British pound and the euro during fiscal 2010, and weakened throughout the year against the Canadian dollar. The changes in currency exchange rates from the prior year affected the U.S. dollar value of net sales only in the North American operating segment. The non-North American segment ended the year with essentially no impact from currency on year-over-year net sales. We estimate these changes effectively increased our fiscal 2010 net sales within the North American Furniture Solutions segment by approximately \$5 million, driven entirely by the U.S. dollar / Canadian dollar impact, with the Mexican peso having a slight negative impact. It is important to note that period-to-period changes in currency exchange rates have a directionally similar impact on our international cost structures. Operating earnings within our non-North American segment increased an estimated \$1.0 million in fiscal 2010. The estimated impact on operating earnings of our North American business segment due to currency changes, was an increase of approximately \$3.5 million.

Discussion of Operating Segments

Fiscal 2009 Compared to Fiscal 2008

Net sales within the North American Furniture Solutions segment decreased from \$1,636.3 million in fiscal 2008 to \$1,349.4 million in fiscal 2009. This represented a year-over-year decrease of \$286.9 million or 17.5 percent. We experienced a decline throughout our North American business operations, however, there were customer types within this segment that performed better than the overall average, primarily education, government and healthcare customers. Operating earnings for the segment in fiscal 2009 were \$133.0 million, or 9.9 percent of net sales. This compared to segment earnings of \$195.9 million or 12.0 percent in fiscal 2008. With a net sales decline of 17.5 percent for the segment, there were both dollar and percent-of-sales decreases to operating earnings in the North American Furniture Solutions segment. This segment's ability to generate strong operating performance despite a significant decline in volume was largely due to our variable business model.

Net sales from the non-North American Furniture Solutions segment declined \$85.1 million or 26.3 percent from fiscal 2008. The decline was compounded by the strengthening of the U.S. dollar against most foreign currencies. Nearly every region within the segment posted decreases in year-over-year net sales, however, there were pockets of resiliency including the Middle East, South America, and Australia. Total net sales for the segment were \$238.4 million, versus \$323.5 million in fiscal 2008. The regions which were the hardest hit by the economy were the U.K. which was down 35%, and Japan, down 47%. Operating earnings within the non-North American segment totaled \$15.1 million for the year or 6.3 percent of net sales. This compares to \$47.3 million or 14.6 percent of net sales in fiscal 2008, a decrease of 830 basis points. Despite the decline in operating income, our low fixed cost model generated positive income with rapid declines in net sales.

Net sales within the "Other" segment category were \$42.2 million in fiscal 2009 compared to \$52.3 million in fiscal 2008. The decrease was the result of net sales declining within the North American Home business, primarily due to the challenges associated with the U.S. economic environment. This overall decrease was somewhat offset by sales to a new retail customer. Operating losses within our "Other" segment category totaled \$25.3 million for the year or a negative 60.0 percent of net sales. This compares to operating income of \$3.4 million or 6.5 percent of net sales in fiscal 2008, a decrease of 6,650 basis points. Restructuring expense allocated to the "Other" segment was \$28.4 million and \$5.1 million in fiscal 2009 and fiscal 2008, respectively.

The U.S. dollar strengthened against most major currencies throughout fiscal 2009. The changes in currency exchange rates from fiscal 2008 affected the U.S. dollar value of net sales within both primary operating segments. We estimated that these changes effectively decreased our fiscal 2009 net sales within the North American Furniture Solutions segment by approximately \$18 million, driven largely by the U.S. dollar, Canadian dollar and the Mexican peso average exchange rate. Currency exchange rate fluctuations within our non-North American Furniture Solutions segment decreased net sales in fiscal 2009 by approximately \$12 million. This was primarily driven by movements in the U.S. dollar / British pound sterling. It is important to note that period-to-period changes in currency exchange rates have a directionally similar impact on our international cost structures. Operating earnings within the non-North American segment increased an estimated \$1.5 million in fiscal 2009 due to the aforementioned changes in currency exchange rates relative to the fiscal 2008 level. The estimated impact on operating earnings of our North American business segment was a decrease of approximately \$1 million.

Gross Margin

Fiscal 2010 Compared to Fiscal 2009

Our fiscal 2010 gross margin as a percentage of sales was 32.5 percent which is a increase of 10 basis points from the fiscal 2009 level. Lower direct material costs due to a reduction in commodity prices along with reduced compensation and benefits from a reduced work schedule, offset deeper discounting and loss of leverage from lower volume. Details relative to each component of gross margin follow.

Direct material costs as a percentage of sales in the current year decreased 200 basis points. Compared to the prior year, raw material prices were lower in the first half of the year and then gradually increased throughout the second half. The overall impact in the fiscal year was positive.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

Direct labor costs were higher by 50 basis points as a percentage of sales, though lower in dollars by \$13.1 million, from fiscal 2009 levels. This percentage increase was driven by higher benefit expenses and deeper discounting though it was partially offset by increased operational efficiencies.

Overhead costs decreased by \$25.7 million from fiscal 2009, though as a percentage of sales these costs increased 110 basis points. The percentage increase resulted from lost leverage from lower volume and the impact from deeper discounting in fiscal 2010, though this was partially offset by our ability to realize cost reductions associated with restructuring actions that have taken place over the last 24 months.

Freight expenses, as a percentage of sales, were modestly higher by 10 basis points compared to fiscal 2009 levels. In dollars these costs were lower by \$10.7 million. While fuel costs did rise throughout the year, the largest contributing factor to the increase as a percentage of sales was the loss of volume which created more less-than-full loads.

Gross Margin

Fiscal 2009 Compared to Fiscal 2008

Our fiscal 2009 gross margin as a percentage of sales was 32.4 percent, a decline of 230 basis points from the fiscal 2008 level. Higher direct material costs from vendors coupled with significantly lower volumes contributed to this decreased gross margin performance on a year-over-year basis.

Direct material costs as a percentage of sales in fiscal 2009 increased 220 basis points. The impact was front end loaded as raw material prices increased dramatically in the first half of the fiscal year, stabilized in the third quarter, and then declined substantially by the end of the year ending at approximately the same level they began.

Direct labor costs were higher by 10 basis points as a percentage of sales from fiscal 2008 levels. While the costs were slightly higher, this change in performance reflected a quick response to decreasing net sales and an increased efficiency which was somewhat offset by underlying increases in medical benefits.

Overhead costs decreased in fiscal 2009 by \$52 million from fiscal 2008. Our ability to react quickly to the sales decline, coupled with the variable nature of our business model, allowed for an improvement of 10 basis points from fiscal 2008. The decrease in costs was a result of the restructuring actions that took place during the year and related primarily to headcount.

Freight expenses, as a percentage of sales, were modestly lower compared to 2008 levels. Contributing to the reduction in freight expenses was a significant decrease in diesel fuel prices in the United States, as we moved through the year.

Restructuring

Fiscal 2010

Throughout fiscal 2010, we continued to take actions to decrease our cost structure. In the first quarter we announced a plan to consolidate manufacturing operations by closing the Brandrud manufacturing facility in Auburn, Washington and consolidating it with the acquired Nemschoff manufacturing facilities. We had previously announced the decision to consolidate our Integrated Metal Technologies (IMT) subsidiary in Spring Lake, Michigan with other existing manufacturing facilities. Our operations team worked diligently throughout the year to complete both consolidation projects in the fourth quarter. The total expense of these plant consolidations in the fiscal year totaled approximately \$9.7 million. We expect to realize incremental annual savings from these consolidation actions of approximately \$5 million to \$7 million from the current year expense level. These savings will be realized primarily in cost of sales, from reductions in rent expense, depreciation and utilities, as well as savings of approximately \$1 million in selling, general, and administrative expenses. We realized approximately \$3 million of savings in the current year.

In the fourth quarter we took further action to reduce our salaried workforce, primarily in North America, with the reduction of approximately 70 employees. This action resulted in expenses of approximately \$3.2 million and will largely be offset by a 5 percent wage increase for employees impacted by the current year wage reduction action.

Included in the fourth quarter restructuring expenses is an impairment of long-lived assets totaling \$2.5 million that were related to our Convia line of business. These assets related to products that we determined had no future revenue stream to the company.

The restructuring accrual balance of \$7.0 million is included in, "Accrued liabilities" within the Consolidated Balance Sheet. See Note 21 of the Consolidated Financial Statements for additional information on restructuring.

Fiscal 2009

In fiscal 2009, we announced a restructuring program designed to align our cost structure with the economic conditions. These actions resulted in the elimination of approximately 1,400 permanent and temporary positions across our operations. These reductions were permanent for our salaried workforce, while our direct labor positions were reduced until business levels return. Those positions that were permanently eliminated represented a variety of functional areas, and the individuals affected were offered one-time termination benefits, including severance and outplacement services.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

In addition to the reduction in the workforce we announced plans to shut down our IMT facility in Spring Lake, Michigan. Only the expenses related to the curtailment and special termination benefits of the pension plan were recognized in fiscal 2009.

Pre-tax restructuring expenses for the aforementioned actions totaled \$28.4 million in fiscal 2009, which are reflected in the Consolidated Statements of Operations. The related cash payments were \$16.8 million in fiscal 2009 and the balance of the restructuring accrual at May 30, 2009 was \$9.6 million, which was reflected in the Consolidated Balance Sheet within "Accrued liabilities."

Operating Expense

Fiscal 2010 Compared to Fiscal 2009

Operating expenses in fiscal 2010 were \$374.9 million, or 28.4 percent of net sales, which compares to \$404.9 million, or 24.8 percent of net sales in fiscal 2009. We experienced a year-over-year decrease in operating expense dollars of \$30.0 million, and a 360 basis point increase to operating expenses as a percentage of sales. Restructuring and impairment expenses, which included an impairment charge for Convia assets of \$2.5 million, were \$16.7 million in fiscal 2010, which was a decrease of \$11.7 million from the \$28.4 million of restructuring expense in fiscal 2009. (Please see the discussion on restructuring expense above for additional detail.) The operating expenses from Nemschoff during fiscal year 2010 were \$18.3 million, which were partially offset by the positive impact on operating expense resulting from reducing the estimated liability related to contingent payments associated with the Nemschoff acquisition of \$6.5 million.

The year-over-year dollar decline in total expenses of \$30.0 million was the result of an \$11.7 million decrease in restructuring and impairment expenses and a continued decrease in employee compensation and benefit costs. These decreases in compensation and benefit costs are a result of a combination of current and prior year restructuring as well as the full year effect of the suspension of the 401(k) match and the 10 percent reduction in salary expense that resulted from shutting down facilities on every other Friday.

Year-over-year changes in currency exchange rates had a slightly inflationary effect of approximately \$0.7 million on operating expenses associated with our international operations.

Design and research costs included in total operating expenses for fiscal 2010 was \$40.5 million, or 3.1 percent of sales, compared to fiscal 2009 expenses of \$45.7 million, or 2.8 percent of sales. This decrease in dollars of \$5.2 million was an increase of 30 basis points as a percent of sales and was primarily driven by the timing of various projects being brought to market as well as a continuing evaluation of projects and priorities. We have continued to carefully balance the overall need to control costs with the critical need to continue investing in our strategic priorities. These expenses include royalty payments to the designers of our products totaling \$7.3 million and \$9.5 million in fiscal years 2010 and 2009, respectively.

Fiscal 2009 Compared to Fiscal 2008

Operating expenses in fiscal 2009 were \$404.9 million, or 24.8 percent of net sales, which compares to \$452.1 million, or 22.5 percent of net sales in fiscal 2008. Although there was a year-over-year decrease of \$47.2 million, we experienced a 230 basis point increase to operating expenses as a percentage of sales compared to fiscal 2008. A charge of \$28.4 million for restructuring expenses as discussed above is included in fiscal 2009. There was a restructuring charge of \$5.1 million in fiscal 2008.

The year-over-year dollar decline in expenses, excluding restructuring expense, was \$70.5 million or 15.8%. This is primarily due to a decrease in employee compensation and benefit costs as a result of the restructuring actions previously described, as well as a reduction in incentive compensation.

Year-over-year changes in currency exchange rates had a deflationary impact on operating expenses associated with our international operations, as measured in U.S. dollars. We estimate these changes decreased our consolidated operating expenses in fiscal 2009 by approximately \$6 million relative to fiscal 2008.

"Design and research" expenses included in "Total operating expenses" were \$45.7 million and \$51.2 million in fiscal 2009 and fiscal 2008, respectively. These expenses include royalty payments to the designers of our products. We consider such royalty payments, which totaled \$9.5 million and \$12.4 million in fiscal years 2009 and 2008, respectively, to be variable costs of the products being sold. See further discussion on "Design and research" expenses in Note 1 of the Consolidated Financial Statements.

Operating Earnings

In fiscal 2010 operating earnings were \$53.6 million, a 56.4 percent decrease from fiscal 2009 operating earnings of \$122.8 million. The fiscal 2009 earnings represented a 50.2 percent decrease from fiscal 2008 operating earnings of \$246.6 million. Operating earnings as a percentage of sales for fiscal years 2010, 2009 and 2008 were 4.1 percent, 7.5 percent and 12.3 percent, respectively.

The decrease in operating earnings in fiscal 2010 in both dollars and as a percent of sales is almost entirely due to the \$311.2 million, or 19.1 percent, decrease in net sales.

Operating earnings in fiscal 2009 decreased to 7.5 percent of net sales, a 480 basis-point decrease from the 12.3 percent reported in the prior year. The increase in restructuring expense led to 140 basis points of the decline while the remainder was largely a result of the decline in volume.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

Other Expenses and Income

Net other expenses totaled \$18.8 million in fiscal 2010 compared to \$23.9 million in fiscal 2009 and \$16.2 million in fiscal 2008. The decrease in fiscal 2010 expense compared to fiscal 2009 was primarily the result of decreased interest expense associated with the first quarter repurchase of \$75 million of outstanding debt securities.

The increase in expense in fiscal 2009 compared to fiscal 2008 was principally driven by additional interest expense of \$6.8 million in fiscal 2009 associated with additional senior subordinated notes. Additionally, net foreign currency transaction losses recorded in fiscal 2009 totaled \$1.1 million versus a \$0.1 million gain in fiscal 2008.

Income Taxes

Our effective tax rate was 18.8 percent in fiscal 2010 versus 31.4 percent in fiscal 2009 and 33.9 percent in fiscal 2008. The effective rate in fiscal 2010 was below the statutory rate of 35 percent, primarily due to the release of tax reserves that were no longer needed due to the closure of an IRS audit of the company's tax returns through fiscal 2009 and the domestic U.S. manufacturing tax incentive. The effective rate in fiscal 2009 was below the statutory rate of 35 percent, primarily due to the domestic U.S. manufacturing tax incentive and the realization of foreign tax credits. The effective rate in fiscal 2008 was below the statutory rate primarily due to the domestic U.S. manufacturing tax incentive.

We expect our effective tax rate for fiscal 2011 to be between 32 and 34 percent. For further information regarding income taxes, refer to Note 15 of the Consolidated Financial Statements.

Net Earnings Attributable to Controlling Interest; Earnings per Share

In fiscal 2010 we generated \$28.3 million of net earnings attributable to controlling interest. This compares to net earnings attributable to controlling interest in fiscal 2009 and fiscal 2008 of \$68.0 million and \$152.3 million, respectively. In fiscal 2010 diluted earnings per share were \$0.43 while diluted earnings per share in fiscal 2009 were \$1.25 and \$2.56 in fiscal 2008.

Liquidity and Capital Resources

The table below presents certain key cash flow and capital highlights for the fiscal years indicated.

(In millions)	2010	2009	2008
Cash and cash equivalents, end of period	\$134.8	\$192.9	\$155.4
Short term investments, end of period	\$12.1	\$11.3	\$15.7
Cash generated from operating activities	\$99.1	\$91.7	\$213.6
Cash used for investing activities	\$(77.6)	\$(29.5)	\$(51.0)
Cash used for financing activities	\$(78.9)	\$(16.5)	\$(86.5)
Pension and post-retirement benefit plan contributions ⁽⁴⁾	\$(19.3)	\$(5.3)	\$(5.2)
Capital expenditures	\$(22.3)	\$(25.3)	\$(40.5)
Stock repurchased and retired	\$(0.8)	\$(0.3)	\$(266.7)
Interest-bearing debt, end of period ⁽¹⁾⁽³⁾	\$301.2	\$377.4	\$375.5
Available unsecured credit facility, end of period ⁽²⁾⁽³⁾	\$138.8	\$236.9	\$236.9

(1) Amounts shown include the fair market value of the company's interest rate swap arrangement(s). The net fair value of this/these arrangement(s) was/were \$1.2 million at May 29, 2010, \$2.4 million at May 30, 2009, and \$0.5 million at May 31, 2008.

(2) Amounts shown are net of outstanding letters of credit, which are applied against the company's unsecured credit facility, and excludes the \$100 million accordion feature disclosed in Note 9 of the Consolidated Financial Statements.

(3) During the first quarter of fiscal 2010 we renegotiated the unsecured revolving credit facility. During the third quarter of fiscal 2008, the company issued new senior unsecured private placement notes and replaced its unsecured revolving credit facility. Refer to Notes 9 and 10 of the Consolidated Financial Statements for additional information.

(4) Amount shown for fiscal 2010 includes a \$16.7 million contribution made in the company's common stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

Cash Flow — Operating Activities

Cash generated from operating activities in fiscal 2010 totaled \$99.1 million compared to \$91.7 million generated in the prior year. This represents an increase of \$7.4 million compared to fiscal 2009. Changes in working capital balances resulted in a \$4.8 million source of cash in the current fiscal year compared to a \$62.8 million use of cash in the prior year. Cash from operations also included proceeds of \$4.8 million from company owned life insurance policies in fiscal 2010.

The source of cash related to working capital balances in fiscal 2010 is primarily driven from a decrease in trade receivables of \$9.0 million, a decrease in prepaids of \$23.6 million and an increase in trade payables of \$13.9 million. These favorable changes were offset by an increased investment in inventory of \$7.1 million and a decrease in other accruals. The other accruals decreased primarily due to restructuring payments of \$15.5 million during fiscal 2010.

The use of cash related to working capital balances in fiscal 2009 is primarily driven from decreased current liabilities of \$126.8 million over fiscal 2008. The reduction in liabilities is primarily related to reductions in accounts payable related to inventory, and accruals related to regular and incentive compensation. The use of cash is partially offset by volume related declines in accounts receivables of \$53.5 million and inventories of \$15.3 million. Accounts receivable declined 28.8% from fiscal 2008, though it should be noted, this decline is not as substantial as the quarterly decline in sales. However, this lag is not reflective of deterioration of the accounts receivable aging, but rather the timing of the sales within the fourth quarter and the customer type. Certain direct customers and geographic customers tend to have a longer pay cycle. A relatively large percentage of the North American accounts receivable increase pertains to our Mexican subsidiary which has the longest cash collection cycle in the North American segment.

The source of cash related to working capital balances in fiscal 2008 is primarily driven from increased current liabilities of \$28.0 million over fiscal 2007, and to a lesser extent, lower inventory of \$2.6 million from prior year levels. The increase in current liabilities is comprised of \$16.6 million in tax-related accruals, \$6.1 million of increased trade accounts payable and \$5.3 million of other accruals. These sources of cash are offset partially by increases in volume-related accounts receivable of \$21.3 million due to increased sales inside and outside North America.

Collections of accounts receivable remained strong throughout the year, and we believe our recorded accounts receivable valuation allowances at the end of fiscal 2010 are adequate to cover the risk of potential bad debts. Allowances for non-collectible accounts receivable, as a percent of gross accounts receivable, totaled 3.0 percent, 4.7 percent, and 2.6 percent at the end of fiscal years 2010, 2009, and 2008, respectively.

During fiscal 2010 \$2.6 million in cash contributions were made to our employee pension and post-retirement benefit plans. Cash contributions during fiscal years 2009 and 2008 made to our employee pension and post-retirement benefit plans totaled \$5.3 million and \$5.2 million, respectively. For further information regarding the company's pension and post-retirement benefit plans, including information relative to the funded status of these plans, refer to Note 12 of the Consolidated Financial Statements.

Cash Flow — Investing Activities

Capital expenditures totaled \$22.3 million, \$25.3 million, and \$40.5 million in fiscal 2010, 2009 and 2008, respectively. Outstanding commitments for future capital purchases at the end of fiscal 2010 were approximately \$3.7 million. We expect capital spending in fiscal 2011 to be between \$30 million and \$34 million.

Included in the fiscal 2010 investing activities, is a net cash outflow of \$46.1 million related to our acquisitions of Nemschoff, CBS, and two furniture dealerships during fiscal 2010. Also included within fiscal 2010 investing activities is a note receivable for \$6.9 million related to our acquisition of Nemschoff.

Included in our fiscal 2009 investing activities, is a net cash outflow of \$26.6 million related to the completion of our acquisition of Brandrud, and \$2.9 million related to our acquisition of certain elements of Ruskin Industries. In fiscal 2008, our investing activities included a net cash outflow of \$11.7 million related to the acquisition of Brandrud. Refer to Note 2 of the Consolidated Financial Statements for further information related to these acquisitions.

Our net marketable securities transactions for fiscal 2010 yielded a \$0.1 million source of cash. This compares to a \$3.4 million source of cash in fiscal 2009.

