

HNI CORP
Form 10-K
February 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K
(Mark One)

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

For the fiscal year ended January 2, 2016

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

Commission File Number 1-14225

HNI Corporation

An Iowa Corporation

408 East Second Street
P. O. Box 1109
Muscatine, IA 52761-0071
563/272-7400

IRS Employer No. 42-0617510

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

Title of each class	Name of each exchange on which registered
Common Stock, with par value of \$1.00 per share.	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting stock held by nonaffiliates of the Registrant, as of July 4, 2015 was \$1,373,219,063, based on the New York Stock Exchange closing price for such shares on that date, assuming for purposes of this calculation that all 5% holders and all directors and executive officers of the Registrant are affiliates.

The number of shares outstanding of the Registrant's common stock, as of February 5, 2016, was 44,159,340.

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016 are incorporated by reference into Part III.

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ANNUAL REPORT ON FORM 10-K

PART I

ITEM 1. BUSINESS

General

HNI Corporation (the “Corporation”, “we”, “us” or “our”) is an Iowa corporation incorporated in 1944. The Corporation is a provider of office furniture and hearth products. Office furniture products include panel-based and freestanding furniture systems and complementary products such as seating, storage and tables. These products are sold primarily through a national system of dealers, wholesalers and office product distributors but also directly to end-user customers and federal, state and local governments. Hearth products include a full array of gas, wood and pellet burning fireplaces, inserts, stoves, facings and accessories. These products are sold through a national system of dealers and distributors, as well as Corporation-owned distribution and retail outlets. In fiscal 2015, the Corporation had net sales of \$2.3 billion, of which approximately \$1.8 billion or 77% was attributable to office furniture products and \$0.5 billion or 23% was attributable to hearth products. Please refer to Reportable Segment Information in the Notes to Consolidated Financial Statements for further information about operating segments.

The Corporation is organized into a corporate headquarters and operating units with offices, manufacturing plants, distribution centers and sales showrooms in the United States, Canada, China, Hong Kong, India and Taiwan. See Item 2. "Properties" for additional related discussion.

Nine operating units, marketing under various brand names, participate in the office furniture industry. These operating units include: The HON Company LLC ("HON"), Allsteel Inc., Maxon Furniture Inc., The Gunlocke Company L.L.C., Paoli LLC, Hickory Business Furniture, LLC (“HBF”), Artco-Bell Corporation ("Artcobell"), HNI Hong Kong Limited (“Lamex”) and BP Ergo Limited ("BP Ergo"). Each of these operating units provides products which are sold through various channels of distribution and segments of the industry. HNI International Inc. (“HNI International”) sells office furniture products manufactured by the Corporation’s operating units in select markets outside the United States and Canada.

The operating unit Hearth & Home Technologies LLC (“Hearth & Home”) participates in the hearth products industry. The retail and distribution brand for this operating unit is Fireside Hearth & Home. During fiscal 2014, the Corporation completed the acquisition of Vermont Castings Group ("VCG"), a leading manufacturer of free-standing hearth stoves and fireplaces, for a purchase price of approximately \$62 million.

The Corporation has been committed to systematically eliminating waste through its process improvement approach known as Rapid Continuous Improvement (“RCI”), which focuses on streamlining design, manufacturing and administrative processes. The Corporation's RCI program has contributed to increased productivity, lower costs, improved product quality and enhanced workplace safety. In addition, the Corporation's RCI efforts enable it to offer short average lead times, from receipt of order to delivery and installation, for most products.

The Corporation's product development efforts are focused on developing and providing relevant and differentiated solutions delivering quality, aesthetics and style.

An important element of the Corporation's success has been its member-owner culture, which has enabled it to attract, develop, retain and motivate skilled, experienced and efficient members (i.e., employees). Each of the Corporation's eligible members has the opportunity to own stock in the Corporation through a number of stock-based plans, including a member stock purchase plan and a profit-sharing retirement plan, which drives a unique level of commitment to the Corporation’s success throughout the workforce.

For further financial-related information with respect to acquisitions, divestitures, operating segment information, restructuring and the Corporation's operations in general, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this report, and the following sections in the Notes to Consolidated Financial Statements: Nature of Operations, Business Combinations and Reportable Segment Information.