In fiscal 2010 we repaid loans held against the value of company owned life insurance policies for \$2.9 million. In fiscal 2009, we were advanced \$19.3 million of cash against the value of company owned life insurance policies. These activities are reflected as cash payments and proceeds, respectively within the investing activities in the Consolidated Statement of Cash Flows.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

Cash Flow — Financing Activities

(In millions, except share and per share data)	2010	2009	2008
Shares acquired	44,654	2,138,701	7,488,430
Cost of shares acquired ⁽¹⁾	\$0.8	\$0.1	\$266.7
Shares issued ⁽²⁾	3,221,326	257,765	276,002
Average price per share issued	\$14.9	\$14.7	\$23.7
Cash dividends paid	\$4.9	\$19.2	\$21.2

(1) On January 3, 2008, the company entered into two agreements to purchase shares of its common stock from Morgan Stanley & Co. Inc. for an aggregate purchase price of \$200 million, plus fees, under an Accelerated Share Repurchase ("ASR") program. The total number of shares repurchased under the ASR was 7,538,718 at an average price of \$26.61 per share.

(2) Includes 2,041,666 shares issued in connection with the Nemschoff acquisition and 967,000 shares issued as a contribution to the company's pension plans.

During the first quarter of fiscal 2010 we renegotiated the syndicated revolving line of credit, reducing our availability from \$250 million to \$150 million, while giving us additional covenant flexibility. This facility expires in June 2012 and outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR, or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period a borrowing is outstanding. During the first quarter of fiscal 2010, we also completed the repurchase of \$75 million of the registered debt securities. In addition to improving our covenant metrics this action also reduces our future interest expense by approximately \$1.3 million per quarter.

In the fourth quarter of fiscal 2009 we announced a reduction in the cash dividend effective for the first quarter of fiscal 2010 payment. This change reduced the cash dividend to \$0.022 per share versus a total quarterly cash dividend of \$0.088 per share that was paid through the third quarter of fiscal 2009.

In fiscal 2008 we completed a debt financing transaction involving the issuance of \$200 million in senior unsecured private placement notes. Notes totaling \$50 million are due in January 2015, and bear interest at a fixed annual coupon rate of 5.94 percent. The remaining \$150 million of these notes are due in January 2018 and bear interest at a fixed annual coupon rate of 6.42 percent. We used the \$200 million proceeds from the notes for an ASR of our common stock. Refer to Note 10 of the Consolidated Financial Statements for more information related to our long-term debt. In fiscal 2008, we also paid off \$2.1 million of debt on behalf of Brandrud, our most recent acquisition.

As part of our decision to conserve cash we suspended significant share repurchases beginning in fiscal 2009. In fiscal 2008 we repurchased shares totaling \$266.7 million. The amount remaining under our share repurchase authorization at the end of fiscal 2010 totaled \$170.3 million.

Interest-bearing debt at the end of fiscal 2010 of \$301.2 million decreased from \$377.4 million at the end of fiscal 2009, as compared to \$375.5 million at the end of fiscal 2008. The decrease in fiscal 2010 is a result of our early retirement of \$75 million of our senior notes.

The only usage against our unsecured revolving credit facility at the end of fiscal years 2010 and 2009 represented outstanding standby letters of credit totaling \$11.2 million and \$13.1 million, respectively. The provisions of our private placement notes and unsecured credit facility require that we adhere to certain covenant restrictions and maintain certain performance ratios. We were in compliance with all such restrictions and performance ratios during fiscal 2010.

In fiscal 2010, we received \$2.5 million related to the issuance of shares in connection with stock-based benefit plans. This compares to receiving \$3.4 million and \$6.5 million in fiscal 2009 and fiscal 2008, respectively.

During fiscal 2010 we did not repatriate any undistributed foreign earnings as compared to \$8.0 million in fiscal 2009.

We believe cash on hand, cash generated from operations, and our borrowing capacity will provide adequate liquidity to fund near term and future business operations and capital needs, subject to financing availability in the marketplace.

Contingencies

The company leases a facility in the U.K. under an agreement that expires in June 2011. Under the terms of the lease, the company is required to perform the maintenance and repairs necessary to address the general dilapidation of the facility over the lease term. The ultimate cost of this provision to the company is dependent on a number of factors including, but not limited to, the future use of the facility by the lessor and whether the company chooses and is permitted to renew the lease term. The company has estimated the cost of these maintenance and repairs to be between \$0 and \$3 million, depending on the outcome of future plans and negotiations. Based on existing circumstances, it is estimated that these costs will most likely approximate \$1.1 million. As a result, this amount has been recorded as a liability reflected under the caption "Other Liabilities" in the Consolidated Balance Sheets as of May 29, 2010. Based on circumstances existing in fiscal 2009, the amount recorded in the Consolidated Balance Sheets as of May 30, 2009 was \$1.0 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

The company has a lease obligation in the U.K. until May 2014 for a facility that it has exited. Current market rates for comparable office space are lower than the rental payments owed under the lease agreement, as such, the company would remain liable to pay the difference if it were subleased. As of May 29, 2010 and May 30, 2009 the future cost of this arrangement was estimated to be \$1.5 million and \$1.6 million, respectively. Accordingly this amount is reflected within "Other Liabilities" on the Consolidated Balance Sheets as of these dates.

The company is involved in legal proceedings and litigation arising in the ordinary course of business. It is the company's opinion that the outcome of such proceedings and litigation currently pending will not materially affect the company's operations, cash flows, and financial condition.

Basis of Presentation

The company's fiscal year ends on the Saturday closest to May 31. The fiscal years ended May 29, 2010, May 30, 2009, and May 31, 2008 each included 52 weeks of operations. This is the basis upon which weekly-average data is presented. Certain prior year information has been reclassified to conform to the current year presentation.

Contractual Obligations

Contractual obligations associated with our ongoing business and financing activities will result in cash payments in future periods. The following table summarizes the amounts and estimated timing of these future cash payments. Further information regarding debt obligations can be found in Note 10 of the Consolidated Financial Statements. Likewise, further information related to operating leases can be found in Note 11 of the Consolidated Financial Statements.

(In millions)	Total	Payments due by fiscal year			
		2011	2012-2013	2014-2015	Thereafter
Long-term debt ⁽¹⁾	\$300.0	\$100.0	\$—	\$50.0	\$150.0
Estimated interest on debt obligations ⁽²⁾	91.0	16.8	25.2	24.0	25.0
Operating leases	67.1	15.4	21.2	13.5	17.0
Purchase obligations ⁽³⁾	31.9	30.9	1.0	—	—
Pension plan funding ⁽⁴⁾	24.4	14.8	2.4	2.3	4.9
Shareholder dividends ⁽⁵⁾	1.3	1.3	—	—	—
Other ⁽⁶⁾	9.6	2.2	1.6	1.4	4.4
Total	\$525.3	\$181.4	\$51.4	\$91.2	\$201.3

(1) Amounts indicated do not include the recorded fair value of interest rate swap instruments.

(2) Estimated future interest payments on our outstanding debt obligations are based on interest rates as of May 29, 2010. Actual cash outflows may differ significantly due to changes in underlying interest rates and timing of principal payments.

(3) Purchase obligations consist of non-cancelable purchase orders and commitments for goods, services, and capital assets.

(4) Pension plan funding commitments are known for a 12-month period for those plans that are funded; unfunded pension and post-retirement plan funding amounts are equal to the estimated benefit payments. As of May 29, 2010, the total accumulated benefit obligation for our domestic and international employee pension benefit plans was \$367.6 million.

(5) Represents the recorded dividend payable as of May 29, 2010. Future dividend payments are not considered contractual obligations until declared.

(6) Other contractual obligations primarily represent long-term commitments related to deferred and supplemental employee compensation benefits, and other post-employment benefits.

Off-Balance Sheet Arrangements

Guarantees

We provide certain guarantees to third parties under various arrangements in the form of product warranties, loan guarantees, standby letters of credit, lease guarantees, performance bonds, and indemnification provisions. These arrangements are accounted for and disclosed in accordance with Accounting Standards Codification (ASC) Topic 460, "Guarantees" as described in Note 19 of the Consolidated Financial Statements.

Variable Interest Entities

On occasion, we provide financial support to certain independent dealers in the form of term loans, lines of credit, and loan guarantees. At May 29, 2010 and May 30, 2009, we were not considered the primary beneficiary of any such dealer relationships as defined by ASC Topic 810, *Consolidation* therefore, no entities were included as VIEs as of these dates.

The risks and rewards associated with our interests in these dealerships are primarily limited to our outstanding loans and guarantee amounts. As of May 29, 2010 and May 30, 2009, our maximum exposure to potential losses related to outstanding loans to these dealerships totaled \$0.4 million and \$0.6 million, respectively. Information on our exposure related to any outstanding loan guarantees provided to such entities is included in Note 19 of the Consolidated Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Critical Accounting Policies and Estimates

Our goal is to report financial results clearly and understandably. We follow U.S. generally accepted accounting principles in preparing our Consolidated Financial Statements, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. These policies and disclosures are reviewed at least annually with the Audit Committee of the Board of Directors. Following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

Revenue Recognition

As described in the "Executive Overview," the majority of our products and services are sold through one of four channels: Independent contract furniture dealers and licensees, owned contract furniture dealers, direct to end customers, and independent retailers. We recognize revenue on sales to independent dealers, licensees, and retailers once the product is shipped and title passes to the buyer. When we sell product directly to the end customer or to owned dealers, we recognize revenue once the product and services are delivered and installation thereof is substantially complete.

Amounts recorded as net sales generally include any freight charged to customers, with the related freight expenses recognized within cost of sales. Items such as discounts off list price, rebates, and other sale-related marketing program expenses are recorded as reductions to net sales. We record accruals for rebates and other marketing programs, which require us to make estimates about future customer buying patterns and market conditions. Customer sales that reach (or fail to reach) certain levels can affect the amount of such estimates, and actual results could differ from our estimates.

Receivable Allowances

We base our allowances for receivables on known customer exposures, historical credit experience, and the specific identification of other potential problems, including the current economic climate. These methods are applied to all major receivables, including trade, lease, and notes receivable. In addition, we follow a policy that consistently applies reserve rates based on the age of outstanding accounts receivable. Actual collections can differ from our historical experience, and if economic or business conditions deteriorate significantly, adjustments to these reserves may be required.

The accounts receivable allowance totaled \$4.4 million and \$7.3 million at May 29, 2010 and May 30, 2009, respectively. As a percentage of gross accounts receivable, these allowances totaled 3.0 percent and 4.7 percent, respectively. The year-over-year decrease in the allowance percentage is primarily due to the stabilization of economic conditions and continued financial health of our customers.

Goodwill and Indefinite-lived Intangibles

The carrying value of goodwill and indefinite-lived intangible assets as of May 29, 2010 and May 30, 2009, were \$132.6 million and \$72.7 million, respectively. The increase in these balances is primarily the result of the first quarter acquisition of Nemschoff and the fourth quarter acquisition of CBS. See Note 2 of the Consolidated Financial Statements for further detail on acquisitions. We account for our goodwill and indefinite-lived assets in accordance with the ASC Topic 350, *Intangibles-Goodwill and Other*. Under this accounting guidance, we are required to perform an annual test on our goodwill and indefinite-lived intangible assets to determine if the asset values are impaired.

Our impairment-testing model is based partly on the present value of projected cash flows and the resulting residual value as well as a market-based approach that considers recent market capitalization values of companies who participate in the contract office furniture industry. In completing the test under this approach, we assume that one of the drivers of the value of a business today is the cash flows it will generate in the future. We also assume that such future cash flows can be reasonably estimated. While these projected cash flows reflect our best estimate of future reporting unit performance, actual cash flows could differ significantly.

We completed the required annual impairment tests in the fourth quarter of fiscal 2010 and concluded that our net goodwill asset values and indefinite-lived assets were not impaired. For goodwill, we employed a market-based approach in selecting the discount rates used in our analysis. By this, we mean the discount rates selected represent market rates of return equal to what we believe a reasonable investor would expect to achieve on investments of similar size to our reporting units. We believe the discount rates selected in our testing are conservative in that, in all cases, they exceed the estimated weighted average cost of capital for our business as a whole. The results of the impairment test are sensitive to changes in discount rates, though the testing performed in fiscal 2010 indicates that even a significant increase in the discount rate would not have changed our conclusion. For indefinite-lived assets a relief of royalty method was utilized, which indicated the assets were not impaired.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates *(continued)*

Long-lived Assets

We evaluate other long-lived assets and acquired business units for indicators of impairment when events or circumstances indicate that an impairment risk may be present. Our judgments regarding the existence of impairment are based on market conditions, operational performance, and estimated future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded to adjust the asset to its estimated fair value. During the fourth quarter of fiscal 2010 the company recorded an impairment charge of \$2.5 million that was related to our Convia line of business. These assets related to products that we determined had no future revenue stream to the company. the impairment charge was comprised of \$1.4 million of expense related to an intangible asset and \$1.1 million of expense in relation to fixed assets, respectively.

Warranty Reserve

We stand behind our products and keep our promises to customers. From time to time, quality issues arise resulting in the need to incur costs to correct problems with products or services. We have established warranty reserves for the various costs associated with these guarantees. General warranty reserves are based on historical claims experience and periodically adjusted for business levels. Specific reserves are established once an issue is identified. The valuation of such reserves is based on the estimated costs to correct the problem. Actual costs may vary and may result in an adjustment to these reserves.

Inventory Reserves

Inventories are valued at the lower of cost or market. The inventories at the majority of our manufacturing operations are valued using the last-in, first-out (LIFO) method, whereas inventories of certain other subsidiaries are valued using the first-in, first-out (FIFO) method. We establish reserves for excess and obsolete inventory, based on prevailing circumstances and judgment for consideration of current events, such as economic conditions, that may affect inventory. The reserve required to record inventory at lower of cost or market may be adjusted in response to changing conditions.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

The company adopted the uncertain tax position provisions within ASC Topic 740, "*Income Taxes*", during the first quarter of fiscal 2008. As a result of the adoption, the company recorded an increase in liabilities for income tax accruals associated with tax benefits claimed on tax returns but not recognized for financial statements purposes ("unrecognized tax benefits"). See Note 15 of the Consolidated Financial Statements for further information regarding the company's uncertain tax positions.

We have net operating loss (NOL) carryforwards available in certain jurisdictions to reduce future taxable income. We also have foreign tax credits available in certain jurisdictions to reduce future tax due. Future tax benefits for NOL carryforwards and foreign tax credits are recognized to the extent that realization of these benefits is considered more likely than not. We base this determination on the expectation that related operations will be sufficiently profitable or various tax planning strategies available to us will enable us to utilize the NOL carryforwards and/or foreign tax credits. When information becomes available that raises doubts about the realization of a deferred income tax asset, a valuation allowance is established.

Self-Insurance Reserves

With the assistance of independent actuaries, we establish reserves for workers' compensation and general liability exposures. The reserves are established based on expected future claims for incurred losses. We also establish reserves for health, prescription drugs, and dental benefit exposures based on historical claims information along with certain assumptions about future trends. The methods and assumptions used to determine the liabilities are applied consistently, although actual claims experience can vary. We also maintain insurance coverage for certain risk exposures through traditional premium-based insurance policies.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates *(continued)*

Pension and other Post-Retirement Benefits

The determination of the obligation and expense for pension and other post-retirement benefits depends on certain actuarial assumptions. Among the most significant of these assumptions is the discount rate, interest-crediting rate, and expected long-term rate of return on plan assets. We determine these assumptions as follows.

- **Discount Rate** — This assumption is established at the end of the fiscal year based on high-quality corporate bond yields. We utilize the services of an independent actuarial firm to analyze and recommend an appropriate rate. For our domestic pension and other post-retirement benefit plans, the actuary uses a "cash flow matching" technique, which compares the estimated future cash flows of the plan to a published discount curve showing the relationship between interest rates and duration for hypothetical zero-coupon fixed income investments. We set the discount rate for our international pension plan based on the yield level of a commonly used corporate bond index in that jurisdiction. Because the average duration of the bonds underlying this index is less than that of our international pension plan liabilities, the index yield is used as a reference point. The final discount rate, which takes into consideration the index yield and the difference in comparative durations, is based on a recommendation from our independent actuarial consultant.
- **Interest Crediting Rate** — We use this assumption in accounting for our primary domestic pension plan, which is a cash balance-type plan. The rate, which represents the annual rate of interest applied to each plan participant's account balance, is established at an assumed level, or spread, below the discount rate. We base this methodology on the historical spread between the 30-year U.S. Treasury and high-quality corporate bond yields. This relationship is examined annually to determine whether the methodology is still appropriate.
- **Expected Long-Term Rate of Return** — We base this assumption on our long-term assumed rates of return for equities and fixed income securities, weighted by the allocation of the invested assets of the pension plan. We consider risk factors specific to the various classes of investments and advice from independent actuaries in establishing this rate. Changes in the investment allocation of plan assets would impact this assumption. A shift to a higher relative percentage of fixed income securities, for example, would result in a lower assumed rate.

While this assumption represents our long-term market return expectation, actual asset returns can and do differ from year-to-year. Such differences give rise to actuarial gains and losses. In years where actual market returns are lower than the assumed rate, an actuarial loss is generated. Conversely, an actuarial gain results when actual market returns exceed the assumed rate in a given year. As of May 29, 2010, and May 30, 2009, the net actuarial loss associated with our employee pension and post-retirement benefit plans totaled approximately \$192.3 million and \$197.4 million, respectively. The majority of this unrecognized loss was associated with lower than expected discount rates for fiscal 2010 and lower than expected plan asset returns in fiscal 2009. Changes in the discount rate and return on assets can have a significant effect on the expense or obligations related to our pension plans. We cannot accurately predict these changes in discount rates or investment returns and, therefore, cannot reasonably estimate whether adjustments to our expense or obligation in subsequent years will be significant. Both the May 29, 2010 pension funded status and 2011 expense are affected by year-end 2010 discount rate and expected return on assets assumptions. Any change to these assumptions will be specific to the time periods noted and may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown. The effect of the indicated increase/(decrease) in discount rates and expected return on assets is shown below:

(In millions)		2011 Expense		May 29, 2010 Obligation	
		U.S.	International	U.S.	International
Assumption	1 Percent Change				
Discount rate	+/- 1.0	\$1.2 / (1.0)	\$1.3 / (1.6)	\$(13.1) / 16.7	\$(15.6) / 14.7
Expected return on assets	+/- 1.0	\$(2.4) / 2.4	\$(0.6) / 0.5	—	—

For purposes of determining annual net pension expense, we use a calculated method for determining the market-related value of plan assets. Under this method, we recognize the change in fair value of plan assets systematically over a five-year period. Accordingly, a portion of our net actuarial loss is deferred. The remaining portion of the net actuarial loss is subject to amortization expense each year. The amortization period used in determining this expense is the estimated remaining working life of active pension plan participants. We currently estimate this period to be approximately 13 years. As of May 29, 2010, the deferred net actuarial loss (i.e. the portion of the total net actuarial loss not subject to amortization) was approximately \$79.0 million.

Refer to Note 12 of the Consolidated Financial Statements for more information regarding costs and assumptions used for employee benefit plans.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates *(continued)*

Stock-Based Compensation

We view stock-based compensation as a key component of total compensation for certain of our employees, non-employee directors and officers. We account for these programs, which include grants of restricted stock, restricted stock units, performance share units, employee stock purchases, and stock options, in accordance with ASC Topic 718. Under this guidance we recognize compensation expense related to each of these share-based arrangements. We utilize the Black-Scholes option pricing model in estimating the fair value of stock options issued in connection with our compensation program. This pricing model requires the use of several input assumptions. Among the most significant of these assumptions are the expected volatility of our common stock price, and the expected timing of future stock option exercises.

Expected Volatility

This represents a measure, expressed as a percentage, of the expected fluctuation in the market price of our common stock. As a point of reference, a high volatility percentage would assume a wider expected range of market returns for a particular security. All other assumptions held constant, this would yield a higher stock option valuation than a calculation using a lower measure of volatility. In measuring the fair value of stock options issued during fiscal year 2010, we utilized an expected volatility of 41 percent.

Expected Term of Options

This assumption represents the expected length of time between the grant date of a stock option and the date at which it is exercised (option life). We assumed an average expected term of 5.5 years in calculating the fair values of the majority of stock options issued during fiscal 2010.

Refer to Note 14 of the Consolidated Financial Statements for further discussion on our stock-based compensation plans.

Contingencies

In the ordinary course of business, we encounter matters that raise the potential for contingent liabilities. In evaluating these matters for accounting treatment and disclosure, we are required to apply judgment in order to determine the probability that a liability has been incurred. We are also required to measure, if possible, the dollar value of such liabilities in determining whether or not recognition in our financial statements is required. This process involves the use of estimates which may differ from actual outcomes. Refer to Note 19 of the Consolidated Financial Statements for more information relating to contingencies.

New Accounting Standards

Refer to Note 1 of the Consolidated Financial Statements for information related to new accounting standards.