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Industry

According to the Business and Institutional Furniture Manufacturer's Association (“BIFMA”), U.S. office furniture industry shipments were estimated to be \$10.2 billion in 2015, an increase of 5% compared to 2014, which was a 4% increase from 2013 levels.

The U.S. office furniture market consists of two primary channels—the contract channel and the supplies-driven channel. The contract channel has traditionally been characterized by sales of office furniture and services to large corporations, primarily for new office facilities, relocations or department or office redesigns, which are frequently customized to meet specific client and designer preferences. Contract furniture is generally purchased through office furniture dealers who typically prepare a custom-designed office layout emphasizing image and design. The selling process is complex and lengthy and generally has several manufacturers competing for the same projects.

The supplies-driven channel of the market, in which the Corporation is a leader, primarily represents smaller orders of office furniture purchased by small/medium businesses on the basis of price, quality, selection and speed and reliability of delivery. Office products dealers, wholesalers and national office product distributors are the primary distribution channels in this market. Office furniture and products dealers publish content on the internet and periodic catalogs displaying office furniture and products from various manufacturers.

The Corporation also competes in the hearth products industry, where it is a market leader. Hearth products are typically purchased by builders during the construction of new homes and homeowners during the renovation of existing homes. Both types of purchases involve seasonality with remodel/retrofit activity being concentrated in the September to December time-frame. Distribution is primarily through independent dealers, who may buy direct from the manufacturer or from an intermediate distributor.

Strategy

The Corporation's strategy is to build on its position as a leading manufacturer of office furniture and hearth products in North America and pursue select global markets where opportunities exist to create shareholder value. The components of this growth strategy are to introduce new products, build brand equity, provide outstanding customer satisfaction by focusing on the end-user, strengthen the distribution network, respond to global competition, pursue complementary strategic acquisitions, enter markets not currently served and continually reduce costs.

The Corporation's strategy has a dual focus: working continuously to extract new growth from its core markets while identifying and developing new, adjacent potential areas of growth. The Corporation focuses on extracting new growth from each of its existing businesses by deepening its understanding of end-users, using new insights gained to refine branding, selling and marketing and developing new products to serve them better. The Corporation also pursues opportunities in potential growth drivers related to its core business, such as vertical markets or new distribution models.

Employees/Members

As of January 2, 2016, the Corporation employed approximately 10,400 persons, 10,000 of whom were full-time and 400 of whom were temporary personnel. The Corporation believes its labor relations are good.

Products and Solutions

Office Furniture

The Corporation designs, manufactures and markets a broad range of office furniture systems and seating across a range of price points. The Corporation's portfolio includes panel-based and freestanding furniture systems and complementary products such as seating, storage and tables. The Corporation offers a complete line of office panel system products and freestanding desks, classroom solutions, bookshelves and credenzas in order to meet the needs of a wide spectrum of organizations. The Corporation offers a variety of storage options designed either to be integrated into the Corporation's office systems products or to function as freestanding furniture in office applications. The Corporation's seating line includes chairs designed for all types of office work. The chairs are available in a variety of frame colors, coverings and a wide range of price points.

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To meet the demands of various markets, the Corporation's products are sold under the Corporation's brands – HON®, Allsteel®, Maxon®, Gunlocke®, Paoli®, HBF®, artcobell™, Midwest Folding Products™, American Desk™, basyx® by HON, Lamex® and ERGO®, as well as private labels.

Hearth Products

The Corporation is North America's largest manufacturer and marketer of prefabricated fireplaces, hearth stoves and related products, primarily for the home, which it sells under its widely recognized Heatilator®, Heat & Glo®, Majestic®, Monessen®, Quadra-Fire®, Harman Stove™, Vermont Castings® and PelPro™ brand names.

The Corporation's line of hearth products includes a full array of gas, wood and pellet burning fireplaces, inserts, stoves, facings and accessories. Heatilator®, Heat & Glo®, Majestic® and Monessen® are brand leaders in the two largest segments of the home fireplace market: gas and wood fireplaces. The Corporation is the leader in "direct vent" fireplaces, which replace the chimney-venting system used in traditional fireplaces with a less expensive vent through the roof or an outer wall. In addition, the Corporation is the leader in wood and pellet-burning stoves and furnaces with its Quadra-Fire®, Harman Stove™, Vermont Castings® and PelPro™ product lines which provide home heating solutions using renewable fuels. See "Intellectual Property" under Item 1. "Business" for additional details.