Forward Looking Statements

Certain statements in this filing are not historical facts but are "forward-looking statements" as defined under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended. Such statements are based on management's belief, assumptions, current expectations, estimates and projections about the office furniture industry, the economy and the company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecast," "likely," "plans," "projects," and "should," and variations of such words and similar expressions identify forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, expense, likelihood, and degree of occurrence. These risks include, without limitation, employment and general economic conditions in the U.S. and in our international markets, the increase in white collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, the possibility of order cancellations or deferrals by customers, competitive pricing pressures, the availability and pricing of direct materials, our reliance on a limited number of suppliers, currency fluctuations, the ability to increase prices to absorb the additional costs of direct materials, the financial strength of our dealers, the financial strength of our customers, the mix of our products purchased by customers, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the strength of the intellectual property relating to our products, the success of newly introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, the outcome of pending litigation or governmental audits or investigations, and other risks identified in this Form 10-K and our other filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc., takes no obligation to update, amend, or clarify forward-looking statements.

Quantitative and Qualitative Disclosures about Market Risk

The company manufactures, markets, and sells its products throughout the world and, as a result, is subject to changing economic conditions, which could reduce the demand for its products.

Direct Material Costs

The company is exposed to risks arising from price changes for certain direct materials and assembly components used in its operations. The largest such costs incurred by the company are for steel, plastics, textiles, wood particleboard, and aluminum components. Commodity prices decreased during the first three quarters and moderately increased during the fourth quarter of fiscal 2010. The net impact of price changes during fiscal 2010 was an decrease to our costs of \$24 million to \$25 million over fiscal 2009.

Commodity prices were volatile during fiscal 2009, resulting in sharp increases in costs for the first half of the year. As the year progressed, prices receded back to approximately the same level that they began the year at. The net impact of price changes during fiscal 2009 was an increase to our costs of \$24 million to \$26 million. Commodity prices were fairly flat during most of fiscal 2008, resulting in increased costs of \$2 million to \$4 million, with most of this increase occurring in the fourth quarter.

Steel and fuel price fluctuations have a direct impact on our input costs for many products. Throughout fiscal 2010 both factors rose moderately during the year. During fiscal 2009 both factors increased sharply, followed by a steady decline in the second half of the year. During fiscal 2008 the impact of steel price increases was fairly flat due to price contracts with suppliers.

The company believes market prices for commodities in the near term may move higher and acknowledges that over time increases on its key direct materials and assembly components are likely. Consequently, it views the prospect of such increases as an outlook risk to the business.

Foreign Exchange Risk

The company primarily manufactures its products in the United States, United Kingdom, and China. It also sources completed products and product components from outside the United States. The company's completed products are sold in numerous countries around the world. Sales in foreign countries as well as certain expenses related to those sales are transacted in currencies other than the company's reporting currency, the U.S. dollar. Accordingly, production costs and profit margins related to these sales are affected by the currency exchange relationship between the countries where the sales take place and the countries where the products are sourced or manufactured. These currency exchange relationships can also affect the company's competitive positions within these markets.

In the normal course of business, the company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the company conducts its business are the British pound sterling, euro, Canadian dollar, Japanese yen, Mexican peso, and Chinese renminbi. As of May 29, 2010, the company had outstanding, nine forward currency instruments designed to offset either net asset or net liability exposure denominated in non-functional currencies. One forward contract was placed in order to offset 4.1 million euro-denominated net asset exposure and three forward contracts were placed in order to offset 5.6 million U.S. dollar-denominated net asset exposure. Four forward contracts were placed to offset a 14.0 million U.S. dollar-denominated net liability exposure and one forward contract was placed to offset a 1.6 million British pound sterling-denominated net liability exposure.

As of May 30, 2009, the company had outstanding, nine forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Three forward contracts were placed in order to offset 4.8 million euro-denominated net asset exposure and three forward contracts were placed in order to offset 6.4 million U.S. dollar-denominated net asset exposure. Two forward contracts were placed to offset a 4.0 million U.S. dollar-denominated net liability exposure. One forward contract was placed to offset a 1.6 million British pound sterling-denominated net liability exposure. At the end of fiscal 2008, three contracts were placed to offset 4.0 million euro for net asset exposure and two contracts for 6.0 million U.S. dollars were placed to offset net liability exposure. In all three years, the instruments were marked to market at the end of the period, with changes in fair value reflected in net earnings. The fair value of the forward currency instruments was negligible for fiscal 2010. The fair value of the forward currency instruments was \$0.1 million for both fiscal years 2009 and 2008, respectively.

For fiscal year 2010, a net gain of \$0.4 million related to remeasuring all foreign currency transactions into the appropriate functional currency was included in net earnings. For fiscal year 2009, a net loss of \$1.1 million impacted net earnings. For fiscal year 2008, a net gain of \$0.1 million impacted net earnings. Additionally, the cumulative effect of translating the balance sheet and income statement accounts from the functional currency into the United States dollar increased the accumulated comprehensive loss component of total shareholders' equity by \$2.9 million and \$14.0 million as of the end of fiscal 2010 and fiscal 2009, respectively. Conversely, the effect reduced the accumulated comprehensive loss component of total shareholders equity by \$4.1 million for fiscal 2008.

Quantitative and Qualitative Disclosures about Market Risk *(continued)*

Interest Rate Risk

The company maintains fixed-rate debt for which changes in interest rates generally affect fair market value but not earnings or cash flows. As of the end of fiscal years 2010, 2009, and 2008 the company held one interest rate swap agreement that effectively converts \$50.0 million of fixed-rate debt securities to a variable rate. This debt is subject to changes in interest rates, which, if significant, could have a material impact on the company's financial results. The interest rate swap derivative instruments are held and used by the company as a tool for managing interest rate risk. They are not used for trading or speculative purposes. The counterparties to these swap instruments are large financial institutions that the company believes are of high-quality creditworthiness. While the company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, such losses are not anticipated.

The combined fair market value and net asset amount of the effective interest rate swap instruments was \$1.2 million, \$2.4 million, and \$0.5 million at May 29, 2010, May 30, 2009, and May 31, 2008, respectively. The impact of these swap instruments on total interest expense was a reduction to interest expense of \$1.9 million in fiscal 2010, \$1.2 million in fiscal 2009, and \$0.4 million in fiscal 2008. All cash flows related to the company's interest rate swap instruments are denominated in U.S. dollars. For further information, refer to Notes 16 and 17 of the Consolidated Financial Statements.

As of May 29, 2010, the weighted-average interest rate on the company's variable-rate debt was approximately 3.8 percent. Based on the level of variable-rate debt outstanding as of that date, a one percentage-point increase in the weighted-average interest rate would increase the company's annual pre-tax interest expense by approximately \$0.5 million.

Expected cash flows (notional amounts) over the next five years and thereafter related to debt instruments are as follows.

(In millions)	2011	2012	2013	2014	2015	Thereafter	Total ⁽¹⁾
Long-Term Debt:							
Fixed rate	\$100.0	\$—	\$—	\$—	\$50.0	\$150.0	\$300.0
Wtd. average interest rate = 6.6% ⁽²⁾							
Derivative Financial Instrument Related to Debt –							
Interest Rate Swap							
Pay variable/receive fixed	\$50.0	\$—	\$—	\$—	\$—	\$—	\$50.0
Pay interest rate = 3.80% (at May 29, 2010)							
Receive interest rate = 7.125%							

(1) Amount does not include the recorded fair value of the swap instrument, which totaled \$1.2 million at the end of fiscal 2010.

(2) The estimated weighted average interest rate inclusive of the interest rate swap instrument is 6.0%.

Quarterly Financial Data (Unaudited)

Set forth below is a summary of the quarterly operating results on a consolidated basis for the years ended May 29, 2010, May 30, 2009, and May 31, 2008. Refer to Management's Discussion and Analysis provided in Item 7 and the Notes to the Consolidated Financial Statements for further disclosure of significant accounting transactions that may have affected the quarterly operating results for each of the periods presented.

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Net sales	\$324.0	\$343.7	\$329.6	\$321.5
Gross margin	107.5	110.8	104.8	105.4
Net earnings attributable to controlling interest ⁽¹⁾	8.4	9.6	8.3	2.1
Earnings per share-basic	0.15	0.17	0.15	0.04
Earnings per share-diluted	0.14	0.17	0.12	—
2009				
Net sales	\$479.1	\$476.6	\$354.4	\$319.9
Gross margin	162.4	155.4	105.9	104.0
Net earnings attributable to controlling interest	33.4	32.6	(5.2)	7.2
Earnings (loss) per share-basic ⁽¹⁾	0.60	0.61	(0.10)	0.14
Earnings (loss) per share-diluted ⁽¹⁾	0.60	0.60	(0.10)	0.14
2008				
Net sales	\$491.7	\$505.9	\$495.4	\$519.1
Gross margin ⁽¹⁾	167.5	180.1	170.0	181.0
Net earnings attributable to controlling interest	33.5	41.0	38.3	39.5
Earnings per share-basic ⁽¹⁾	0.54	0.67	0.66	0.71
Earnings per share-diluted ⁽¹⁾	0.54	0.67	0.65	0.71

⁽¹⁾ The sum of the quarters does not equal the annual balance reflected in the Consolidated Statements of Operations due to rounding associated with the calculations on an individual quarter basis.

Consolidated Statements of Operations

(In millions, except per share data)	Fiscal Years Ended		
	May 29, 2010	May 30, 2009	May 31, 2008
Net sales	\$1,318.8	\$1,630.0	\$2,012.1
Cost of sales	890.3	1,102.3	1,313.4
Gross margin	428.5	527.7	698.7
Operating Expenses:			
Selling, general, and administrative	317.7	330.8	395.8
Restructuring expenses	16.7	28.4	5.1
Design and research	40.5	45.7	51.2
Total operating expenses	374.9	404.9	452.1
Operating earnings	53.6	122.8	246.6
Other Expenses (Income):			
Interest expense	21.7	25.6	18.8
Interest and other investment income	(4.6)	(2.6)	(3.8)
Other, net	1.7	0.9	1.2
Net other expenses	18.8	23.9	16.2
Earnings before income taxes	34.8	98.9	230.4
Income tax expense	6.5	31.0	78.2
Net loss attributable to non-controlling interest	—	(0.1)	(0.1)
Net Earnings Attributable to Controlling Interest	\$28.3	\$68.0	\$152.3
Earnings per share – basic	\$0.51	\$1.26	\$2.58
Earnings per share – diluted	\$0.43	\$1.25	\$2.56

Consolidated Balance Sheets

(In millions, except share and per share data)

May 29, 2010

May 30, 2009

Assets

Current Assets:

Cash and cash equivalents	\$134.8	\$192.9
Marketable securities	12.1	11.3
Accounts receivable, less allowances of \$4.4 in 2010 and \$7.3 in 2009	144.7	148.9
Inventories, net	57.9	37.3
Prepaid expenses and other	45.2	60.5

Total Current Assets	394.7	450.9
-----------------------------	--------------	--------------

Property and Equipment:

Land and improvements	19.4	18.8
Buildings and improvements	147.6	137.4
Machinery and equipment	546.4	552.0
Construction in progress	10.7	9.8

724.1 718.0

Less: accumulated depreciation	(548.9)	(538.8)
--------------------------------	---------	---------

Net Property and Equipment	175.2	179.2
-----------------------------------	--------------	--------------

Goodwill and indefinite-lived intangibles

132.6 72.7

Other amortizable intangibles, net

25.0 11.3

Other assets

43.1 53.2

Total Assets	\$770.6	\$767.3
---------------------	----------------	----------------

Liabilities and Shareholders' Equity

Current Liabilities:

Unfunded checks	\$4.3	\$3.9
Current maturities of long-term debt	100.0	75.0
Accounts payable	96.3	79.1
Accrued liabilities	112.4	124.2

Total Current Liabilities	313.0	282.2
----------------------------------	--------------	--------------

Long-term debt, less current maturities

201.2 302.4

Other liabilities

176.3 174.7

Total Liabilities	690.5	759.3
--------------------------	--------------	--------------

Shareholders' Equity:

Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, \$0.20 par value (240,000,000 shares authorized, 57,002,733 and 53,826,061 shares issued and outstanding in 2010 and 2009, respectively)	11.4	10.8
Additional paid-in capital	55.9	5.9
Retained earnings	152.4	129.2
Accumulated other comprehensive loss	(136.2)	(134.1)
Key executive deferred compensation	(3.4)	(3.8)

Total Shareholders' Equity	80.1	8.0
-----------------------------------	-------------	------------

Total Liabilities and Shareholders' Equity	\$770.6	\$767.3
---	----------------	----------------

Consolidated Statements of Shareholders' Equity

(In millions, except share data)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Key Executive Deferred Compensation	Total Shareholders' Equity
Balance, June 2, 2007	62,919,425	\$12.6	\$—	\$197.8	\$(51.6)	\$(3.5)	\$155.3
Net earnings attributable to controlling interest	—	—	—	152.3	—	—	152.3
Foreign currency translation adjustment	—	—	—	—	4.1	—	4.1
Pension and post-retirement liability adjustments (net of tax of \$5.2 million)	—	—	—	—	(12.6)	—	(12.6)
Total comprehensive income							143.8
Cash dividends declared (\$0.352 per share)	—	—	—	(20.5)	—	—	(20.5)
Exercise of stock options	125,301	—	2.9	—	—	—	2.9
Employee stock purchase plan	118,801	—	3.3	—	—	—	3.3
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Excess tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Repurchase and retirement of common stock	(7,488,430)	(1.5)	(13.3)	(251.9)	—	—	(266.7)
Restricted stock units compensation expense	—	—	0.6	—	—	—	0.6
Restricted stock units released	2,892	—	0.1	—	—	—	0.1
Stock grants compensation expense	—	—	0.7	—	—	—	0.7
Stock grants issued	12,922	—	—	—	—	—	—
Stock option compensation expense	—	—	3.0	—	—	—	3.0
Deferred compensation plan	—	—	0.6	—	—	(0.8)	(0.2)
Directors' fees	16,086	—	0.5	—	—	—	0.5
Performance share units compensation expense	—	—	1.4	—	—	—	1.4
Cumulative effect of adopting uncertain tax position provisions of ASC 740 (net of tax)	—	—	—	(1.0)	—	—	(1.0)
Balance, May 31 2008	55,706,997	\$11.1	\$(0)	\$76.7	\$(60.1)	\$(4.3)	\$23.4
Net earnings attributable to controlling interest	—	—	—	68.0	—	—	68.0
Foreign currency translation adjustment	—	—	—	—	(14.0)	—	(14.0)
Pension and post-retirement liability adjustments (net of tax of \$35.3 million)	—	—	—	—	(59.9)	—	(59.9)
Unrealized holding loss on available-for-sale securities	—	—	—	—	(0.1)	—	(0.1)
Total comprehensive income							(6.0)
Cash dividends declared (\$0.286 per share)	—	—	—	(15.5)	—	—	(15.5)
Exercise of stock options	23,050	—	0.5	—	—	—	0.5
Employee stock purchase plan	187,037	—	2.7	—	—	—	2.7
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Excess tax benefit relating to stock-based compensation	—	—	(0.3)	—	—	—	(0.3)
Repurchase and retirement of common stock	(2,138,701)	(0.3)	0.2	—	—	—	(0.1)
Restricted stock units compensation expense	—	—	0.2	—	—	—	0.2
Restricted stock units released	14,074	—	0.4	—	—	—	0.4
Stock grants compensation expense	—	—	0.7	—	—	—	0.7
Stock grants issued	3,600	—	—	—	—	—	—
Stock option compensation expense	—	—	2.9	—	—	—	2.9
Deferred compensation plan	—	—	(0.5)	—	—	0.5	—
Directors' fees	30,004	—	0.4	—	—	—	0.4
Performance share units compensation expense	—	—	(1.4)	—	—	—	(1.4)
Balance, May 30, 2009	53,826,061	\$10.8	\$5.9	\$129.2	\$(134.1)	\$(3.8)	\$8.0

Consolidated Statements of Shareholders' Equity *(continued)*

Balance, May 30, 2009	53,826,061	\$10.8	\$5.9	\$129.2	\$(134.1)	\$(3.8)	\$8.0
Net earnings attributable to controlling interest	—	—	—	28.3	—	—	28.3
Foreign currency translation adjustment	—	—	—	—	(2.9)	—	(2.9)
Pension and post-retirement liability adjustments (net of tax benefit of \$0.9 million)	—	—	—	—	0.6	—	0.6
Unrealized holding loss	—	—	—	—	0.2	—	0.2
Total comprehensive loss							26.2
Cash dividends declared (\$0.088 per share)	—	—	—	(5.1)	—	—	(5.1)
Issuance of common stock in connection with business acquisition	2,041,666	0.4	28.3	—	—	—	28.7
Contribution of common stock to defined benefit pension plan	967,000	0.2	16.5				16.7
Exercise of stock options	10,000	—	0.2	—	—	—	0.2
Employee stock purchase plan	133,048	—	2.2	—	—	—	2.2
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Excess tax benefit relating to stock-based compensation	—	—	(0.5)	—	—	—	(0.5)
Repurchase and retirement of common stock	(44,654)	—	(0.8)	—	—	—	(0.8)
Restricted stock units compensation expense	—	—	1.0	—	—	—	1.0
Restricted stock units released	8,896	—	0.2	—	—	—	0.2
Stock grants compensation expense	—	—	0.4	—	—	—	0.4
Stock grants issued	41,981	—	—	—	—	—	—
Stock option compensation expense	—	—	2.5	—	—	—	2.5
Deferred compensation plan	—	—	(0.4)	—	—	0.4	—
Directors' fees	18,735	—	0.3	—	—	—	0.3
Balance, May 29, 2010	57,002,733	\$11.4	\$55.9	\$152.4	\$(136.2)	\$(3.4)	\$80.1

Consolidated Statements of Cash Flows

(In millions)	May 29, 2010	May 30, 2009	Fiscal Years Ended May 31, 2008
Cash Flows from Operating Activities:			
Net earnings attributable to controlling interest	\$28.3	\$68.0	\$152.3
Adjustments to reconcile net earnings attributable to controlling interest to net cash provided by operating activities	70.8	23.7	61.3
Net Cash Provided by Operating Activities	99.1	91.7	213.6
Cash Flows from Investing Activities:			
Notes receivable repayments	—	60.6	69.1
Notes receivable issued	(6.5)	(60.3)	(68.4)
Marketable securities purchases	(16.3)	(3.0)	(11.9)
Marketable securities sales	16.4	6.4	12.1
Capital expenditures	(22.3)	(25.3)	(40.5)
Proceeds from sales of property and equipment	0.7	0.3	0.3
Proceeds from disposal of owned dealers	—	1.3	0.9
Acquisitions, net of cash received	(46.1)	(29.5)	(11.7)
Payments on loan on cash surrender value of life insurance	(2.9)	—	—
Proceeds from loan on cash surrender value of life insurance	—	19.3	—
Other, net	(0.6)	0.7	(0.9)
Net Cash Used for Investing Activities	(77.6)	(29.5)	(51.0)
Cash Flows from Financing Activities:			
Short-term debt repayments	—	—	(1.2)
Long-term debt repayments	(75.0)	—	(4.0)
Long-term debt borrowings	—	—	200.0
Dividends paid	(4.9)	(19.2)	(21.2)
Common stock issued	2.5	3.4	6.5
Common stock repurchased and retired	(0.8)	(0.3)	(266.7)
Excess tax benefits from stock-based compensation	(0.5)	(0.3)	0.1
Other, net	(0.2)	(0.1)	—
Net Cash Used for Financing Activities	(78.9)	(16.5)	(86.5)
Effect of exchange rate changes on cash and cash equivalents	(0.7)	(8.2)	2.9
Net Increase (Decrease) in Cash and Cash Equivalents	(58.1)	37.5	79.0
Cash and cash equivalents, beginning of year	192.9	155.4	76.4
Cash and Cash Equivalents, End of Year	\$134.8	\$192.9	\$155.4

Notes to the Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

The following is a summary of significant accounting and reporting policies not reflected elsewhere in the accompanying financial statements.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Herman Miller, Inc., and its majority-owned domestic and foreign subsidiaries. The consolidated entities are collectively referred to as “the company.” All intercompany accounts and transactions, including any involving VIEs, have been eliminated in the Consolidated Financial Statements.

Description of Business

The company researches, designs, manufactures and distributes interior furnishings, for use in various environments including office, healthcare, educational, and residential settings, and provides related services that support companies all over the world. The company's products are sold primarily through independent contract office furniture dealers. Accordingly, accounts and notes receivable in the accompanying balance sheets are principally amounts due from the dealers.

Fiscal Year

The company's fiscal year ends on the Saturday closest to May 31. Fiscal years ended May 29, 2010, May 30, 2009 and May 31, 2008, each contain 52 weeks. An extra week in the company's fiscal year is required approximately every six years in order to realign its fiscal calendar-end dates with the actual calendar months.

Foreign Currency Translation

The functional currency for foreign subsidiaries is the local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the United States dollar using fiscal year-end exchange rates and translating revenue and expense accounts using average exchange rates for the period is reflected as a component of “Accumulated other comprehensive loss” in the Consolidated Balance Sheets. The financial statement impact of remeasuring all foreign currency transactions into the appropriate functional currency resulted in a net gain of \$0.4 million and a net loss of \$1.1 million for the fiscal years ended May 29, 2010 and May 30, 2009, respectively. These amounts are included in “Other Expenses (Income)” in the Consolidated Statements of Operations. For the year ended May 31, 2008 the financial statement impact was a net gain of \$0.1 million.

Cash Equivalents

The company holds cash equivalents as part of its cash management function. Cash equivalents include money market funds, time deposit investments, and treasury bills with original maturities of less than three months. The carrying value of cash equivalents, which approximates fair value, totaled \$54.6 million and \$99.0 million as of May 29, 2010, and May 30, 2009, respectively. All cash and cash equivalents are high-credit quality financial instruments, and the amount of credit exposure to any one financial institution or instrument is limited.

Marketable Securities

The company maintains a portfolio of marketable securities primarily comprised of investment-grade, fixed-income securities. These investments are held by the company's wholly owned insurance captive and are considered “available-for-sale” as defined in ASC Topic 320, *Investments-Debt and Equity Securities*. Accordingly, they have been recorded at fair market value based on quoted market prices, with the resulting net unrealized holding gains or losses reflected net of tax as a component of “Accumulated other comprehensive loss” in the Consolidated Balance Sheets.

All marketable security transactions are recognized on the trade date. Realized gains and losses on disposal of available-for-sale investments are included in “Interest and other investment income” in the Consolidated Statements of Operations. See Note 16 of the Consolidated Financial Statements for additional disclosures of marketable securities.

Accounts Receivable Allowances

Reserves for uncollectible accounts receivable balances are based on known customer exposures, historical credit experience, and the specific identification of other potential problems, including the economic climate. Balances are written off against the reserve once the company determines the probability of collection to be remote. The company generally does not require collateral or other security on trade accounts receivable.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies (*continued*)

Inventories

Inventories are valued at the lower of cost or market. Cost is determined at the majority of the company's manufacturing operations using the last-in, first-out (LIFO) cost method, whereas inventories of certain other of the company's subsidiaries are valued using the first-in, first-out (FIFO) cost method. Primarily the company's international entities and domestic entities which are newly acquired or insignificant are on the FIFO cost method and the remaining domestic entities are on the LIFO cost method. The company establishes reserves for excess and obsolete inventory, based on prevailing circumstances and judgment for consideration of current events, such as economic conditions, that may affect inventory. The reserve required to record inventory at lower of cost or market may be adjusted in response to changing conditions. Once elected, the company has applied these inventory cost valuation methods consistently from year to year. Further information on the company's recorded inventory balances can be found in Note 4 of the Consolidated Financial Statements.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. The cost is depreciated over the estimated useful lives of the assets, using the straight-line method. Estimated useful lives range from 3 to 10 years for machinery and equipment and do not exceed 40 years for buildings. Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the asset, not to exceed 10 years. We capitalize certain external and internal costs incurred in connection with the development, testing, and installation of software for internal use. Software for internal use is included in property and equipment and is depreciated over an estimated useful life not exceeding 5 years. Depreciation and amortization expense is included in the statement of operations in the cost of sales, operating expenses; selling, general and administrative, and design and research line items.

As of the end of fiscal 2010, outstanding commitments for future capital purchases approximated \$3.7 million.

Goodwill and Indefinite-lived Intangible Assets

We account for our goodwill and indefinite-lived assets in accordance with ASC Topic 350, "*Intangibles-Goodwill and Other*". Under ASC 350, we are required to perform an annual test, by reporting unit, to determine whether the asset values are impaired. A reporting unit is defined as an operating segment or one level below an operating segment. Substantially all of our goodwill and indefinite-lived assets are within the North American operating segment (see Note 20 of the Consolidated Financial Statements), which has been determined to be made up of two reporting units. Pursuant to ASC 350, the annual test is comprised of two steps. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill and indefinite-lived assets. The second step used to measure the amount of impairment loss compares the implied fair value of the reporting unit asset with the carrying amount of that asset. If the first step of the test is passed then the asset is not considered impaired and the second step is unnecessary. If an impairment results from these tests, we are required to reduce the net carrying value of the assets to their estimated fair market value.

Our impairment-testing model is based partly on an income-based approach that considers the present value of projected cash flows and the resulting residual value and partly on a market-based approach that considers recent market capitalization values. In completing the test under this approach, we assume that one of the drivers of the value of a business today is the cash flows it will generate in the future. We also assume that such future cash flows can be reasonably estimated. While these projected cash flows reflect our best estimate of future reporting unit performance, actual cash flows could differ significantly. Historically, both of these approaches have passed the step one testing.

We performed our goodwill and indefinite-lived asset tests at the beginning and end of the fourth quarter of fiscal 2010. For goodwill, the projected cash flows and the market-based approach tests passed the step-one tests by substantial margins for all reporting units, which indicate that our goodwill is not impaired. We employed a market-based approach in selecting the discount rates used in our analysis. By this, we mean the discount rates selected represent market rates of return equal to what we believe a reasonable investor would expect to achieve on investments of similar size to our reporting units. We believe the market participant based discount rates selected in our testing exceed the estimated weighted average cost of capital for our specific business as a whole. The results of the impairment test are sensitive to changes in discount rates, though the testing performed in fiscal 2010 would indicate that even a significant increase in the discount rate would not have changed the results of passing the tests.

Topic 350 also requires the company to evaluate its acquired intangible assets to determine whether any have "indefinite useful lives." Under this accounting standard, intangible assets with indefinite useful lives, are not subject to amortization. The company's indefinite-lived intangible-assets consist of certain trademarks and tradenames valued at approximately \$23.2 million and \$3.2 million as of fiscal year 2010 and fiscal year 2009, respectively. These assets have indefinite useful lives and are evaluated annually using the relief of royalty method. The company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Goodwill and other indefinite-lived assets included in the Consolidated Balance Sheet consist of the following:

(In millions)	Goodwill	Indefinite-lived Intangible Assets	Total Goodwill and Indefinite-lived Assets
Balance, May 30, 2009	\$69.5	\$3.2	\$72.7
Additions from acquisition of Nemschoff	34.3	20.0	54.3
Additions from acquisition of CBS	5.6	—	5.6
Other acquisitions	0.4	—	0.4
Currency-related adjustments	(0.4)	—	(0.4)
Balance, May 29, 2010	\$109.4	\$23.2	\$132.6

Long-Lived Assets

The company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. Each impairment test is based on a comparison of the carrying amount of the asset or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment amount to be recognized is the amount by which the carrying value of the assets exceeds their fair value. During the fourth quarter of fiscal 2010 the company recorded an impairment charge of \$2.5 million recorded in "Restructuring and impairment expenses" within the "Other" operating segment. Of this amount, \$1.4 million related to an amortizable intangible asset and \$1.1 million was in relation to fixed assets, respectively. These assets related to products that we determined had no future revenue stream to the company.

Amortizable intangible assets within "Other amortizable intangibles, net" consists primarily of customer relationships, intellectual property rights, and non-compete agreements. The combined gross carrying value and accumulated amortization for these amortizable intangibles was \$35.2 million and \$10.2 million, respectively as of May 29, 2010. As of May 30, 2009, these amounts totaled \$20.8 million and \$9.5 million, respectively. The company amortizes these assets over their remaining useful lives using the straight-line method over periods ranging from 5 to 17 years.

Estimated amortization expense on existing amortizable intangible assets as of May 29, 2010, for each of the succeeding five fiscal years is as follows.

(In millions)	
2011	\$2.2
2012	\$2.1
2013	\$2.0
2014	\$1.8
2015	\$1.5

Notes Receivable

The notes receivable are primarily from independent contract office furniture dealers. These notes are the result of strategically important dealers being in transition either through a change in ownership or general financial difficulty. The notes are generally created in exchange for outstanding accounts receivable and are collateralized by the assets of the dealers and bear interest based on the prevailing prime rate. Recorded reserves are based on historical credit experience, collateralization levels, and the specific identification of other potential collection problems. The company has also extended a note receivable in conjunction with the acquisition of Nemschoff. This note was received in exchange for cash and is presented net of the contingent liability within the "Other liabilities" line item in the Consolidated Balance Sheet. The net presentation is due to the right of offset with the contingent liability. Interest income relating to notes was negligible for the year ended May 29, 2010. Interest income relating to notes was \$0.1 million and \$0.4 million for the years ended May 30, 2009, and May 31, 2008, respectively.

Unfunded Checks

As a result of maintaining a consolidated cash management system, the company utilizes controlled disbursement bank accounts. These accounts are funded as checks are presented for payment, not when checks are issued. Any resulting book overdraft position is included in current liabilities as unfunded checks.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Self-Insurance

The company is partially self-insured for general liability, workers' compensation, and certain employee health and dental benefits under insurance arrangements that provide for third-party coverage of claims exceeding the company's loss retention levels. The company's retention levels designated within significant insurance arrangements as of May 29, 2010, are as follows.

	Retention Level
General liability and auto liability/physical damage	\$1.00 million per occurrence
Workers' compensation and property	\$0.75 million per occurrence
Health benefits	\$0.20 million per employee

The company's policy is to accrue amounts equal to the actuarially-determined liabilities for loss and loss adjustment expenses, which are included in "Other liabilities" in the Consolidated Balance Sheets. The actuarial valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical costs, and changes in actual experience could cause these estimates to change. The general and workers' compensation liabilities are managed through the company's wholly-owned insurance captive.

Research, Development, and Other Related Costs

Research, development, pre-production, and start-up costs are expensed as incurred. Research and development (R&D) costs consist of expenditures incurred during the course of planned search and investigation aimed at discovery of new knowledge useful in developing new products or processes. R&D costs also include the significant enhancement of existing products or production processes and the implementation of such through design, testing of product alternatives, or construction of prototypes. Research and development costs included in "Design and Research" expense in the accompanying Consolidated Statements of Operations of \$33.2 million, \$36.2 million, \$38.8 million, in fiscal 2010, 2009, and 2008, respectively.

Royalty payments made to designers of the company's products as the products are sold are a variable cost based on product sales. These expenses totaled \$7.3 million, \$9.5 million, and \$12.4 million in fiscal years 2010, 2009, and 2008 respectively. They are included in "Design and Research" expense in the accompanying Consolidated Statements of Operations.

Advertising Costs

Advertising costs are expensed as incurred and are included in "Selling, general, and administrative" expense in the accompanying Consolidated Statements of Operations. Advertising costs were \$2.4 million, \$2.2 million, and \$3.4 million, in fiscal 2010, 2009, and 2008, respectively.

Customer Payments and Incentives

We offer various sales incentive programs to our customers, such as rebates, discounts, buy-downs and cooperative advertising programs. The company accounts for these programs in accordance with ASC Topic 605, *Customer Payments and Incentives*. Consistent with this guidance, we have determined that programs such as rebates, discounts and buy-downs are adjustments to the selling price and are therefore characterized as a reduction to net sales. The cooperative advertising program, whereby customers are reimbursed for company approved advertising expenditures, provides us with an identifiable benefit from the advertisement at a verifiable market rate. Therefore, the cost of the cooperative advertising program is recognized as an operating expense and is included in the "Selling, general and administrative" line in the Consolidated Statement of Operations. We recognized operating expense related to our cooperative advertising program of \$1.8 million, \$1.5 million, and \$2.3 million in fiscal 2010, 2009, and 2008, respectively.

Revenue Recognition

The company recognizes revenue on sales through its network of independent contract furniture dealers and independent retailers once the related product is shipped and title passes to the dealer. In situations where products are sold through subsidiary dealers or directly to the end customer, revenue is recognized once the related product is shipped to the end customer and installation is substantially complete. Offers such as rebates and discounts are recorded as reductions to net sales. Unearned revenue occurs during the normal course of business due to advance payments from customers for future delivery of products and services.

Shipping and Handling Expenses

The company records shipping and handling related expenses under the caption "Cost of Sales" in the Consolidated Statements of Operations.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Cost of Sales

We include material, labor and overhead in cost of sales. Included within these categories are such items as inbound freight charges, warehousing costs, internal transfer costs, and other costs of our distribution network.

Selling, General, and Administrative Operating Expenses

We include costs not directly related to the manufacturing of our products in selling, general, and administrative operating expenses. Included in these expenses are items such as compensation expense, rental expense, royalty expense, warranty expense, and travel and entertainment expense.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

The company's annual effective tax rate is based on income, statutory tax rates and tax planning strategies available in the various jurisdictions the company operates in. Complex tax laws can be subject to different interpretations by the company and the respective government authorities. Significant judgment is required in evaluating tax positions and determining our tax expense. Tax positions are reviewed quarterly and tax liabilities are adjusted as new information becomes available.

In evaluating the company's ability to recover deferred tax assets within the jurisdiction from which they arise, the company considers all positive and negative evidence. These assumptions require significant judgment about forecasts of future taxable income.

Stock-Based Compensation

The company has several stock-based compensation plans, which are described fully in Note 14 of the Consolidated Financial Statements. The company follows the guidance of ASC Topic 718, *Compensation-Stock Compensation*.

Earnings per Share

Basic earnings per share (EPS) excludes the dilutive effect of common shares that could potentially be issued, due to the exercise of stock options or the vesting of restricted shares, and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS for fiscal years 2010, 2009, and 2008, was computed by dividing net earnings by the sum of the weighted-average number of shares outstanding, plus all dilutive shares that could potentially be issued. During fiscal 2010 the numerator for diluted earnings per share excluded the earnings impact from the Nemschoff contingent consideration from the Consolidated Statement of Operations. This contingent consideration may be settled in cash or stock at the discretion of the company and, therefore, any income or loss associated with adjustments to these liabilities is excluded from the numerator when computing diluted earnings per share. Refer to Note 13 of the Consolidated Financial Statements, for further information regarding the computation of EPS.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Comprehensive Income/(Loss)

The company's comprehensive income (loss) consists of net earnings, foreign currency translation adjustments, pension and post-retirement liability adjustments, and unrealized holding gains (losses) on "available-for-sale" investments. The components of "Accumulated other comprehensive loss" in each of the last three fiscal years are as follows:

(In millions)	Foreign Currency Translation Adjustments	Pension and Post-Retirement Liability Adjustments (net of tax)	Unrealized Holding Period Gains (Losses) (net of tax)	Total Accumulated Other Comprehensive Income (Loss)
Balance, June 2, 2007	\$0.5	\$(51.9)	\$(0.2)	\$(51.6)
Other comprehensive gain/(loss) in fiscal 2008	4.1	(12.6)	—	(8.5)
Balance, May 31, 2008	4.6	(64.5)	(0.2)	(60.1)
Other comprehensive gain in fiscal 2009	(14.0)	(59.9)	(0.1)	(74.0)
Balance, May 30, 2009	(9.4)	(124.4)	(0.3)	(134.1)
Other comprehensive gain/(loss) in fiscal 2010	(2.9)	0.6	0.2	(2.1)
Balance May 29, 2010	\$(12.3)	\$(123.8)	\$(0.1)	\$(136.2)

Use of Estimates in the Preparation of Financial Statements

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

Variable Interest Entities

The company has provided subordinated debt to and/or guarantees on behalf of certain independent contract furniture dealerships. These relationships under certain circumstances may constitute variable interests under the provisions of ASC Topic 810, *Consolidation*. On May 29, 2010 and May 30, 2009, the company was not considered the primary beneficiary of any such dealer relationships as defined by Topic 810 and therefore, no entities were included as Variable Interest Entities (VIEs) as of these dates. Refer to Note 3 for further discussion regarding VIEs.

Fair Value

The company follows ASC Topic 820, *Fair Value Measurements and Disclosures*, which provides a consistent definition of fair value, focuses on exit price, prioritizes the use of market-based inputs over entity-specific inputs for measuring fair value and establishes a three-tier hierarchy for fair value measurements. This topic requires fair value measurements to be classified and disclosed in one of the following three categories:

- *Level 1* — Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- *Level 2* — Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. Financial instrument values are determined using prices for recently traded financial instruments with similar underlying terms and direct or indirect observational inputs, such as interest rates and yield curves at commonly quoted intervals.
- *Level 3* — Financial instruments not actively traded on a market exchange and there is little, if any, market activity. Values are determined using significant unobservable inputs or valuation techniques.

See Note 16 of the Consolidated Financial Statements for the required fair value disclosures.

Derivative Instruments and Hedging Activities

On February 28, 2009, the company adopted the disclosure provisions related to derivative instruments under ASC Topic 815, *Derivatives and Hedging*. The adoption had no financial impact on our consolidated financial statements and only required additional financial statement disclosures. The requirements of Topic 815 have been applied on a prospective basis. Accordingly, disclosures related to periods prior to the date of adoption have not been presented.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Interest Rate Swap Agreements

We have used interest rate swaps in order for a portion of interest bearing debt to be variable, which we believe better matches interest expense with our business cycle. As of May 29, 2010, the company has one interest rate swap agreement that has the economic effect of modifying the fixed interest obligations associated with a portion of our public debt securities due March 15, 2011 so that the interest payable on the senior notes effectively becomes variable at a rate set to the six-month LIBOR rate plus 2.65 percent. The critical terms of the interest rate swap agreement and a component of the public debt securities match, including the notional amounts, interest rate reset dates, maturity dates and underlying market indices. Accordingly, as of May 29, 2010, a total of \$50.0 million of the company's outstanding debt was effectively converted to a variable-rate basis as a result of the interest rate swap arrangement. This swap is a fair-value hedge and qualifies for hedge-accounting treatment using the "short-cut" method under the provisions of Topic 815. Under this accounting treatment, the change in the fair value of the interest rate swap is equal to the change in value of the related hedged debt and, as a result, there is no net effect on earnings. The agreement requires the company to pay floating-rate interest payments in return for receiving fixed-rate interest payments that coincide with the semi-annual payments to the debt holders at the same date. The periodic interest settlements, which occur at the same interval as the public debt securities, are recorded as interest expense.

Foreign Currency Forward Contracts Not Designated as Hedges

We transact business in various foreign currencies and have established a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. Under this program, the company's strategy is to have increases or decreases in our foreign currency exposures offset by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses. These foreign currency exposures typically arise from net liability or asset exposures in non-local currencies on the balance sheets of our foreign subsidiaries. These foreign currency forward contracts generally settle within 90 days and are not used for trading purposes. These forward contracts are not designated as hedging instruments pursuant to Topic 815. Accordingly, we record the fair value of these contracts as of the end of the reporting period in the consolidated balance sheet with changes in fair value recorded in the Consolidated Statement of Operations. The balance sheet classification for the fair values of these forward contracts is to "Prepaid expenses and other" for unrealized gains and to "Accrued liabilities" for unrealized losses. The Consolidated Statement of Operations classification for the fair values of these forward contracts is to "Other expenses (income): Other, net", for both realized and unrealized gains and losses.

As of May 29, 2010, the notional amounts of the forward contracts held to purchase and sell U.S. dollars in exchange for other major international currencies were \$17.8 million and the notional amounts of the foreign currency forward contracts held to sell British pound sterling in exchange for other major international currencies were 5.1 million GBP.

The effects of derivative instruments on the condensed consolidated financial statements were as follows for the fiscal years ended 2010 and 2009 (amounts presented exclude any income tax effects) are shown below.

Fair Value of Derivative Instruments in Condensed Consolidated Balance Sheet

(In millions)	Balance Sheet Location	Fair Value	
		May 29, 2010	May 30, 2009
Interest rate swap agreement – fair market value	Other noncurrent assets	\$1.2	\$2.4
Foreign currency forward contracts not designated as hedges	Other current assets	\$0.1	\$0.2
Foreign currency forward contracts not designated as hedges	Other current liabilities	\$0.1	\$0.1

Effects of Derivative Instruments of Income

(In millions)	Recognized Income on Derivative (Gain) Loss Location	Amount	
		May 29, 2010	May 30, 2009
Foreign currency forward contracts	Other expense (Income): Other, net	\$—	\$(0.1)

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

New Accounting Standards

In December 2009, the FASB issued Accounting Standard Update (ASU) 2009-16, *Transfers and Servicing (Topic 860)-Accounting for Transfers of Financial Assets*. ASU 2009-16 revises previous authoritative guidance related to accounting for transfers of financial assets, and requires more disclosures about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. ASU 2009-16 is effective at the start of fiscal 2011 for the company. Early application is not permitted. ASU 2009-16 is not expected to have an effect on the company's condensed consolidated results of operations or financial position upon adoption because no such asset transfers are currently contemplated.

In December 2009, the FASB issued ASU No. 2009-17, *Consolidations (Topic 810)-Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities including the effect on financial statements and any significant changes in risk exposure due to that involvement. ASU 2009-17 is effective at the start of fiscal 2011 for the company. Early application is not permitted. The company does not expect ASU 2009-17 to have a material effect on the financial position, results of operations or cash flows of the company.

In April 2010, the FASB issued ASU No. 2010-13, *Compensation-Stock Compensation (Topic 718)-Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades* - a consensus of the FASB Emerging Issues Task Force. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. Earlier application is permitted. The company does not expect the provisions of ASU 2010-13 to have a material effect on the financial position, results of operations or cash flows of the company.

In April 2010, the FASB issued ASU No. 2010-12, *Income Taxes (Topic 740)-Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts*. After consultation with the FASB, the SEC stated that it "would not object to a registrant incorporating the effects of the Health Care and Education Reconciliation Act of 2010 when accounting for the Patient Protection and Affordable Care Act". The company does not expect the provisions of ASU 2010-12 to have a material effect on the financial position, results of operations or cash flows of the company.