Manufacturing

The Corporation manufactures office furniture in Georgia, Indiana, Iowa, New York, North Carolina, Texas, China and India. The Corporation manufactures hearth products in Iowa, Kentucky, Maryland, Minnesota, Pennsylvania, Vermont and Washington.

The Corporation purchases raw materials and components from a variety of suppliers, and generally most items are available from multiple sources. Major raw materials and components include coil steel, aluminum, zinc, castings, lumber, veneer, particleboard, fabric, paint, lacquer, hardware, glass, plastic products and shipping cartons.

Since its inception, the Corporation has focused on making its manufacturing facilities and processes more flexible while at the same time reducing cost, eliminating waste and improving product quality. The Corporation applies the principles of RCI and a lean manufacturing philosophy leveraging the creativity of its members to eliminate and reduce costs. To achieve flexibility and attain efficiency goals, the Corporation has adopted a variety of production techniques, including cellular manufacturing, focused factories, just-in-time inventory management, value engineering, business simplification and 80/20 principles. The application of RCI has increased productivity by reducing set-up and processing times, square footage, inventory levels, product costs and delivery times, while improving quality and enhancing member safety. The Corporation's RCI process involves production and administrative employees, management, customers and suppliers. The Corporation has facilitators, coaches and consultants dedicated to the RCI process and strives to involve all members in the RCI process. Manufacturing also plays a key role in the Corporation's concurrent product development process in order to design new products for ease of manufacturability.

Product Development

The Corporation's product development efforts are primarily focused on developing relevant and differentiated end-user solutions focused on quality, aesthetics, style, sustainable design and on reducing manufacturing costs. The Corporation accomplishes this through improving existing products, extending product lines and platforms, applying ergonomic research, improving manufacturing processes, applying alternative materials and providing engineering support and training to its operating units. The Corporation conducts its product development efforts at both the corporate and operating unit level. The Corporation invested approximately \$31.1 million, \$29.7 million and \$27.3

million in product development during fiscal 2015, 2014 and 2013, respectively.

Intellectual Property

As of January 2, 2016, the Corporation owned 245 U.S. and 262 foreign patents with expiration dates through 2040 and had applications pending for 25 U.S. and 84 foreign patents. In addition, the Corporation holds 198 U.S. and 460 foreign trademark registrations and has applications pending for 29 U.S. and 26 foreign trademarks.

The Corporation's principal office furniture products do not require frequent technical changes. The Corporation believes neither any individual office furniture patent nor the Corporation's office furniture patents in the aggregate are material to the Corporation's business as a whole.

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The Corporation's patents covering its hearth products protect various technical innovations. While the acquisition of patents reflects Hearth & Home's position in the market as an innovation leader, the Corporation believes neither any individual hearth product patent nor the Corporation's hearth product patents in the aggregate are material to the Corporation's business as a whole.

The Corporation applies for patent protection when it believes the expense of doing so is justified, and the Corporation believes the duration of its registered patents is adequate to protect these rights. The Corporation also pays royalties in certain instances for the use of patents on products and processes owned by others.

The Corporation applies for trademark protection for brands and products when it believes the expense of doing so is justified. The Corporation actively protects trademarks it believes have significant value. The Corporation believes neither the loss of any individual trademark nor the loss of the Corporation's trademarks in the aggregate would materially adversely affect the Corporation's business as a whole, except for HNI, HON and Allsteel.

Sales and Distribution: Customers

The Corporation sells its office furniture products through five principal distribution channels. The first channel consisting of independent, local office furniture and office products dealers, specializes in the sale of a broad range of office furniture and office furniture systems to business, government, education and health care entities.

The second distribution channel comprises national office product distributors including Staples, Inc. and Office Depot, Inc. which have announced a planned merger. These distributors sell furniture along with office supplies through a national network of dealerships and sales offices, which assist their customers with the evaluation of office space requirements, systems layout and product selection and design and office solution services provided by professional designers. These distributors also sell through on-line and retail office products stores.

The third distribution channel is where the Corporation has the lead selling relationship with the end-user.

The fourth distribution channel comprises wholesalers serving as distributors of the Corporation's products to independent dealers and national office products distributors. The Corporation sells to the nation's largest office supply/furniture wholesalers, Essendant and S.P. Richards Company. Wholesalers maintain inventory of standard product lines for resale to the various dealers and national office products distributors. They also special order products from the Corporation in customer-selected models and colors. The Corporation's wholesalers maintain warehouse locations throughout the United States, which enables the Corporation to make its products available for rapid delivery to resellers anywhere in the country.

The fifth distribution channel comprises direct sales of the Corporation's products to federal, state and local government offices.

The Corporation's office furniture sales force consists of regional sales managers, salespersons and firms of independent manufacturers' representatives who collectively provide national sales coverage. Sales managers and salespersons are compensated by a combination of salary and variable performance compensation.

Office products dealers, national wholesalers and national office product distributors market their products over the Internet and through catalogs published periodically. These catalogs are distributed to existing and potential customers.

The Corporation also makes export sales through HNI International to office furniture dealers and wholesale distributors serving select foreign markets. Distributors are principally located in the Middle East, Mexico, Latin

America and the Caribbean. Through Lamex and BP Ergo, the Corporation manufactures and distributes office furniture directly to end-users and through independent dealers and distributors in Asia, primarily China and India.

Limited quantities of select finished goods inventories primarily built to order and awaiting shipment are at the Corporation's principal manufacturing plants and at its various distribution centers.

Hearth & Home sells its fireplace and stove products through dealers, distributors and Corporation-owned distribution and retail outlets. The Corporation has a field sales organization of regional sales managers, salespersons and firms of independent manufacturers' representatives.

In fiscal 2015, the Corporation's five largest customers represented approximately 22% of its consolidated net sales. No single customer accounted for 10% or more of the Corporation's consolidated net sales in fiscal 2015. The substantial purchasing power exercised by large customers may adversely affect the prices at which the Corporation can successfully offer its products.

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The above percentages do not include revenue from various government agencies. In aggregate, purchases by federal government entities collectively accounted for approximately 3% of the Corporation's consolidated net sales.

As of January 2, 2016, the Corporation had an order backlog of approximately \$173.8 million, which will be filled in the ordinary course of business within the first few months of the fiscal year. This compares with \$192.4 million as of January 3, 2015. Backlog, in terms of percentage of net sales, was 7.6% and 8.7% for fiscal 2015 and 2014, respectively. The Corporation's products are typically manufactured and shipped within a few weeks following receipt of order or later upon customer request. The dollar amount of the Corporation's order backlog is, therefore, not considered by management to be a leading indicator of the Corporation's expected sales in any particular fiscal period.

Competition

The Corporation is a leading global office furniture manufacturer and believes it is the largest provider of furniture to small- and medium-sized workplaces. The Corporation is North America's largest manufacturer and marketer of fireplaces.

The office furniture industry is highly competitive, with a significant number of competitors offering similar products. The Corporation competes by emphasizing its ability to deliver compelling value products, solutions and a high level of tailored customer service. The Corporation competes with large office furniture manufacturers, which cover a substantial portion of the North America market share in the contract-oriented office furniture market, such as Steelcase Inc., Haworth, Inc., Herman Miller, Inc. and Knoll, Inc. The Corporation also competes with a number of other office furniture manufacturers, including The Global Group (a Canadian company), Kimball International, Inc., Krueger International Inc. (KI), Virco Mfg. Corporation and Teknion Corporation (a Canadian company), as well as global importers. The Corporation faces significant price competition from its competitors and may encounter competition from new market entrants.

Hearth products, consisting of prefabricated fireplaces and related products, are manufactured by a number of national and regional competitors. The Corporation competes primarily against a broad range of manufacturers, including Travis Industries Inc., Innovative Hearth Products, Wolf Steel Ltd. (Napoleon) and FPI Fireplace Products International Ltd. (Regency).

Both office furniture and hearth products compete on the basis of performance, quality, price, complete and on-time delivery to the customer and customer service and support. The Corporation believes it competes principally by providing compelling value products designed to be among the best in their price range for product quality and performance, superior customer service and short lead-times. This is made possible, in part, by the Corporation's on-going investment in brands, product development, highly efficient and low cost manufacturing operations and an extensive distribution network.

For further discussion of the Corporation's competitive situation, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" later in this report.

Effects of Inflation

Certain business costs may, from time to time, increase at a rate exceeding the general rate of inflation. The Corporation's objective is to offset the effect of normal inflation on its costs primarily through productivity increases in combination with certain adjustments to the selling price of its products as competitive market and general economic conditions permit.