In March 2010, the FASB issued ASU No. 2010-11, *Derivatives and Hedging (Topic 815)-Scope Exception Related to Embedded Credit Derivatives*. The amendments in this Update are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity's first fiscal quarter beginning after issuance of this Update. The company does not expect the provisions of ASU 2010-11 to have a material effect on the financial position, results of operations or cash flows of the company.

In October 2009, the FASB issued ASU No. 2009-13, *Revenue Recognition (Topic 605)-Multiple Deliverable Revenue Arrangements-a consensus of the FASB Emerging Issues Task Force*. The accounting standard update establishes the accounting and reporting guidance for arrangements under which the vendor will perform multiple revenue generating activities. This update is effective for fiscal years, and interim periods within those fiscal years, beginning on or after June 15, 2010. Earlier adoption is permitted. The company does not expect the provisions of ASU 2009-13 to have a material effect on the financial position, results of operations or cash flows of the company.

The company adopted the provisions of FASB Statement No. 141(R), *Business Combinations - a replacement of FASB Statement No. 141*, in the first quarter of fiscal 2010. This Statement significantly changes the principles and requirements for how an acquisition is recognized and measured in a company's financial statements including the identifiable assets acquired and the liabilities assumed. This Statement also provides guidance for recognizing and measuring goodwill acquired in a business combination and required disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The required disclosures regarding Business Combinations are included in Note 16 of the Consolidated Financial Statements. Under the ASC, this guidance is now codified under ASC Topic 805, *Business Combinations*.

The company adopted the disclosure requirements of ASC 825, *Financial Instruments*, in the first quarter of fiscal 2010. The required disclosures regarding the fair value of financial instruments are included in Note 16 of the Consolidated Financial Statements.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers. Entities should also present separate information about purchases, sales, issuances and settlement activity in Level 3 fair value measurements. The company adopted the new disclosure requirements during the fourth quarter of fiscal 2010. The required disclosures are included in Note 16 of the Consolidated Financial Statements.

The company adopted the new disclosure requirements about plan assets of defined benefit pension or other post-retirement plans in the fourth quarter of fiscal 2010 as promulgated under ASC Topic 715, *Compensation-Retirement Benefits*. See Note 12 of the Consolidated Financial Statements for the additional disclosure requirements.

Notes to the Consolidated Financial Statements (continued)

2. Acquisitions and Divestitures

Brandrud

On February 1, 2008, the company completed its acquisition of the stock of Brandrud Furniture, Inc. (Brandrud), an Auburn, Washington based manufacturer of healthcare furnishings. With annual net sales of approximately \$20 million at the time of acquisition, Brandrud focuses on seating products for patient rooms, patient treatment areas, and public spaces such as lobbies and waiting areas. The purchase price related to this transaction included an initial \$11.7 million cash payment, the assumption of \$2.1 million of debt and a performance-based contingency payment of \$26.6 million cash paid in fiscal 2009 and recognized in purchase accounting as goodwill.

Assets acquired and liabilities assumed in the acquisition were recorded on the company's Consolidated Balance Sheets based on their estimated fair values as of the date of the acquisition. The results of operations of Brandrud have been included in the company's Consolidated Statements of Operations since the date of the acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. Brandrud is included in the company's North American segment; therefore all of the goodwill recorded in the acquisition has been allocated to that segment.

Nemschoff

On June 24, 2009, the company acquired all of the outstanding equity ownership interest of Nemschoff Chairs, LLC (Nemschoff) a Sheboygan, Wisconsin based manufacturer, with additional manufacturing capabilities in Sioux Center, Iowa. Nemschoff manufactures healthcare furnishings, with an emphasis on seating products for patient rooms, patient treatment areas, and public spaces such as lobbies and waiting areas. Nemschoff also serves the higher education and office markets.

The company incurred acquisition-related costs of approximately \$1.1 million and \$0.3 million during the fourth quarter of fiscal 2009 and first quarter of fiscal 2010, respectively. These expenses are included in the Statement of Operations, Operating Expenses line item. The purchase price for Nemschoff, which represents the estimated fair value of consideration transferred as of the acquisition date, consisted of the following:

(In millions)	Fair Value
Cash	\$30.4
Common stock (2,041,666 shares)	28.7
Contingent success fee	14.4
Contingent value rights	16.3
Total	\$89.8

The fair value of the common shares issued was determined based on the closing market price of the company's common stock on the acquisition date.

There are two forms of contingent consideration provided to the sellers, a success fee and contingent value rights (CVRs), both of which are included in the balance sheet in the long-term liabilities, other liabilities line item. The contingent liabilities are presented net of a \$6.9 million note receivable that was issued by the sellers in exchange for cash at the acquisition date and of which there is a full right of offset. The success fee payment may range between \$0 and \$25 million based on revenue performance in fiscal 2011. Any payment due may be settled in the form of cash or stock at the company's discretion. At the acquisition date, the fair value of the success fee was \$14.4 million and as of May 29, 2010, the success fee was valued at \$12.4 million, with the change in value reflected within "Other Expenses (Income), Interest expense" in the Condensed Consolidated Statements of Operations. The fair value of the success fee is estimated using a probability-weighted calculation, discounted at 5.25 percent, that was based on projected future revenues for fiscal 2011. These projections were based on order rates experienced near the end of fiscal 2010, growth expectations, as well as assumptions on winning future projects. The projected revenue performance and resulting payout will be impacted by general economic conditions, health care reform legislation and our own project win rate.

There is a CVR for each of the 2,041,666 shares of common stock issued in the transaction. Each CVR entitles the holder to payment in the event that the company's share price is below \$24.00 per share at June 30, 2011. A floor price of \$13.28 per share has been established that provides a maximum payout of \$10.72 per share to be paid at the time of share redemption. Any payment due may be settled in the form of cash or stock at the company's discretion. At the acquisition date, the fair value of the CVRs was \$16.3 million and as of May 29, 2010, the CVRs were valued at \$12.6 million with the change in value reflected within "Operating Expenses" in the Condensed Consolidated Statements of Operations. The fair value of the CVRs is estimated using a Black-Scholes model which uses several key assumptions, including the current share price of the company.

Notes to the Consolidated Financial Statements

2 Acquisitions and Divestitures *(continued)*

The fair value estimate of the CVRs is calculated at the end of each quarter. The following key assumptions were used to determine the fair value as of the respective date.

	May 29, 2010
Risk-free interest rates	1.04%
Expected term	1.1 years
Expected volatility	59%
Dividend yield	0.46%

The note receivable received in exchange for cash was offset against the contingent liability.

The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. Allocation of the purchase price resulted in acquired assets and liabilities assumed consisting of the following:

(In millions)	Fair Value
Cash	\$1.6
Accounts receivable	7.6
Inventory	6.5
Other current assets	0.8
Property, plant and equipment	15.6
Identifiable intangible assets	33.2
Goodwill	34.3
Total acquired assets	99.6
Accrued warranty	0.5
Accounts payable	2.3
Customer deposits	0.6
Deferred tax liability	2.8
Other accrued liabilities	3.6
Total acquired liabilities	9.8
Net Assets Acquired	\$89.8

The fair values and useful lives assigned to identifiable intangible assets as of the acquisition date consisted of the following:

(In millions)	Fair Value	Useful Life
Trade name	\$20.0	Indefinite
Customer relationships	12.9	15 years
Non-compete agreements	0.3	2 years
Total	\$33.2	

Nemschoff is included in the company's North American segment; therefore, all of the goodwill recorded in the acquisition has been allocated to that segment. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce. The company expects substantially all of the goodwill to be amortizable for income tax purposes.

CBS

On April 6, 2010, the company acquired all the outstanding equity interest in Colebrook Bosson Saunders, (CBS) a worldwide leader in the design, manufacture and distribution of ergonomic work tools with headquarters located in London, England and additional showrooms in New York and Australia. CBS has annualized net sales of approximately \$15 million. Cash used for the acquisition of CBS was approximately \$14.4 million, subject to the finalization of certain post-closing adjustments related to CBS's net equity as of March 31, 2010.

Additionally, CBS may be entitled to contingent consideration in the form of performance-based payments in the range of zero and \$14.3 million, payable in British pound sterling, that would be earned over the next five years. The contingent consideration is based on a combination of attained revenue and profitability targets. The contingent consideration is included in the balance sheet in the long-term liabilities, other liabilities line item. Any payment due will be settled in cash. At the acquisition date, the fair value of the contingent consideration was \$2.9 million. As of May 29, 2010, the contingent consideration value was \$2.7 million due to changes in foreign currency translation. Of this amount, \$1.4 million is recorded as a current liability and \$1.3 million is long-term as of May 29, 2010. Any change in value due to change in estimates will be reflected within "Total operating expense" in the Condensed Consolidated Statements of Operations.

Notes to the Consolidated Financial Statements

2 Acquisitions and Divestitures *(continued)*

The purchase price for CBS, which represents the estimated fair value of consideration transferred as of the acquisition date, consisted of the following:

(In millions)	Fair Value
Cash	\$14.4
Contingent consideration	2.9
Total	\$17.3

The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. Allocation of the purchase price resulted in acquired assets and liabilities assumed consisting of the following:

(In millions)	Fair Value
Cash	\$1.5
Accounts receivable	2.5
Inventory	4.2
Goodwill	5.6
Identifiable intangibles	4.1
Other assets	0.8
Total acquired assets	18.7
Accounts payable	0.6
Other accrued liabilities	0.8
Total acquired liabilities	1.4
Net Assets Acquired	\$17.3

The fair values and useful lives assigned to identifiable intangible assets as of the acquisition date consisted of the following:

(In millions)	Fair Value	Useful Life
Trade names and trademarks	\$0.9	15 years
Dealer relationships	3.2	15 years
Total	\$4.1	

The majority of CBS operations are included in the company's non-North American segment; therefore, the majority of the goodwill recorded in the acquisition has been allocated to that segment. The goodwill recognized is attributable primarily to expected synergies through the company's dealer network and the assembled workforce. The company expects substantially all of the goodwill to be amortizable for income tax purposes.

Other

During the first quarter of fiscal 2009, the company completed the sale of a wholly-owned contract furniture dealership in Texas. The effect of this transaction on the company's consolidated financial statements was not material.

During the second quarter of fiscal 2009, the company completed the purchase of selected elements of Ruskin Industries, a specialized manufacturer of complex wood chair frames and wood frame components, based in Hickory, North Carolina. The purchase consideration for this transaction was approximately \$2.9 million allocated primarily to accounts receivable, inventory, and machinery and equipment.

During the first quarter of fiscal 2010, the company completed the purchase of certain assets of a contract furniture dealership in Virginia. The purchase consideration was \$1.6 million of cash and the assets purchased were primarily accounts receivable and inventory.

During the fourth quarter of fiscal 2010, the company completed the purchase of certain assets of a contract and retail furniture dealership in Australia. The purchase consideration was \$2.8 million of cash and the assets purchased were primarily inventory, accounts receivable and property plant and equipment. Goodwill recognized from the acquisition was \$0.4 million.

Notes to the Consolidated Financial Statements

2 Acquisitions and Divestitures *(continued)*

Proforma Information

The results of operations for entities acquired by the company have been included in the Condensed Consolidated Statements of Operations since the dates of the respective acquisitions. The amount of net sales and net earnings attributable to these acquisitions included in the Condensed Consolidated Statements of Operations consists of the following:

(In millions)	Year ended May 29, 2010
Net sales	\$71.8
Net loss	\$(0.5)

The following supplemental pro forma information presents net sales and net earnings for the company as if the acquisitions had occurred at the beginning of the fiscal period presented. This pro forma information is not necessarily indicative of the results that would have actually been obtained if the acquisitions had occurred at the beginning of the period presented or that may be attained in the future.

(In millions)	Year ended May 29, 2010
Pro forma net sales	\$1,447.7
Pro forma net earnings	\$28.6

3. Variable Interest Entities

The company follows ASC 810, *Consolidation*, to determine if we have business relationships in which the company would qualified as the "primary beneficiary" and which would then require the company to consolidate these entities, known as variable interest entities or VIEs, in its Consolidated Financial Statements. We have evaluated our business relationships as of May 29, 2010 and May 30, 2009, and determined that the company was not considered the primary beneficiary in any of its independent dealer financing relationships.

4. Inventories

(In millions)	May 29, 2010	May 30, 2009
Finished goods	\$32.9	\$20.5
Work in process	8.9	4.9
Raw materials	16.1	11.9
Total	\$57.9	\$37.3

Inventories are valued at the lower of cost or market and include material, labor, and overhead. The inventories of the majority of domestic manufacturing subsidiaries are valued using the last-in, first-out method (LIFO). The inventories of all other subsidiaries are valued using the first-in, first-out method. Inventories valued using LIFO amounted to \$19.5 million and \$13.0 million as of May 29, 2010 and May 30, 2009, respectively. If all inventories had been valued using the first-in first-out method, inventories would have been \$10.7 million and \$11.5 million higher than reported at May 29, 2010 and May 30, 2009, respectively.

5. Prepaid Expenses and Other

(In millions)	May 29, 2010	May 30, 2009
Deferred income taxes	\$21.9	\$14.8
Prepaid property and other taxes	9.9	16.7
Other	13.4	29.0
Total	\$45.2	\$60.5

6. Other Assets

(In millions)	May 29, 2010	May 30, 2009
Notes receivable, less allowance of \$0.4 in 2010 and \$0.5 in 2009	\$—	\$—
Deferred income taxes	37.0	45.0
Cash surrender value of life insurance	0.8	2.1
Other	5.3	6.1
Total	\$43.1	\$53.2

Notes to the Consolidated Financial Statements *(continued)*

7. Accrued Liabilities

(In millions)	May 29, 2010	May 30, 2009
Compensation and employee benefits	\$41.1	\$43.9
Income taxes	1.1	0.6
Other taxes	5.4	11.0
Unearned revenue	10.1	11.2
Warranty reserves	16.0	15.4
Interest payable	7.1	8.2
Restructuring	7.0	9.6
Pension and post-retirement benefits	1.2	1.5
Contingent consideration	1.4	—
Other	22.0	22.8
Total	\$112.4	\$124.2

8. Other Liabilities

(In millions)	May 29, 2010	May 30, 2009
Pension benefits	\$114.2	\$121.2
Post-retirement benefits	10.0	12.2
Contingent consideration	19.4	—
Other	32.7	41.3
Total	\$176.3	\$174.7

9. Notes Payable

In December 2007, the company entered into an unsecured revolving credit facility that provides for \$250 million of borrowings and which was set to expire on December 17, 2012. The agreement had an accordion feature enabling the credit facility to be increased by an additional \$100 million, subject to certain conditions. In June 2009, the company renegotiated the unsecured revolving credit facility. The terms of the new agreement provided for \$150 million of borrowings, with no accordion feature, and will expire in June 2012. Outstanding borrowings under the agreement bear interest at rates based on the prime, Federal Funds, LIBOR, or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period a borrowing is outstanding. As of May 29, 2010 the only usage against this facility is related to outstanding standby letters of credit totaling approximately \$11.2 million. Usage against the previous facility at May 30, 2009 related to outstanding standby letters of credit and totaled \$13.1 million.

10. Long-Term Debt

(In millions)	May 29, 2010	May 30, 2009
Series A senior notes, 5.94%, due January 3, 2015	\$50.0	\$50.0
Series B senior notes, 6.42%, due January 3, 2018	150.0	150.0
Debt securities, 7.125%, due March 15, 2011	100.0	175.0
Fair value of interest rate swap arrangements	1.2	2.4
Subtotal	301.2	377.4
Less: current portion	(100.0)	(75.0)
Total	\$201.2	\$302.4

In January 2008, the company issued a total of \$200 million in senior unsecured private placement notes. Notes in the principal amount of \$150 million bear interest at 6.42 percent and are due in January 2018. The remaining \$50 million in private placement notes bear interest at 5.94 percent and are due in January 2015. Related interest payments are due semi-annually.

Our senior notes and the unsecured senior revolving credit facility restrict, without prior consent, our borrowings, capital leases, and the sale of certain assets. In addition, we have agreed to maintain certain financial performance ratios, which include a maximum leverage ratio covenant, which is measured by the ratio of debt to trailing four quarter adjusted EBITDA (as defined in the credit agreement) and is required to be less than 3.5:1, with a minimum interest coverage ratio, which is measured by the ratio of trailing four quarter EBITDA to trailing four quarter interest expense (as defined in the credit agreement) and is required to be greater than 4:1. Adjusted EBITDA is generally defined in the credit agreement to adjust EBITDA by certain items which include non-cash, share-based compensation, non-recurring restructuring costs and extraordinary items. At May 29, 2010 and May 30, 2009, the company was in compliance with all of these restrictions and performance ratios.

Notes to the Consolidated Financial Statements

10 Long-Term Debt *(continued)*

Annual maturities of long-term debt for the five fiscal years subsequent to May 29, 2010, are as follows:

(In millions)	
2011	\$100.0
2012	\$—
2013	\$—
2014	\$—
2015	\$50.0
Thereafter	\$150.0

The above amounts exclude the recorded fair value of the company's interest rate swap arrangement, which had a combined fair value of positive \$1.2 million as of May 29, 2010. Additional information regarding interest rate swaps is provided in Note 17 of the Consolidated Financial Statements.

11. Operating Leases

The company leases real property and equipment under agreements that expire on various dates. Certain leases contain renewal provisions and generally require the company to pay utilities, insurance, taxes, and other operating expenses.

Future minimum rental payments required under operating leases that have non-cancelable lease terms as of May 29, 2010, are as follows:

(In millions)	
2011	\$15.4
2012	\$11.9
2013	\$9.3
2014	\$7.3
2015	\$6.2
Thereafter	\$17.0

Total rental expense charged to operations was \$22.4 million, \$27.8 million, and \$25.9 million, in fiscal 2010, 2009, and 2008, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

12. Employee Benefit Plans

The company maintains retirement benefit plans for substantially all of its employees.

Pension Plans and Post-Retirement Medical Insurance

The principal domestic retirement plan is a defined-benefit plan with benefits determined by a cash balance calculation. Benefits under this plan are based upon an employee's years of service and earnings. The company also offers certain employees retirement benefits under other domestic defined benefit plans. The company provides healthcare benefits to employees who retired from service on or before a qualifying date in 1998. As of the qualifying date, the company discontinued offering post-retirement medical to future retirees. Benefits to qualifying retirees under this plan are based on the employee's years of service and age at the date of retirement.

In addition to the domestic pension and retiree healthcare plan, one of the company's wholly owned foreign subsidiaries has a defined-benefit pension plan based upon an average final pay benefit calculation.

The measurement date for the company's principal domestic and international pension plans, as well as its post-retirement medical, is the last day of the fiscal year.

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans (continued)

Benefit Obligations and Funded Status

The following table presents, for the fiscal years noted, a summary of the changes in the projected benefit obligation, plan assets, and funded status of the company's domestic and international pension plans and post-retirement plan.

(In millions)	2010		Pension Benefits 2009		Post-Retirement Benefits	
	Domestic	International	Domestic	International	2010	2009
Change in benefit obligation:						
Benefit obligation at beginning of year	\$281.2	\$66.0	\$267.9	\$88.7	\$13.6	\$13.4
Service cost	8.1	—	8.4	2.1	—	—
Interest cost	17.9	4.2	18.3	4.6	0.6	0.8
Amendments	—	0.3	—	—	—	—
Curtailment cost	—	—	(0.2)	—	—	—
Termination benefits	—	—	0.3	0.2	—	—
Foreign exchange impact	—	(7.6)	—	(16.9)	—	—
Actuarial (gain)/loss	12.2	11.9	14.0	(11.6)	(2.1)	0.4
Employee contributions	—	—	—	0.4	—	—
Benefits paid	(23.4)	(3.2)	(27.5)	(1.5)	(1.0)	(1.0)
Benefit obligation at end of year	\$296.0	\$71.6	\$281.2	\$66.0	\$11.1	\$13.6
Change in plan assets:						
Fair value of plan assets at beginning of year	\$175.3	\$50.6	\$263.2	\$70.9	\$—	\$—
Actual return on plan assets	30.8	10.6	(62.1)	(8.8)	—	—
Foreign exchange impact	—	(5.7)	—	(13.0)	—	—
Employer contributions	17.4	0.9	1.7	2.6	1.0	1.0
Employee contributions	—	—	—	0.4	—	—
Benefits paid	(23.4)	(3.2)	(27.5)	(1.5)	(1.0)	(1.0)
Fair value of plan assets at end of year	200.1	53.2	175.3	50.6	—	—
Under funded status at end of year	\$(95.9)	\$(18.4)	\$(105.9)	\$(15.4)	\$(11.1)	\$(13.6)

The components of the amounts recognized in the Consolidated Balance Sheets are as follows.

(In millions)	2010		Pension Benefits 2009		Post-Retirement Benefits	
	Domestic	International	Domestic	International	2010	2009
Current liabilities	\$(0.1)	\$—	\$(0.1)	\$—	\$(1.1)	(1.4)
Non-current liabilities	(95.8)	(18.4)	(105.8)	(15.4)	(10.0)	(12.2)
	\$(95.9)	\$(18.4)	\$(105.9)	\$(15.4)	\$(11.1)	\$(13.6)

The accumulated benefit obligation for the company's domestic pension benefit plans totaled \$289.6 million and \$277.8 million as of the end of fiscal years 2010 and 2009, respectively. For its international plans, these amounts totaled \$68.4 million and \$59.3 million as of the same dates, respectively.