Investments are routinely made in modernizing plants, equipment, information technology capabilities and RCI programs. These investments collectively focus on business simplification and increasing productivity which helps to offset the effect of rising material and labor costs. The Corporation also routinely employs ongoing cost control disciplines. In addition, the last-in, first-out ("LIFO") valuation method is used for most of the Corporation's inventories, which ensures changing material and labor costs are recognized in reported income and, more importantly, these costs are recognized in pricing decisions.

Environmental

The Corporation is subject to a variety of environmental laws and regulations governing the use of materials and substances in products, the management of wastes resulting from use of certain material and the remediation of contamination associated with releases of hazardous substances used in the past. Although the Corporation believes it is in material compliance with all of the various regulations applicable to its business, there can be no assurance requirements will not change in the future or the Corporation will not incur material costs to comply with such regulations. The Corporation has trained staff responsible for monitoring compliance with environmental, health and safety requirements. The Corporation's environmental staff works with responsible personnel at each manufacturing facility, the Corporation's environmental legal counsel and consultants on the management of

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environmental, health and safety issues. The Corporation's environmental objective is to reduce and, when practical, eliminate the human and ecosystem impacts of materials and manufacturing processes.

The Corporation's environmental management system has earned the recognition of numerous state and federal agencies as well as non-government organizations. Aligning continuous improvement initiatives with the Corporation's environmental objectives creates a model of the triple bottom line of sustainable development where members work toward shared goals of personal growth, economic reward and a healthy environment for the future.

Over the past several years, the Corporation has expanded its environmental management system and established metrics to influence product design and development, supplier and supply chain performance, energy and resource consumption and the impacts of its facilities. In addition, the Corporation is providing sustainability training to senior decision makers and has assigned resources to documenting and communicating its progress to an increasingly knowledgeable market. Integrating sustainable objectives into core business systems is consistent with the Corporation's vision and ensures its commitment to being a sustainable enterprise remains a priority for all members.

Compliance with federal, state and local environmental regulations has not had a material effect on the capital expenditures, earnings or competitive position of the Corporation to date. The Corporation does not anticipate financially material capital expenditures will be required during fiscal 2016 for environmental control facilities. It is management's judgment that compliance with current regulations should not have a material effect on the Corporation's financial condition or results of operations. However, there can be no assurance new environmental legislation, material science or technology in this area will not result in or require material capital expenditures.

Business Development

The development of the Corporation's business during the fiscal years ended January 2, 2016, January 3, 2015 and December 28, 2013 is discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations".

Available Information

Information regarding the Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, will be made available, free of charge, on the Corporation's website at www.hnicorp.com, as soon as reasonably practicable after the Corporation electronically files such reports with or furnishes them to the Securities and Exchange Commission (the "SEC"). The Corporation's information is also available from the SEC's Public Reference room at 100 F Street, N.E., Washington, D.C. 20549, or on the SEC website at www.sec.gov.

Forward-Looking Statements

Statements in this report to the extent they are not statements of historical or present fact, including statements as to plans, outlook, objectives and future financial performance, are "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words, such as "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "hope," "intend," "likely," "may," "plan," "possess," "predict," "project," "should," "will," "would" and variations of such words and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Corporation's actual results in the future to differ materially from expected results. The most significant factors known to the

Corporation that may adversely affect the Corporation's business, operations, industries, financial position or future financial performance are described later in this report under the heading "Item 1A. Risk Factors." The Corporation cautions readers not to place undue reliance on any forward-looking statement which speaks only as of the date made and to recognize forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results due to the risks and uncertainties described elsewhere in this report, including under the heading "Item 1A. Risk Factors," as well as others that the Corporation may consider immaterial or does not anticipate at this time. The risks and uncertainties described in this report, including those under the heading "Item 1A. Risk Factors," are not exclusive and further information concerning the Corporation, including factors that potentially could materially affect the Corporation's financial results or condition, may emerge from time to time.

The Corporation assumes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Corporation advises you, however, to consult

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any further disclosures made on related subjects in future quarterly reports on Form 10-Q and current reports on Form 8-K filed with or furnished to the SEC.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this report should be carefully considered. If any of the following risks actually occur, our business, operating results, cash flows or financial condition could be materially adversely affected.