The components of the amounts recognized in accumulated other comprehensive loss before the effect of income taxes are as follows.

(In millions)	2010		Pension Benefits 2009		Post-Retirement Benefits	
	Domestic	International	Domestic	International	2010	2009
Unrecognized net actuarial loss	\$165.6	\$24.7	\$170.6	\$22.6	\$2.0	\$4.2
Unrecognized prior service cost (credit)	(6.2)	—	(8.4)	—	0.2	0.2
Unrecognized transition amount	—	—	—	0.1	—	—
	\$159.4	\$24.7	\$162.2	\$22.7	\$2.2	\$4.4

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans (continued)

Components of Net Periodic Benefit Costs and Other Changes Recognized in Other Comprehensive Income

The following table is a summary of the annual cost of the company's pension and post-retirement plans.

(In millions)	Pension Benefits			Post-Retirement Benefits		
	2010	2009	2008	2010	2009	2008
Domestic:						
Service cost	\$8.1	\$8.4	\$8.1	\$—	\$—	\$—
Interest cost	17.9	18.3	16.1	0.6	0.8	0.9
Expected return on plan assets	(18.9)	(22.2)	(21.7)	—	—	—
Plan amendment	—	—	0.9	—	—	—
Net amortization	3.1	2.5	3.2	0.1	0.2	0.4
Net periodic benefit cost	\$10.2	\$7.0	\$6.6	\$0.7	\$1.0	\$1.3
International:						
Service cost	\$—	\$2.1	\$2.3			
Interest cost	4.2	4.6	4.3			
Expected return on plan assets	(4.4)	(4.6)	(5.1)			
Net amortization	1.3	1.0	0.6			
Net periodic benefit cost	\$1.1	\$3.1	\$2.1			
Total net periodic benefit cost	\$11.3	\$10.1	\$8.7	\$0.7	\$1.0	\$1.3

The net prior service credit and actuarial loss included in accumulated other comprehensive income expected to be recognized in net periodic benefit cost during fiscal 2011 is prior service cost of \$2.2 million (\$1.3 million, net of tax) and actuarial loss of \$8.9 million (\$5.4 million, net of tax), respectively.

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Income) Loss

(In millions)	Pension Benefits		Post-Retirement Benefits	
	2010	2009	2010	2009
Domestic				
Prior service cost	\$—	\$—	\$—	\$—
Net actuarial (gain) loss	0.3	98.2	(2.2)	0.4
One time termination benefits and curtailment costs ⁽¹⁾	—	(1.8)	—	—
Net amortization	(3.1)	(2.5)	(0.1)	(0.2)
Total recognized in other comprehensive (income) loss	(2.8)	93.9	(2.3)	0.2
Total recognized net pension cost and other comprehensive (income) loss	\$7.4	\$100.9	\$(1.6)	\$1.2
International				
Prior service cost	\$0.3	\$0.2		
Net actuarial loss	5.5	1.7		
Net amortization	(1.0)	(0.8)		
Total recognized in other comprehensive loss	4.8	1.1		
Total recognized net pension cost and other comprehensive loss	\$5.9	\$4.2		
Total:				
Total recognized in other comprehensive (income) loss	\$2.0	\$95.0	\$(2.3)	\$0.2
Total recognized net pension cost and other comprehensive (income) loss	\$13.3	\$105.1	\$(1.6)	\$1.2

(1) One time termination benefits and curtailment costs were recognized in fiscal 2009 related to the shutdown of the company's IMT facility.

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans *(continued)*

Actuarial Assumptions

The weighted-average actuarial assumptions used to determine the benefit obligation amounts as of the end of the fiscal year for the company's pension plans and post-retirement plans are as follows.

	2010		2009		2008	
	U.S.	International	U.S.	International	U.S.	International
(Percentages)						
Discount rate	5.25	5.50	6.75	6.50	6.75	6.25
Compensation increase rate	4.50	4.90	4.50	4.80	4.50	5.00

The weighted-average actuarial assumptions used to determine the net periodic benefit cost are established at the end of the previous fiscal year for the subsequent fiscal years as follows.

	2010		2009		2008	
	U.S.	International	U.S.	International	U.S.	International
(Percentages)						
Discount rate	6.75	6.50	6.75	6.25	6.00	5.50
Compensation increase rate	4.50	4.80	4.50	5.00	4.50	4.50
Expected return on plan assets	7.75	7.25	8.50	7.30	8.50	7.75

In calculating post-retirement benefit obligations, a 7.7 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2010, decreasing gradually to 4.5 percent by 2029 and remaining at that level thereafter. For purposes of calculating post-retirement benefit costs, a 7.8 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2009, decreasing gradually to 4.5 percent by 2029 and remaining at that level thereafter.

Assumed health care cost-trend rates have a significant effect on the amounts reported for retiree health care costs. A one-percentage-point change in the assumed health care cost-trend rates would have the following effects:

(In millions)	1 Percent Increase	1 Percent Decrease
Effect on total fiscal 2010 service and interest cost components	\$—	\$—
Effect on post-retirement benefit obligation at May 29, 2010	\$0.6	\$(0.5)

Plan Assets and Investment Strategies

The company's primary domestic and international employee benefit plans' assets consist mainly of listed common stocks, mutual funds, fixed income obligations and cash. The company's primary objective for invested pension plan assets is to provide for sufficient long-term growth and liquidity to satisfy all of its benefit obligations over time. Accordingly, the company has developed an investment strategy that it believes maximizes the probability of meeting this overall objective. This strategy includes the development of a target investment allocation by asset category in order to provide guidelines for making investment decisions. This target allocation emphasizes the long-term characteristics of individual asset classes as well as the diversification among multiple asset classes. In developing its strategy, the company considered the need to balance the varying risks associated with each asset class with the long-term nature of its benefit obligations. The company's strategy moving forward will be to increase the level of fixed income investments as the funding status improves, thereby more closely matching the return on assets with the liabilities of the plans.

The company utilizes independent investment managers to assist with investment decisions within the overall guidelines of the investment strategy.

The company has assumed an average long-term expected return on defined benefit plan assets of 7.75 percent and 7.25 percent for its primary domestic plan and international plan, respectively, as of May 29, 2010. The expected return is determined by applying the target allocation in each asset category of plan investments to the anticipated return for each asset category based on historical and projected returns.

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans *(continued)*

The asset allocation for the company's primary pension plans at the end of fiscal 2010 and 2009 are as follows:

Primary Domestic Plan

(Percentages)	Targeted Asset Allocation	Actual Percentage of Plan Assets at Year end	
		2010	2009
Asset Category			
Equities	54 – 66	54	56
Fixed Income	35 – 43	45	42
Other ⁽¹⁾	0 – 5	1	2
Total		100	100

(1) Primarily includes cash and equivalents.

Primary International Plan

(Percentages)	Targeted Asset Allocation	Actual Percentage of Plan Assets at Year end	
		2010	2009
Asset Category			
Equities	54 – 66	59	61
Fixed Income	35 – 43	39	27
Other ⁽¹⁾	0 – 5	2	12
Total		100	100

(1) Primarily includes cash and equivalents.

The following tables summarize the fair value of the company's domestic and international pension plans by asset category. The company currently does not hold any level three investments within any of its pension plans.

(In millions)	Level 1	Level 2	Domestic Plans
			Total
Asset Category			
Cash and cash equivalents	\$0.6	\$0.5	\$1.1
Common collective trusts-equities	—	92.0	92.0
Debt securities-corporate	—	4.5	4.5
Common collective trusts-fixed income	—	86.0	86.0
Equities – Herman Miller stock	16.5	—	16.5
Total	\$17.1	\$183.0	\$200.1

(In millions)	Level 1	Level 2	International Plan
			Total
Asset Category			
Cash and cash equivalents	\$6.1	\$—	\$6.1
Common collective trusts-equities	—	32.7	32.7
Debt securities-government	—	0.6	0.6
Debt securities-corporate	—	13.4	13.4
Other	—	0.4	0.4
Total	\$6.1	\$47.1	\$53.2

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans *(continued)*

Cash Flows

The company anticipates contributing \$14.8 million to its pension plans in fiscal 2011 and is reviewing whether any voluntary pension plan contributions will be made in the next year. Actual contributions will be dependent upon investment returns, changes in pension obligations, and other economic and regulatory factors. In fiscal 2010 the company made a non-cash contribution of company stock to its domestic benefit plan which was valued at \$16.7 million at the contribution date. The company also made cash contributions totaling \$2.6 million to its benefit plans.

In August 2006, the Pension Protection Act of 2006 (the "Act") was signed into law. Beginning in 2008, the Act replaces prevailing statutory minimum funding requirements, and will generally require contributions to the company's U.S. defined benefit pension plans in amounts necessary to fund the cost of currently-accruing benefits, and to fully-fund any unfunded accrued benefits over a period of seven years. In the long-term, the new law is not expected to materially change aggregate contributions required to be made to the U.S. pension plans, although such contributions may vary on a year to year basis from what otherwise would have been required. The extent of these variations is not expected to have a material impact on the company's financial position or cash flows.

The following represents a summary of the benefits expected to be paid by the plans in future fiscal years. These expected benefits were estimated based on the same actuarial valuation assumptions used to determine benefit obligations at May 29, 2010.

(In millions)	Domestic Pension Benefits	International Pension Benefits	Post-retirement Benefits
2011	\$24.2	\$1.0	\$1.1
2012	24.6	1.0	1.1
2013	26.1	1.1	1.1
2014	27.3	1.1	1.1
2015	21.0	1.1	1.0
2016-2020	115.6	6.2	4.5

Profit Sharing and 401(k) Plan

Herman Miller, Inc. has a trustee profit sharing plan that includes substantially all domestic employees. These employees are eligible to begin participating on their date of hire. The plan provides for discretionary contributions, payable in the company's common stock, of not more than 6.0 percent of employees' wages based on the company's financial performance. The company made no profit sharing contributions in fiscal years 2010 and 2009; and the cost of the profit sharing contribution in 2008 was \$11.0 million.

The company has traditionally matched 50 percent of employee contributions to their 401(k) accounts up to 6.0 percent of their pay. The company indefinitely suspended the 401(k) matching program in the fourth quarter of fiscal 2009 and the suspension remained in effect for all of fiscal 2010. The company will continue to evaluate its cost structure to determine when the suspension will end. The company, therefore, did not incur any costs for this program in fiscal 2010. The cost of the company's matching contributions charged against operations was approximately \$4.7 million and \$6.8 million, in fiscal years 2009 and 2008, respectively.

13. Common Stock and Per Share Information

The following table reconciles the numerators and denominators used in the calculations of basic and diluted EPS for each of the last three fiscal years.

(In millions, except shares)	2010	2009	2008
Numerators:			
Numerators for both basic EPS, net earnings attributable to controlling interest	\$28.3	\$68.0	\$152.3
Income from adjustments to contingent consideration that can be settled in common stock at the company's option, net of tax	(3.6)	—	—
Numerator for diluted EPS	\$24.7	\$68.0	\$152.3
Denominators:			
Denominators for basic EPS, weighted-average common shares outstanding	55,997,781	54,138,570	59,109,284
Potentially dilutive shares resulting from stock plans	1,492,587	396,921	475,632
Denominator for diluted EPS	57,490,368	54,535,491	59,584,916

Options to purchase 2,777,406 shares, 3,029,844 shares, and 1,295,762 shares of common stock have not been included in the denominator for the computation of diluted earnings per share for the fiscal years ended May 29, 2010, May 30, 2009, and May 31, 2008, respectively, because they were anti-dilutive.

Notes to the Consolidated Financial Statements *(continued)*

14. Stock-Based Compensation

The company utilizes equity-based compensation incentives as a component of its employee and non-employee director and officer compensation philosophy. Currently, these incentives consist principally of stock options, restricted stock, restricted stock units and performance share units. The company also offers a discounted stock purchase plan for its domestic and international employees. The company issues shares in connection with its share-based compensation plans from authorized, but unissued, shares.

Valuation and Expense Information

For all accounting issues related to employee compensation, including stock-based compensation, the company applies the accounting principles contained in ASC Topic 718, *Compensation-Stock Compensation* which generally requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on their grant-date fair market value and to recognize this cost over the requisite service period.

Certain of the company's equity-based compensation awards contain provisions that allow for continued vesting into retirement. Under Topic 718, a stock-based award is considered fully vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service.

Pre-tax compensation expense for all types of stock-based programs was \$4.4 million, \$3.2 million, and \$6.2 million for the fiscal years ended May 29, 2010, May 30, 2009, and May 31, 2008, respectively. The company classifies pre-tax stock-based compensation expense primarily within "Operating Expenses" in the Consolidated Statements of Operations. Related expenses charged to "Cost of Sales" are not material. The corresponding income tax benefit recognized for the fiscal years ended May 29, 2010, May 30, 2009, May 31, 2008, was \$1.5 million, \$1.0 million, and \$2.1 million, respectively.

As of May 29, 2010, total pre-tax stock-based compensation cost not yet recognized related to non-vested awards was approximately \$4.5 million. The weighted-average period over which this amount is expected to be recognized is 1.74 years.

The company estimated the fair value of employee stock options on the date of grant using the Black-Scholes model. In determining these values, the following weighted-average assumptions were used for the options granted during the fiscal years indicated.

	2010	2009	2008
Risk-free interest rates ⁽¹⁾	2.71-2.84%	1.96-3.55%	3.13-4.82%
Expected term of options ⁽²⁾	5.5 years	5.5 years	1.6-5.5 years
Expected volatility ⁽³⁾	41%	33%	28%
Dividend yield ⁽⁴⁾	0.56%	1.4%	1.0%
Weighted-average grant-date fair value of stock options:			
Granted with exercise prices equal to the fair market value of the stock on the date of grant	\$6.24	\$7.25	\$9.55
Granted with exercise prices greater than the fair market value of the stock on the date of grant	—	—	—

(1) Represents the U.S. Treasury yield over the same period as the expected option term.

(2) Represents the period of time that options granted are expected to be outstanding. Based on analysis of historical option exercise activity, the company has determined that all employee groups exhibit similar exercise and post-vesting termination behavior.

(3) Amount is determined based on analysis of historical price volatility of the company's common stock over a period equal to the expected term of the options. The company also utilizes a market-based or "implied volatility" measure, on exchange-traded options in the company's common stock, as a reference in determining this assumption.

(4) Represents the company's estimated cash dividend yield over the expected term of options.

Stock-based compensation expense recognized in the Consolidated Statements of Operations, has been reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. Topic 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

Employee Stock Purchase Program

Under the terms of the company's Employee Stock Purchase Plan, 4 million shares of authorized common stock were reserved for purchase by plan participants at 85.0 percent of the market price. The company recognized pre-tax compensation expense related to employee stock purchases of \$0.3 million, \$0.4 million, and \$0.5 million for the fiscal years ended May 29, 2010, May 30, 2009, and May 31, 2008, respectively.

Notes to the Consolidated Financial Statements

14 Stock-Based Compensation (continued)

Stock Option Plans

The company has stock option plans under which options to purchase the company's stock are granted to employees and non-employee directors and officers at a price not less than the market price of the company's common stock on the date of grant. Under the current award program, all options become exercisable between one year and three years from date of grant and expire two to ten years from date of grant. Most options are subject to graded vesting with the related compensation expense recognized on a straight-line basis over the requisite service period. At May 29, 2010, there were 6.2 million shares available for future options.

The following is a summary of the transactions under the company's stock option plans:

	Shares Under Option	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Millions)
Outstanding at June 2, 2007	2,860,122	\$27.18	4.82	\$26.8
Granted at market	317,902	\$31.35		
Exercised	(125,301)	\$24.03		
Forfeited or expired	(58,121)	\$30.84		
Outstanding at May 31, 2008	2,994,602	\$27.68	4.36	\$1.5
Granted at market	509,100	\$23.07		
Exercised	(23,050)	\$24.29		
Forfeited or expired	(656,440)	\$27.86		
Outstanding at May 30, 2009	2,824,212	\$26.83	4.86	\$0.2
Granted at market	337,253	\$15.76		
Exercised	(10,000)	\$20.06		
Forfeited or expired	(372,829)	\$25.72		
Outstanding at May 29, 2010	2,778,636	\$25.66	4.79	\$1.8
Ending vested + expected to vest	2,757,684	\$25.71	4.76	\$1.7
Exercisable at end of period	2,147,992	\$26.97	3.68	\$0.7

Pre-tax compensation expense related to these options totaled \$2.5 million, \$2.9 million, and \$3.0 million for fiscal 2010, 2009, and 2008, respectively.

The total pre-tax intrinsic value of options exercised during fiscal 2010, 2009 and 2008 was negligible, \$0.1 million, and \$0.9 million, respectively. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the company's closing stock price as of the end of the period presented, which would have been received by the option holders had all option holders exercised in-the-money options as of that date.

The following is a summary of stock options outstanding at May 29, 2010.

Range of Exercise Price	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted-Average Remaining Contractual Term (Years)	Weighted-Average Exercise Prices	Shares	Weighted-Average Exercise Prices
\$12.33-\$25.00	1,037,317	4.9	\$20.03	715,693	\$21.96
\$25.06-\$30.54	1,204,111	4.5	\$27.22	963,706	\$27.64
\$31.84-\$38.13	537,208	5.3	\$33.05	468,593	\$33.22
Total	2,778,636	4.8	\$25.66	2,147,992	\$26.97

Notes to the Consolidated Financial Statements

14 Stock-Based Compensation (continued)

Restricted Stock Grants

The company periodically grants restricted common stock to certain key employees. Shares are granted in the name of the employee, who has all rights of a shareholder, subject to certain restrictions on transferability and a risk of forfeiture. The grants are subject to either cliff-based or graded vesting over a period not to exceed five years, subject to forfeiture if the employee ceases to be employed by the company for certain reasons. After the vesting period, the risk of forfeiture and restrictions on transferability lapse. The company recognizes the related compensation expense on a straight-line basis over the requisite service period. A summary of shares subject to restrictions are as follows:

	2010		2009		2008	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Outstanding, at beginning of year	116,860	\$26.25	116,074	\$26.59	106,001	\$26.00
Granted	42,481	\$15.96	4,500	\$20.04	12,922	\$31.13
Vested	(104,112)	\$25.69	(2,814)	\$29.02	(2,849)	\$25.21
Forfeited or expired	(500)	\$10.78	(900)	\$30.06	—	\$—
Outstanding, at end of year	54,729	\$19.48	116,860	\$26.25	116,074	\$26.59

Pre-tax compensation expense related to these awards totaled \$0.4 million, \$0.7 million, and \$0.7 million for the fiscal years ended May 29, 2010, May 30, 2009 and May 31, 2008 respectively. The weighted-average remaining recognition period of the outstanding restricted shares at May 29, 2010, was 2.92 years. The fair value on the dates of vesting for shares that vested during the twelve months ended May 29, 2010, was \$1.8 million.

Restricted Stock Units

The company grants restricted stock units to certain key employees. This program provides that the actual number of restricted stock units awarded is based on the value of a portion of the participants long-term incentives compensation divided by the fair market values of the company stock on the date of grant. In some years the program is based in part to the company's annual financial performance for the year on which the grant is based. The awards generally cliff-vest after a three-year service period, with prorated vesting under certain circumstances and continued vesting into retirement. Each restricted stock unit represents one equivalent share of the company's common stock to be awarded, free of restrictions, after the vesting period. Compensation expense related to these awards is recognized over the requisite service period, which includes any applicable performance period. Dividend equivalent awards are granted quarterly. The units do not entitle participants the rights of shareholders of common stock, such as voting rights until shares are issued after the vesting period. The following is a summary of restricted stock unit transactions for the fiscal years indicated.

	2010			2009			2008		
	Share Units	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)	Share Units	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)	Share Units	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)
Outstanding, at beginning of year	147,811	\$2.0	1.7	168,374	\$4.1	2.7	177,474	\$6.5	3.7
Granted	83,780			3,438			2,195		
Forfeited	(8,289)			(9,927)			(8,404)		
Released	(8,896)			(14,074)			(2,891)		
Outstanding, at end of year	214,406	\$4.0	1.2	147,811	\$2.0	1.7	168,374	\$4.1	2.7
Ending vested + expected to vest	201,266	\$3.9	1.2	134,402	\$1.9	1.7	143,554	\$3.6	2.7

Pre-tax compensation expense related to restricted stock units totaled \$1.2 million, \$0.6 million, and \$0.6 million for fiscal 2010, 2009 and 2008, respectively.

Notes to the Consolidated Financial Statements

14 Stock-Based Compensation (continued)

Performance Share Units

The company has previously granted performance share units to certain key employees, none of which were granted prior to fiscal 2008. The number of units initially awarded was based on the value of a portion of the participant's long-term incentive compensation, divided by the fair value of the company's common stock on the date of grant. Each unit represents one equivalent share of the company's common stock. The number of common shares ultimately issued in connection with these performance share units is determined based on the company's financial performance over the related three-year service period. Compensation expense is determined based on the grant-date fair value and the number of common shares projected to be issued, and is recognized over the requisite service period. The following is a summary of performance share unit transactions for the fiscal years indicated.

	2010			2009			2008		
	Share Units	Aggregate Intrinsic Value in Millions	Weighted- Average Remaining Contractual Term (Years)	Share Units	Aggregate Intrinsic Value in Millions	Weighted- Average Remaining Contractual Term (Years)	Share Units	Aggregate Intrinsic Value in Millions	Weighted- Average Remaining Contractual Term (Years)
Outstanding, at beginning of year	182,977	\$—	1.7	93,023	\$2.3	2.2	—	\$—	—
Granted	—	—	—	101,426	—	—	95,530	—	—
Forfeited	(4,115)	—	—	(11,472)	—	—	(2,507)	—	—
Outstanding, at end of year	178,862	\$—	0.7	182,977	\$—	1.7	93,023	\$2.3	2.2
Ending vested + expected to vest	—	\$—	—	—	\$—	1.7	85,434	\$2.1	2.2

Pre-tax compensation expense (income) related to performance stock units totaled zero, (\$1.4) million and \$1.4 million for fiscal 2010, 2009, and 2008 respectively. The recognition of income during fiscal 2009 was the result of the reversal of prior period expense for performance stock awards. This action was taken because it was no longer deemed probable that these awards would be earned due to the company's recent financial performance.

Deferred Compensation Plans

In 2008 the company discontinued use of the existing Non-qualified Deferred Compensation Plan for new contributions and established the Herman Miller, Inc. Executive Equalization Retirement Plan.

The Non-qualified Deferred Compensation Plan allowed selected employees to defer part or all of their executive incentive cash bonus payment each year. The company could make a matching contribution of 30 percent of the executive's contribution up to 50 percent of the deferred cash incentive bonus. The company's matching contribution vested at the rate of 33 1/3 percent annually. In accordance with the terms of the plan, the executive deferral and company matching contribution were placed in a "Rabbi" trust, which invested solely in the company's common stock. Rabbi trust arrangements offer the executive a degree of assurance for ultimate payment of benefits without causing constructive receipt for income tax purposes. Distributions to the executive from the Rabbi trust can only be made in the form of the company's common stock. The assets in the Rabbi trust remain subject to the claims of creditors of the company and are not the property of the executive and are, therefore, included as a separate component of shareholders' equity under the caption Key Executive Deferred Compensation. Shares associated with the Non-qualified Deferred Compensation Plan are included in the denominator for both basic and diluted EPS.

The Herman Miller, Inc. Executive Equalization Retirement Plan is a supplemental deferred compensation plan and was made available for salary deferrals and company contributions beginning in January 2008. The plan is available to a select group of management or highly compensated employees who are selected for participation by the Executive Compensation Committee of the Board of Directors. The plan allows participants to defer up to 50 percent of their base salary and 100 percent of their incentive cash bonus. Company contributions to the plan "mirror" the amounts the company would have contributed to the various qualified retirement plans had the employee's compensation not been above the IRS statutory ceiling (\$245,000 in 2010). The company does not guarantee a rate of return for these funds. Instead, participants make investment elections for their deferrals and company contributions. Investment options are the same as those available under the Herman Miller Profit Sharing and 401(k) Plan except for company stock which is not an investment option under this plan.

In accordance with the terms of the Executive Equalization Plan, the salary and bonus deferrals and company contributions have been placed in a Rabbi trust. The assets in the Rabbi trust remain subject to the claims of creditors of the company and are not the property of the participant and are, therefore, included as an asset on the company's balance sheet within the other assets line item. A liability of the same amount is recorded on the consolidated balance sheet within the other liabilities line item. Investment assets are classified as trading, and accordingly, realized and unrealized gains and losses are recognized within the company's consolidated statement of operations in the interest and other investment income line item. The associated changes to the liability are recorded as compensation expense within the selling, general and administrative line item within the company's consolidated statement of operations. The net effect of any change to the asset and corresponding liability is offset and has no impact on the statement of operations.

Notes to the Consolidated Financial Statements

14 Stock-Based Compensation *(continued)*

Director Fees

Company directors may elect to receive their director fees in one or more of the following forms: cash, deferred compensation in the form of shares, unrestricted company stock at the market value at the date of election, or stock options that vest in one year and expire in ten years. The exercise price of the stock options granted may not be less than the market price of the company's common stock on the date of grant. Under the plan, the Board members received the following shares or options in the fiscal years indicated.

	2010	2009	2008
Options	8,957	94,544	21,746
Shares of common stock	18,735	30,004	16,086
Shares through the deferred compensation program	7,148	—	4,334

15. Income Taxes

The components of earnings before income taxes are as follows.

(In millions)	2010	2009	2008
Domestic	\$38.4	\$90.4	\$188.2
Foreign	(3.6)	8.5	42.2
Total	\$34.8	\$98.9	\$230.4

The provision (benefit) for income taxes consists of the following.

(In millions)	2010	2009	2008
Current:			
Domestic – Federal	\$8.6	\$22.2	\$66.9
Domestic – State	0.8	2.2	5.3
Foreign	(0.2)	3.2	16.4
Subtotal	9.2	27.6	88.6
Deferred:			
Domestic – Federal	(2.6)	4.3	(7.7)
Domestic – State	(0.2)	(0.3)	(0.4)
Foreign	0.1	(0.6)	(2.3)
Subtotal	(2.7)	3.4	(10.4)
Total income tax provision	\$6.5	\$31.0	\$78.2

The following table represents a reconciliation of income taxes at the United States statutory rate with the effective tax rate as follows.

(In millions)	2010	2009	2008
Income taxes computed at the United States statutory rate of 35%	\$12.2	\$34.6	\$80.7
Increase (decrease) in taxes resulting from:			
Change in unrecognized tax benefits	(4.9)	0.7	1.3
Disallowed meals and entertainment expenses	0.8	0.5	0.5
Manufacturing deduction under the American Jobs Creation Act of 2004	(1.2)	(1.4)	(3.4)
Foreign tax credits	—	(1.2)	(0.6)
Other, net	(0.4)	(2.2)	(0.3)
Income tax expense	\$6.5	\$31.0	\$78.2
Effective tax rate	18.8%	31.4%	33.9%

The company was granted a tax holiday from the Ningbo Economic and Technological Development Commission in China. This agreement provides, starting with the first year of cumulative profits, for the company to be taxed at a reduced rate for five years. The company's Ningbo, China operations started the first year of the tax holiday as of January 1, 2008.

Notes to the Consolidated Financial Statements

15 Income Taxes *(continued)*

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at May 29, 2010 and May 30, 2009, are as follows:

(In millions)	2010	2009
Deferred tax assets:		
Compensation-related accruals	\$12.4	\$11.7
Accrued pension and post-retirement benefit obligations	48.5	52.4
Accrued health claims	1.4	1.6
Reserves for inventory	2.1	1.7
Reserves for uncollectible accounts and notes receivable	1.6	2.3
Other reserves and accruals	6.5	5.1
Warranty	5.1	5.0
State and local tax net operating loss carryforwards	4.0	3.8
Federal net operating loss carryforward	0.3	0.4
State credits	1.6	1.8
Foreign tax net operating loss carryforwards	7.2	5.4
Foreign tax credits	0.5	0.2
Other	3.7	4.7
Subtotal	94.9	96.1
Valuation allowance	(11.0)	(9.2)
Total	\$83.9	\$86.9
Deferred tax liabilities:		
Book basis in property in excess of tax basis	\$(18.1)	\$(17.1)
Prepaid employee benefits	—	(5.2)
Intangible assets	(6.4)	(3.9)
Other	(0.5)	(0.9)
Total	\$(25.0)	\$(27.1)

The future tax benefits of net operating loss (NOL) carryforwards and foreign tax credits are recognized to the extent that realization of these benefits is considered more likely than not. The company bases this determination on the expectation that related operations will be sufficiently profitable or various tax planning strategies will enable the company to utilize the NOL carryforwards and/or foreign tax credits. To the extent that available evidence about the future raises doubt about the realization of these tax benefits, a valuation allowance is established.

At May 29, 2010, the company had state and local tax NOL carryforwards of \$61.6 million, the tax benefit of which is \$4.0 million, which have various expiration periods from one to twenty years. The company also had state credits with a tax benefit of \$1.6 million that expire in one to five years. For financial statement purposes, the NOL carryforwards and state tax credits have been recognized as deferred tax assets, subject to a valuation allowance of \$4.2 million.

At May 29, 2010, the company had a federal NOL carryforward of \$0.9 million, the tax benefit of which is \$0.3 million, which expires in 16 years. For financial statement purposes, the NOL carryforward has been recognized as a deferred tax asset, subject to a valuation allowance of \$0.3 million.

At May 29, 2010, the company had foreign net operating loss carryforwards of \$26.6 million, the tax benefit of which is \$7.2 million, which have expiration periods from two years to an unlimited term. The company also had foreign tax credits with a tax benefit of \$0.5 million that expire in six to ten years. For financial statement purposes, NOL carryforwards and foreign tax credits have been recognized as deferred tax assets, subject to a valuation allowance of \$6.5 million.

The company has not provided for United States income taxes on undistributed earnings of foreign subsidiaries totaling approximately \$65.9 million. Recording deferred income taxes on these undistributed earnings is not required, because these earnings have been deemed to be permanently reinvested. These amounts would be subject to possible U.S. taxation only if remitted as dividends. The determination of the hypothetical amount of unrecognized deferred U.S. taxes on undistributed earnings of foreign entities is not practicable.

Notes to the Consolidated Financial Statements

15 Income Taxes *(continued)*

The company adopted the uncertain tax position provisions of ASC Topic 740-*Income Taxes*, during the first quarter of fiscal 2008. As a result of the adoption the company recorded an increase in liabilities for income tax accruals associated with tax benefits claimed on tax returns but not recognized for financial statements purposes ("unrecognized tax benefits"). The components of the company's unrecognized tax benefits are as follows:

(In millions)

Balance at May 30, 2009	\$7.7
Increases related to current year income tax positions	0.2
Increases related to prior year income tax positions	0.6
Decreases related to prior year income tax positions	(5.1)
Decreases related to lapse of applicable statute of limitations	(1.3)
Balance at May 29, 2010	\$2.1

The company's effective tax rate would have been affected by the \$2.1 million of unrecognized tax benefits had this amount been recognized as a reduction to income tax expense.

The company recognizes interest and penalties related to unrecognized tax benefits through income tax expense in its statement of operations. Interest and penalties recognized in the company's Consolidated Statements of Operations for the year ended May 29, 2010 resulted in a favorable adjustment of \$0.3 million. Interest and penalties recognized in the company's Consolidated Statements of Operations for the year ended May 30, 2009 were an expense of \$0.1 million. As of May 29, 2010 and May 30, 2009, the company's recorded liability for interest and penalties related to unrecognized tax benefits totaled \$0.7 million and \$1.0 million, respectively.

The company is subject to periodic audits by domestic and foreign tax authorities. Currently, the company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of new positions that may be taken on income tax returns, settlement of tax positions and the closing of statutes of limitation. It is not expected that any of the changes will be material to the company's Consolidated Statement of Operations.

During the year, the company has closed the audits of fiscal years 2005 to 2009 with the Internal Revenue Service under the Compliance Assurance Process (CAP). For the majority of the remaining tax jurisdictions, the company is no longer subject to state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2007.

16. Fair Value of Financial Instruments

The company adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for financial assets and liabilities in the first quarter of fiscal 2008, and for its non-financial assets and liabilities in the first quarter of fiscal 2009, neither of which had a material impact on the company's consolidated financial statements. ASC Topic 820 gives a comprehensive framework for measuring the fair value of assets and liabilities and expands disclosures about fair value measurements. Specifically, this Topic sets forth a definition of fair value, and establishes a hierarchy prioritizing the use of inputs in valuation techniques. This Topic defines levels within the hierarchy as follows:

- *Level 1* — Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- *Level 2* — Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. Financial instrument values are determined using prices for recently traded financial instruments with similar underlying terms and direct or indirect observational inputs, such as interest rates and yield curves at commonly quoted intervals.
- *Level 3* — Financial instruments not actively traded on a market exchange and there is little, if any, market activity. Values are determined using significant unobservable inputs or valuation techniques.

The company's financial instruments consist of cash equivalents, marketable securities, accounts and notes receivable, deferred compensation plan, accounts payable, debt and foreign currency exchange contracts. The company's estimates of fair value for financial instruments, other than marketable securities, approximate their carrying amounts as of May 29, 2010 and May 30, 2009. As of May 29, 2010, the carrying value of the company's long-term debt, including both current maturities and the fair value of the company's interest rate swap arrangements, was \$301.2 million with a corresponding fair market value of \$309.7 million. At May 30, 2009, the carrying value and fair market value was \$377.4 million and \$365.6 million, respectively.

The following describes the methods the company uses to estimate the fair value of financial assets and liabilities, of which there have been no significant changes in the current period:

Available-for-sale securities

The company's Level 2 available-for-sale marketable securities primarily include U.S. government and agency securities, asset-backed debt securities and corporate debt securities and are valued as described above.

Notes to the Consolidated Financial Statements

16 Fair Value of Financial Instruments (continued)

Interest rate swap agreements and foreign currency forward contracts

The company's Level 2 interest rate swap agreements and foreign currency forward contracts values are determined using a market approach based on rates obtained from active markets.

Foreign currency exchange contracts

The company Level 2 foreign currency exchange contracts are valued using an approach based on foreign currency exchange rates obtained from active markets. The estimated fair value of forward currency exchange contracts is based on month-end spot rates as adjusted by market-based current activity.

The following tables set forth financial assets and liabilities measured at fair value in the Condensed Consolidated Balance Sheets and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of May 29, 2010 and May 30, 2009:

(In millions)	Fair Value Measurements as of May 29, 2010		
	Total	Quoted Prices in Active Markets (Level 1)	Quoted Prices with Other Observable Inputs (Level 2)
Financial Assets			
Available-for-sale marketable securities			
Asset-backed securities	\$0.8	\$—	\$0.8
Corporate securities	5.1	—	5.1
Government obligations	5.3	—	5.3
Mortgage-backed securities	0.9	—	0.9
Interest rate swap agreements	1.2	—	1.2
Deferred compensation plan investments	1.9	—	1.9
Total	\$15.2	\$—	\$15.2

The following is a summary of the carrying and market values of the company's marketable securities as of the dates indicated.

(In millions)	May 29, 2010			
	Cost	Unrealized Gain	Unrealized Loss	Market Value
Asset-backed securities	\$0.8	\$—	\$—	\$0.8
Corporate securities	5.1	—	—	5.1
Government obligations	5.3	—	—	5.3
Mortgage-backed securities	1.0	0.1	(0.2)	0.9
Total	\$12.2	\$0.1	\$(0.2)	\$12.1

(In millions)	May 30, 2009			
	Cost	Unrealized Gain	Unrealized Loss	Market Value
Asset-backed securities	\$0.5	\$—	\$(0.2)	\$0.3
Corporate securities	3.9	—	—	3.9
Government obligations	3.6	0.3	—	3.9
Mortgage-backed securities	3.8	—	(0.6)	3.2
Total	\$11.8	\$0.3	\$(0.8)	\$11.3

The company does not hold any Level 3 financial instruments. ASC Topic 825, *Financial Instruments*, expands the use of fair value measurement by permitting entities to choose to measure at fair value, many financial instruments and certain other items that are not currently required to be measured at fair value. The company adopted the provisions of ASC Topic 825 at the beginning of fiscal 2009 and has elected not to expand the use of fair value accounting beyond those assets and liabilities currently required to use this basis of measurement.

Net investment gain recognized in the Consolidated Statements of Operations for available-for-sale investments totaled \$0.9 million for the year ended May 29, 2010. Net investment loss recognized in the Consolidated Statements of Operations for available-for-sale investments totaled \$0.2 million for the year ended May 30, 2009. A net investment gain of \$0.7 million was recognized for the year ended May 31, 2008. The net investment gain of \$0.9 million in fiscal 2010 included an other-than-temporary-impairment charge for certain debt securities of \$0.4 million.

Notes to the Consolidated Financial Statements

16 Fair Value of Financial Instruments (continued)

Topic 320 provides guidance on determining when an investment is other-than-temporarily impaired. The company reviews its fixed income and equity investment portfolio for any unrealized losses that would be deemed other-than-temporary and require the recognition of an impairment loss in income. If the cost of an investment exceeds its fair value, the company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than its cost, and the company's intent to hold the investments and whether it is more likely than not that the company will be required to sell the investments before recovery of their amortized cost basis. The company also considers the type of security, related-industry and sector performance, as well as published investment ratings and analyst reports, to evaluate its portfolio. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. If conditions within individual markets, industry segments, or macro-economic environments deteriorate, the company could incur future impairments. In the fourth quarter of fiscal 2009, the company determined that equity investment losses of \$0.6 million represented an other-than-temporary impairment and, accordingly, these losses were recognized in the consolidated statement of operations. In the second quarter of fiscal 2010, the company determined that certain debt securities had other-than-temporarily impaired assets in the amount of \$0.8 million. Of these losses, \$0.4 million were determined to be credit-related and were, therefore, recognized in the Statement of Operations, "Other Expenses (Income): Other, net" line item. The remainder of the impairment is recognized as a component of accumulated other comprehensive loss and is shown net in the company's Consolidated Statement of Shareholders' Equity.

The following is a summary of the credit loss component of the company's debt securities that have been written down for other-than-temporary-impairment (OTTI) with the credit loss component recognized in earnings and the remaining impairment loss related to all other factors recognized in accumulated other comprehensive loss:

(In millions)	
Balance at May 30, 2009	\$—
Additions:	
Credit losses for which OTTI was not previously recognized	0.4
Additional increases to the amount related to credit loss for which OTTI was previously recognized	—
Subtractions:	
Realized losses recorded previously as credit losses	(0.2)
Balance at May 29, 2010	\$0.2

Maturities of debt securities included in marketable securities as of May 29, 2010, are as follows:

(In millions)	Cost	Market Value
Due within one year	\$1.7	\$1.8
Due after one year through five years	10.3	10.2
Due after five years through ten years	0.2	0.1
Due after ten years	—	—
Total	\$12.2	\$12.1

Investments that are in unrealized loss positions as of May 29, 2010 are as follows:

(In millions)	Aggregate Unrealized Loss	Aggregate Fair Value	Number of Investments in Unrealized Loss Position
Less than one year	\$—	\$—	—
Greater than one year	\$(0.2)	\$0.3	4

Notes to the Consolidated Financial Statements *(continued)*

17. Financial Instruments with Off-Balance Sheet Risk

The company has periodically utilized financial instruments to manage its foreign currency volatility at the transactional level as well as its exposure to interest rate fluctuations.

Foreign Currency Contracts

In the normal course of business, the company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the company conducts its business are the British pound sterling, euro, Canadian dollar, Japanese yen, Mexican peso, and Chinese renminbi. As of May 29, 2010, the company had outstanding, nine forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. One forward contract was placed in order to offset 4.1 million euro-denominated net asset exposure and three forward contracts were placed in order to offset 5.6 million U.S. dollar-denominated net asset exposure. Four forward contracts were placed to offset a 14.0 million U.S. dollar-denominated net liability exposure and one forward contract was placed to offset a 1.6 million British pound sterling-denominated net liability exposure.

As of May 30, 2009, the company had outstanding nine forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Three forward contracts were placed in order to offset 4.8 million euro-denominated net asset exposure and three forward contracts were placed in order to offset 6.4 million U.S. dollar-denominated net asset exposure. Two forward contracts were placed to offset a 4.0 million U.S. dollar-denominated net liability exposure. One forward contract was placed to offset a 1.6 million British pound sterling-denominated net liability exposure. The fair value of the forward currency instruments was a negligible amount and \$0.1 million at May 29, 2010 and May 30, 2009, respectively.

Interest Rate Swaps

In November 2003, the company entered into a fixed-to-floating interest rate swap agreement. The agreement expires on March 15, 2011, and effectively converts \$50.0 million of fixed-rate debt securities to a floating-rate basis. The fair value of this swap instrument, which is based upon expected LIBOR rates over the remaining term of the instrument, was approximately \$1.2 million at May 29, 2010, and is reflected as an addition to long-term debt and an offsetting addition to non-current assets in the Consolidated Balance Sheets. As of May 30, 2009, the fair value of approximately \$2.4 million was reflected as an addition to long-term debt and an offsetting addition to non-current assets. The floating interest rate for this agreement is based on the six-month LIBOR, set in-arrears at the end of each semi-annual period, and is estimated to be approximately 3.8 percent and 3.5 percent at May 29, 2010, and May 30, 2009, respectively. The next scheduled interest rate reset date is in September 2010.

As of May 29, 2010, a total of \$50.0 million of the company's outstanding debt was effectively converted to a variable-rate basis as a result of the remaining interest rate swap arrangement. This swap is a fair-value hedge and qualifies for hedge-accounting treatment using the "short-cut" method under the provisions of ASC 815-*Derivatives and Hedging*. Under this accounting treatment, the change in the fair value of the interest rate swap is equal to the change in value of the related hedged debt and, as a result, there is no net effect on earnings. The agreement requires the company to pay floating-rate interest payments in return for receiving fixed-rate interest payments that coincide with the semi-annual payments to the debt holders at the same date. The periodic interest settlements, which occur at the same interval as the public debt securities, are recorded as interest expense.

The counterparty to the remaining swap instrument is a large financial institution which the company believes is of high-quality creditworthiness. While the company may be exposed to potential losses due to the credit risk of non-performance by this counterparty, such losses are not anticipated.