The existence of various unfavorable macroeconomic and industry factors, or deterioration of economic conditions, for a prolonged period could adversely affect our business operating results or financial condition.

Office furniture industry sales are impacted by a variety of macroeconomic factors including service-sector employment levels, corporate profits, small business confidence, commercial construction and office vacancy rates. Industry factors, including corporate restructuring, technology changes, corporate relocations, health and safety concerns, including ergonomic considerations, and the globalization of companies also influence office furniture industry revenues. We experienced softening in the U.S. economy in fiscal 2015 and we expect economic uncertainty to continue into 2016, which could decrease demand for our office furniture products and have adverse effects on our operating results.

Hearth products industry sales are impacted by a variety of macroeconomic factors as well, including housing starts, overall employment levels, interest rates, consumer confidence, energy costs, disposable income and changing demographics. Industry factors, such as technology changes, health and safety concerns and environmental regulation, including indoor air quality standards, also influence hearth products industry revenues. Deterioration of the economic conditions or a slowdown in the recovery in the homebuilding industry and the hearth products market could decrease demand for our hearth products and have additional adverse effects on our operating results. Additionally, the recent decline in oil and other fuel prices has negatively impacted demand for our pellet stoves and we expect demand to remain soft in our pellet business as oil and other fuel prices are projected to remain low.

Economic growth has slowed, and may continue to slow, in several key international markets, including China and India, which could have adverse effects on our international office furniture sales and our operating results.

Deteriorating economic conditions could affect our business significantly, including: reduced demand for products; insolvency of our dealers resulting in increased provisions for credit losses; insolvency of our key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of our products; decreased customer demand, including order delays or cancellations; and counter-party failures negatively impacting our treasury operations.

We may need to take additional impairment charges related to goodwill and indefinite-lived intangible assets, which would adversely affect our results of operations.

Goodwill and other acquired intangible assets with indefinite lives are not amortized but are tested for impairment annually, and when an event occurs or circumstances change making it reasonably possible an impairment may exist. As of January 2, 2016, we had goodwill of \$278 million recorded on our balance sheet. We test for impairment annually during the fourth quarter of the year and whenever indicators of impairment exist. We test goodwill for impairment by first comparing the carrying value of net assets to the fair value of the reporting unit. If the fair value is determined to be less than carrying value, a second step is performed to determine the implied fair value of goodwill associated with the reporting unit. If the carrying value of goodwill exceeds the implied fair value of goodwill, the excess represents the amount of goodwill impairment, and accordingly, an impairment is recognized.

We estimate the fair values of the reporting units using discounted cash flows. Forecasts of future cash flows are based on our best estimate of longer term, broad market trends. We combine this trend data with estimates of current economic conditions in the U.S. and other countries where we have a presence, competitor behavior, the mix of product sales, commodity costs, wage rates, the level of manufacturing capacity and the pricing environment. In addition, estimates of fair value are impacted by estimates of the market-participant-derived weighted average cost of capital. Changes in these forecasts could significantly change the amount of impairment recorded, if any. As a result of impairment testing, we recorded goodwill and other long-lived asset impairments of \$11 million during 2015.

The office furniture and hearth products industries are highly competitive and, as a result, we may not always be successful.

Both the office furniture and hearth products industries are highly competitive, with a significant number of competitors in both industries offering similar products. While competitive factors vary geographically and between differing sales situations, typical

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factors for both industries include: price; delivery and service; product design and features; product quality; strength of dealers and other distributors; and relationships with customers and key influencers, including architects, designers, home-builders and facility managers. Our principal competitors in the office furniture industry include The Global Group, Haworth, Inc., Kimball International, Inc., Steelcase Inc., Herman Miller, Inc., Teknion Corporation, Virco Mfg. Corporaton, Krueger International Inc. (KI) and Knoll, Inc. Our principal competitors in the hearth products industry include Travis Industries Inc., Innovative Hearth Products, Wolf Steel Ltd. (Napoleon) and FPI Fireplace Products International Ltd. (Regency). In both industries, most of our top competitors have an installed base of products that can be a source of significant future sales through repeat and expansion orders. These competitors manufacture products with strong acceptance in the marketplace and are capable of developing products that have a competitive advantage over our products.