These swap arrangements effectively reduced interest expense by \$1.9 million in fiscal 2010 and \$1.2 million in fiscal 2009, and \$0.4 million in fiscal 2008.

Notes to the Consolidated Financial Statements *(continued)*

18. Supplemental Disclosures of Cash Flow Information

The following table presents the adjustments to reconcile net earnings to net cash provided by operating activities.

(In millions)	2010	2009	2008
Depreciation expense	\$39.7	\$39.5	\$41.1
Amortization expense	2.9	2.2	2.1
Provision for losses on accounts receivable and notes receivable	5.5	2.3	3.8
Provision for (gain) loss on financial guarantees	0.2	(0.1)	(0.1)
Loss on sales of property, equipment and other assets	0.2	0.5	1.1
Gain on disposal of owned dealers	—	(0.8)	(0.9)
Deferred taxes	(1.5)	3.1	(10.6)
Pension expense	12.0	11.1	10.0
Restructuring expense	14.2	28.4	5.1
Asset impairment expense	2.5	—	—
Contingent consideration income	(5.7)	—	—
Stock-based compensation	4.4	3.3	6.2
Excess tax benefits from stock-based compensation	0.5	0.3	(0.1)
Proceeds from death benefits on cash surrender value of life insurance	4.8	—	—
Other changes in long-term liabilities	(13.3)	(3.7)	(2.6)
Other	(0.4)	0.4	(0.5)
Changes in current assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	9.0	53.5	(21.3)
Inventories	(7.1)	15.3	2.6
Prepaid expenses and other	23.6	(4.8)	(2.6)
Increase (decrease) in liabilities:			
Accounts payable	13.9	(37.8)	6.1
Accrued liabilities	(34.6)	(89.0)	21.9
Total changes in current assets and liabilities	4.8	(62.8)	6.7
Total adjustments	\$70.8	\$23.7	\$61.3

Cash payments for interest and income taxes were as follows:

(In millions)	2010	2009	2008
Interest paid	\$17.7	\$24.1	\$13.1
Income taxes paid, net of cash received	\$14.6	\$70.4	\$75.7

19. Guarantees, Indemnifications, and Contingencies

Product Warranties

The company provides warranty coverage to the end-user for parts and labor on products sold. The standard length of warranty is 12 years, however, this varies depending on the product classification. The company does not sell or otherwise issue warranties or warranty extensions as stand-alone products. Reserves have been established for various costs associated with the company's warranty program. General warranty reserves are based on historical claims experience and other currently available information and are periodically adjusted for business levels and other factors. Specific reserves are established once an issue is identified with the amounts for such reserves based on the estimated cost of correction. Changes in the warranty reserve for the stated periods were as follows:

(In millions)	2010	2009
Accrual balance, beginning	\$15.4	\$14.9
Acquired warranty reserves	0.5	—
Accrual for warranty matters	12.1	13.8
Settlements and adjustments	(12.0)	(13.3)
Accrual balance, ending	\$16.0	\$15.4

Notes to the Consolidated Financial Statements

19 Guarantees, Indemnifications, and Contingencies (*continued*)

Other Guarantees

The company entered into a separate agreement to guarantee the debt of an independent contract furniture dealership in fiscal 2009. In accordance with the provisions of ASC Topic 460, *Guarantees*, the company initially recorded an expense equal to the estimated fair values of this guarantee. The maximum financial exposure assumed by the company as a result of this arrangement was zero and \$0.1 million as of May 29, 2010 and May 30, 2009, respectively. Guarantees of zero and \$0.1 million are reflected under the caption "Other Liabilities" in the Consolidated Balance Sheets as of May 29, 2010 and May 30, 2009, respectively.

The company is periodically required to provide performance bonds in order to conduct business with certain customers. These arrangements are common and generally have terms ranging between one and three years. The bonds are required to provide assurances to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The performance bonds are provided by various bonding agencies and the company is ultimately liable for claims that may occur against them. As of May 29, 2010, the company had a maximum financial exposure related to performance bonds of approximately \$20.9 million. The company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the company's financial statements. Accordingly, no liability has been recorded as of May 29, 2010 and May 30, 2009.

The company periodically enters into agreements in the normal course of business that may include indemnification clauses regarding patent/trademark infringement and service losses. Service losses represent all direct or consequential loss, liability, damages, costs and expenses incurred by the customer or others resulting from services rendered by the company, the dealer, or certain sub-contractors due to a proven negligent act. The company has no history of claims, nor is it aware of circumstances that would require it to perform under these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the company's financial statements. Accordingly, no liability has been recorded as of May 29, 2010 and May 30, 2009.

The company has entered into standby letter of credit arrangements for the purpose of protecting various insurance companies against default on the payment of certain premiums and claims. A majority of these arrangements are related to the company's wholly-owned captive insurance company. As of May 29, 2010, the company had a maximum financial exposure from these insurance-related standby letters of credit of approximately \$11.2 million. The company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the company's financial statements. Accordingly, no liability has been recorded as of May 29, 2010 and May 30, 2009.

Contingencies

The company leases a facility in the United Kingdom under an agreement that expires in June 2011. Under the terms of the lease, the company is required to perform the maintenance and repairs necessary to address the general dilapidation of the facility over the lease term. The ultimate cost of this provision to the company is dependent on a number of factors including, but not limited to, the future use of the facility by the lessor and whether the company chooses and is permitted to renew the lease term. The company has estimated the cost of these maintenance and repairs to be between \$0 and \$3 million, depending on the outcome of future plans and negotiations. Based on existing circumstances, it is estimated that these costs will most likely approximate \$1.1 million, as of May 29, 2010, and was estimated to be \$1.0 million as of May 30, 2009. As a result, these amounts have been recorded as a liability reflected under the caption "Other Liabilities" in the Consolidated Balance Sheets.

The company has a lease obligation in the U.K. until May 2014 for a facility that it has exited. Current market rates for comparable office space are lower than the rental payments owed under the lease agreement, as such, the company would remain liable to pay the difference if it were subleased. As a result, the estimated liability of \$1.5 million and \$1.6 million is reflected under the caption "Other Liabilities" in the Condensed Consolidated Balance Sheets at May 29, 2010 and May 30, 2009, respectively.

The company, for a number of years, has sold various products to the United States Government under General Services Administration ("GSA") multiple award schedule contracts. Under the terms of these contracts, the GSA is permitted to audit the company's compliance with the GSA contracts. The company has occasionally noted errors in complying with contract provisions. From time to time the company has notified the GSA of known instances of non-compliance (whether favorable or unfavorable to the company) once such circumstances are identified and investigated. The company does not believe that any of the errors brought to the GSA's attention will adversely affect its relationship with the GSA. Currently there are no GSA post-award audits either scheduled or in process. Management does not expect resolution of potential future audits to have a material adverse effect on the company's Consolidated Financial Statements.

The company is also involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially affect the company's Consolidated Financial Statements.

Notes to the Consolidated Financial Statements *(continued)*

20. Operating Segments

The company is comprised of two primary operating segments as defined by ASC Topic 280, *Segment Reporting*, North American Furniture Solutions and non-North American Furniture Solutions.

The North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States, Canada, and Mexico. The business associated with the company's owned contract furniture dealers is also included in the North American Furniture Solutions segment. The non-North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, outside of North America.

The company also reports an "Other" category consisting primarily of its North American Home and start-up businesses and certain unallocated corporate expenses. North American Home includes the operations associated with the design, manufacture and sale of furniture products for residential settings in the United States, Canada, and Mexico. The start-up businesses are discrete operations, such as Convia, Inc., or activities aimed at developing innovative products to serve current and new markets. This category also includes restructuring and impairment costs.

The performance of the operating segments is evaluated by the company's management using various financial measures. The following is a summary of certain key financial measures for the respective fiscal years indicated:

(In millions)	2010	2009	2008
Net Sales:			
North American Furniture Solutions	\$1,074.5	\$1,349.4	\$1,636.3
Non-North American Furniture Solutions	196.3	238.4	323.5
Other	48.0	42.2	52.3
Total	\$1,318.8	\$1,630.0	\$2,012.1
Depreciation and Amortization:			
North American Furniture Solutions	\$38.3	\$35.7	\$36.5
Non-North American Furniture Solutions	2.8	4.4	4.6
Other	1.5	1.6	2.1
Total	\$42.6	\$41.7	\$43.2
Operating Earnings:			
North American Furniture Solutions	\$72.3	\$133.0	\$195.9
Non-North American Furniture Solutions	(1.0)	15.1	47.3
Other	(17.7)	(25.3)	3.4
Total	\$53.6	\$122.8	\$246.6
Capital Expenditures:			
North American Furniture Solutions	\$21.5	\$22.3	\$33.2
Non-North American Furniture Solutions	0.8	2.8	5.7
Other	—	0.2	1.6
Total	\$22.3	\$25.3	\$40.5
Total Assets:			
North American Furniture Solutions	\$620.7	\$628.7	\$594.9
Non-North American Furniture Solutions	131.2	110.7	159.2
Other	18.7	27.9	29.1
Total	\$770.6	\$767.3	\$783.2
Goodwill:			
North American Furniture Solutions	\$104.6	\$69.5	\$40.2
Non-North American Furniture Solutions	4.8	—	—
Other	—	—	—
Total	\$109.4	\$69.5	\$40.2

The accounting policies of the reportable operating segments are the same as those of the company, which are disclosed in further detail within Note 1 of the Consolidated Financial Statements. Additionally, the company employs a methodology for allocating corporate costs and assets to the operating segments. The underlying objective of this methodology is to allocate corporate costs according to the relative "usage" of the underlying resources and to allocate corporate assets according to the relative expected benefit.

Notes to the Consolidated Financial Statements

20 Operating Segments *(continued)*

The company has determined that allocation based on relative net sales is most appropriate for all expenses. The majority of corporate costs are allocated to the operating segments; however, certain costs that are generally considered the result of isolated business decisions are not subject to allocation and are evaluated separately from the rest of the regular ongoing business operations. The restructuring and asset impairment charges of \$16.7 million in fiscal 2010 and \$28.4 million in fiscal 2009, as discussed in Note 21 of the Consolidated Financial Statements, were allocated to the "Other" category.

The company's product offerings consist primarily of office furniture systems, seating, freestanding furniture, storage and casegoods. These product offerings are marketed, distributed, and managed primarily as a group of similar products on an overall portfolio basis. The following is a summary of net sales by product category for the respective fiscal years indicated. Given that formal product line information is not available for the company as a whole, this summary is intended to represent a reasonable estimate of net sales by product category based on the best information available.

(In millions)	2010	2009	2008
Net Sales:			
Systems	\$349.3	\$511.6	\$579.7
Seating	329.7	361.1	489.1
Freestanding and storage	246.2	260.3	295.9
International ⁽¹⁾	290.1	365.7	481.0
Other ⁽²⁾	103.5	131.3	166.4
Total	\$1,318.8	\$1,630.0	\$2,012.1

(1) The company has determined that the disclosure of international product line information is not practicable.

(2) "Other" primarily consists of miscellaneous or otherwise uncategorized product sales and service sales.

Sales by geographic area are based on the location of the customer. Long-lived assets consist of long-term assets of the company, excluding financial instruments, deferred tax assets, and long-term intangibles. The following is a summary of geographic information for the respective fiscal years indicated. Individual foreign country information is not provided as none of the individual foreign countries in which we operate are considered material for separate disclosure based on quantitative and qualitative considerations.

(In millions)	2010	2009	2008
Net Sales:			
United States	\$1,028.7	\$1,264.3	\$1,531.1
International	290.1	365.7	481.0
Total	\$1,318.8	\$1,630.0	\$2,012.1
Long-Lived Assets:			
United States	\$159.7	\$162.4	\$189.3
International	21.6	25.0	30.6
Total	\$181.3	\$187.4	\$219.9

It is estimated that no single dealer accounted for more than 5 percent of the company's net sales in the fiscal year ended May 29, 2010. It is also estimated that the largest single end-user customer, the U.S. federal government, accounted for approximately \$180.3 million or 14 percent of the company's fiscal 2010 net sales. The 10 largest customers accounted for approximately 27 percent of net sales.

Approximately 6 percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemshoff, and Herman Miller Limited (U.K.) subsidiaries.

Notes to the Consolidated Financial Statements *(continued)*

21. Restructuring Charges

2009 Action

During the third quarter of fiscal 2009, the company executed a restructuring plan ("the 2009 Plan") that reduced operating expenses in order to improve operating performance, profitability and further enhance productivity and efficiencies. The 2009 Plan eliminated approximately 1,400 salaried, hourly and temporary positions, primarily in the North American Furniture Solutions segment. A number of these employees were offered one-time termination benefits, including severance and outplacement services. Additionally, the company consolidated facilities and exited leased buildings. In connection with these actions, the company recognized \$28.4 million of pre-tax charges.

The following is a summary of changes in restructuring accruals during fiscal 2009 and fiscal 2010 for the 2009 Plan.

(In millions)	Total Plan Costs	Severance and Outplacement Costs	Leased Building Exit Costs
Balance as of May 31, 2008	\$—	\$—	\$—
Restructuring expenses	28.4	25.0	3.4
Cash payments	(16.8)	(16.0)	(0.8)
Adjustments	(2.0)	(2.0)	—
Balance as of May 30, 2009	9.6	7.0	2.6
Restructuring expenses	1.3	0.7	0.6
Cash payments	(9.5)	(7.4)	(2.1)
Adjustments	(0.1)	(0.1)	—
Balance as of May 29, 2010	\$1.3	\$0.2	\$1.1

Manufacturing Consolidation

In May and June 2009, the company announced a plan ("the Manufacturing Consolidation Plan") to consolidate manufacturing operations with the closure of its Integrated Metal Technologies (IMT) subsidiary in Spring Lake, Michigan and Brandrud facility in Auburn, Washington. Under this plan for the IMT closure, the company will retain existing West Michigan production capacity and will enhance operational efficiency, with the majority of work and equipment moving to other newer, larger facilities in the area. Relocation began during the first quarter of fiscal 2010, with final closure completed in the fourth quarter. For the Brandrud closure, the company further consolidated manufacturing operations with the transfer of substantially all of the manufacturing capabilities of Brandrud to its Nemschoff manufacturing plants. The anticipated cost for this action is \$12.0 million with approximately \$2 million and \$9.7 million of these costs having been recognized in fiscal 2009 and fiscal 2010, respectively. We do not anticipate any further significant costs for this action. The remaining accrued costs will be paid for with cash generated from operations during fiscal 2011.

The following is a summary of changes in restructuring accruals during fiscal 2010 for the Manufacturing Consolidation Plan.

(In millions)	Total Plan Costs	Severance and Outplacement Costs	Leased Building Exit Costs
Balance as of May 30, 2009	\$—	\$—	\$—
Restructuring expenses	9.7	5.3	4.4
Cash payments	(5.9)	(3.4)	(2.5)
Adjustments	(1.2)	(0.4)	(0.8)
Balance as of May 29, 2010	\$2.6	\$1.5	\$1.1

Notes to the Consolidated Financial Statements

21 Restructuring Charges *(continued)*

2010 Action

During the fourth quarter of fiscal 2010, the company executed a restructuring plan ("the 2010 Plan") that reduced operating expenses in order to improve operating performance, profitability and further enhance productivity. This action reduced our salaried workforce, primarily in North America, with the reduction of approximately 70 employees. This action resulted in expenses of approximately \$3.2 million.

The following is a summary of changes in restructuring accruals during fiscal 2010 for the 2010 Plan.

(In millions)	Total Plan Costs	Severance and Outplacement Costs	Leased Building Exit Costs
Balance as of May 30, 2009	\$—	\$—	\$—
Restructuring expenses	3.2	2.9	0.3
Cash payments	(0.1)	(0.1)	—
Balance as of May 29, 2010	\$3.1	\$2.8	\$0.3

In addition to the restructuring expenses noted above, the 2010 action included an impairment of certain assets totaling \$2.5 million that were related to our Convia line of business. These assets related to products that we determined had no future revenue stream to the company.

These charges have been reflected separately as restructuring expenses in the Consolidated Statements of Operations. Refer to Note 20 of the Consolidated Financial Statements for a discussion of the Plan's impact on the company's reportable operating segments.

Management's Report on Internal Control over Financial Reporting

To the Board of Directors and Shareholders of Herman Miller, Inc.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The internal control over financial reporting at Herman Miller, Inc., is designed to provide reasonable assurance to our stakeholders that the financial statements of the company fairly represent its financial condition and results of operations.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of May 29, 2010, based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes the company's internal control over financial reporting was effective as of May 29, 2010.

Ernst & Young LLP has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page 66.



Brian C. Walker
Chief Executive Officer



Gregory J. Bylsma
Chief Financial Officer

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

To the Board of Directors and Shareholders of Herman Miller, Inc.

We have audited Herman Miller Inc.'s internal control over financial reporting as of May 29, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Herman Miller, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Herman Miller, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 29, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the fiscal 2010 consolidated financial statements of Herman Miller, Inc., and our report dated July 27, 2010 expressed an unqualified opinion thereon.

Grand Rapids, Michigan
July 27, 2010

/s/ Ernst & Young LLP

Report of Independent Registered Public Accounting Firm on Financial Statements

To the Board of Directors and Shareholders of Herman Miller, Inc.

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries as of May 29, 2010 and May 30, 2009, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended May 29, 2010. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Herman Miller, Inc. and subsidiaries at May 29, 2010 and May 30, 2009, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended May 29, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Herman Miller, Inc.'s internal control over financial reporting as of May 29, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 27, 2010 expressed an unqualified opinion thereon.

Grand Rapids, Michigan
July 27, 2010

/s/ Ernst & Young LLP

Board of Directors

Mary Vermeer Andringa⁽²⁾

President and Chief Executive Officer, Vermeer Corporation
Agricultural and industrial equipment manufacturer

Douglas D. French⁽¹⁾

Managing Director, Santé Health Ventures
Healthcare venture capital

Lord Brian Griffiths of Fforestfach⁽⁴⁾

International Advisor, Goldman Sachs International Limited
International investment banking firm and House of Lords, United Kingdom

J. Barry Griswell⁽¹⁾⁽³⁾

President, Community Foundation of Greater Des Moines

John R. Hoke III⁽¹⁾

Vice President, Nike Global Design
Footwear, apparel, equipment, and accessories

James R. Kackley⁽²⁾⁽³⁾

Director of various companies

Mark S. Nemschoff

Consultant to Herman Miller
Former President and Chief Executive Officer, Nemschoff Chairs, Inc.

Dorothy A. Terrell⁽³⁾⁽⁴⁾

Venture Partner, First Light Capital

David O. Ulrich⁽⁴⁾

Professor, University of Michigan Business School

Michael A. Volkema⁽³⁾

Chairman of the Board, Herman Miller, Inc.

Brian C. Walker

President and Chief Executive Officer, Herman Miller, Inc.

Daniel C. Molhoek

Secretary to the Board, Partner, Varnum Riddering, Schmidt & Howlett LLP
Attorneys at law

(1) Executive Compensation Committee

(2) Audit Committee

(3) Executive Committee

(4) Nominating and Governance Committee

Leadership Team

Brian Walker
President and Chief Executive Officer

Greg Bylsma
Executive Vice President, Chief Financial Officer

Steve Gane
Senior Vice President
President, Geiger

Don Goeman
Executive Vice President, Research, Design, and Development

Ken Goodson
Executive Vice President, Operations

Kathleen Koch
Senior Vice President, Marketing

Andy Lock
President, Herman Miller International

Beth Nickels
Executive Vice President
President, Herman Miller Healthcare

Curt Pullen
Executive Vice President
President, North American Office and Learning Environments

Ben Watson
Executive Creative Director

Shareholder Reference Information

Line of Business

Herman Miller is a 100-year-old-plus company that places great importance on design, the environment, community service, and the health and well-being of our customers and our employees. Our aspiration is to be the leading provider of thoughtfully designed interior products for places where people work, heal, learn, and live. Our award-winning furniture, services, and other products are available through retailers and dealers around the world. Whether your world is an office, a hospital, a school, or a home—and whether you are a customer, an employee, a shareholder, or a neighbor—we work hard to create a better world around you.

Common Stock

Herman Miller, Inc., common stock is traded on the NASDAQ-Global Select Market System (Symbol: MLHR). As of July 23, 2010, there were approximately 18,200 record holders, including individual participants in security position listings, of the company's common stock.

Affirmative Action

Herman Miller, Inc., is an equal opportunity employer and supports affirmative action programs for minorities and women, including the recruitment, education and training, and economic development of businesses.

Investor Relations

Questions regarding earnings, releases, financial information, and other investor data should be addressed to:

Investor Relations, Herman Miller, Inc., 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302, USA

Or call: 616-654-3305

Or email: investor@hermanmiller.com

Transfer Agent and Registrar

Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021, Attention: Herman Miller, Inc.

Shareholder Relations

Or call: 866-768-5723

Independent Registered Public Accountants

Ernst & Young LLP, Grand Rapids, Michigan

Contact Herman Miller

Herman Miller has a physical presence through showrooms, dealers, customer centers, retailers, and manufacturing facilities throughout the world. No matter how you would like to do business with us, you can begin connecting with us at:

www.hermanmiller.com

Or call: 616-654-3000

Or write: Herman Miller, Inc., 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302, USA