Our continued success will depend on many factors, including our ability to continue to manufacture and market high quality, high performance products at competitive prices and our ability to adapt our business model to effectively compete in the highly competitive environments of both the office furniture and hearth products industries. Our success is also subject to our ability to sustain and grow our positive brand reputation and recognition among existing and potential customers and use our brands and trademarks effectively in entering new markets.

In both the office furniture and hearth products industries, we also face significant price competition from our competitors and from new market entrants who primarily manufacture and source products from lower cost countries. Price competition impacts our ability to implement price increases or, in some cases, even maintain prices, which could lower our profit margins. In addition, we may not be able to maintain or raise the prices of our products in response to rising raw material prices and other inflationary pressures.

The concentration of our customer base, changes in demand and order patterns from our customers, as well as the increased purchasing power of these customers, could adversely affect our business, operating results or financial condition.

We sell our products through multiple distribution channels. These distribution channels have been consolidating and may continue to consolidate in the future. Consolidation may result in a greater proportion of our sales being concentrated in fewer customers, including as a result of the recent mergers and announced mergers of national office product distributors. The increased purchasing power exercised by larger customers may adversely affect the prices at which we can successfully offer our products. As a result of this consolidation, changes in the purchase patterns or the loss of a single customer may have a greater impact on our business, operating results or financial condition than the events would have had prior to the consolidation.

The growth in sales of private-label products by some of our largest office furniture customers may reduce our revenue and adversely affect our business, operating results or financial condition.

Private-label products are products sold under the name of the distributor or retailer, but manufactured by another party. Some of our largest customers have aggressive private-label initiatives to increase sales of office furniture. If successful, they may reduce our revenue and inhibit our ability to raise prices and may, in some cases, even force us to lower prices, which could result in an adverse effect on our business, operating results or financial condition.

Increases in basic commodity, raw material, component and transportation costs, as well as disruptions to the supply of basic commodities, raw materials and components or transportation and shipping challenges, could adversely affect our profitability.

Fluctuations in the price, availability and quality of the commodities, raw materials and components used by us in manufacturing could have an adverse effect on our costs of sales, profitability and our ability to meet customers'

demand. We source commodities, raw materials and components from domestic and international suppliers for both our office furniture and hearth products. From both domestic and international suppliers, the cost, quality and availability of commodities, raw materials and components, including steel, one of our largest raw material categories, have been significantly affected in recent years by, among other things, changes in global supply and demand, changes in laws and regulations (including tariffs and duties), changes in exchange rates and worldwide price levels, natural disasters, labor disputes, terrorism and political unrest or instability. These factors could lead to further price increases or supply interruptions in the future. Our profit margins could be adversely affected if commodity, raw material and component costs remain high or escalate further, and we are either unable to offset such costs through strategic sourcing initiatives and continuous improvement programs or, as a result of competitive market dynamics, unable to pass along a portion of the higher costs to our customers.

We rely primarily on third-party freight and transportation providers to deliver our products to customers. Increasing demand for freight providers and a shortage of qualified drivers may cause delays in our shipments and increase the cost to ship our products, which may adversely affect our profitability. Additionally, we import and export products and components, primarily using container ships, which load and unload through several U.S. ports, including ports on the West Coast. Port-caused delays in the

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shipment or receipt of products and components, including labor disputes, could cause delayed receipt of our products and components. These delays could cause manufacturing disruptions, increased expense resulting from alternate shipping methods or the inability to meet customer delivery expectations, which may adversely affect our sales and profitability.

Our efforts to introduce new products to meet customer and workplace requirements may not be successful, which could limit our sales growth or cause our sales to decline.

To meet the changing needs of our customers and keep pace with market trends in both the office furniture and hearth products industries, we regularly introduce new products. Trends include changes in workplace and home design and increases in the use of technology and evolving regulatory and industry requirements, including environmental, health, safety and similar standards for the workplace and home and for product performance. The introduction of new products in both industries requires the coordination of the design, manufacturing and marketing of the products, which may be affected by factors beyond our control. The design and engineering of certain new products can take up to a year or more, and further time may be required to achieve client acceptance. In addition, we may face difficulties introducing new products if we cannot successfully align ourselves with independent architects, home-builders and designers who are able to design, in a timely manner, high quality products consistent with our image and our customers' needs. Accordingly, the launch of any particular product may be later or less successful than we originally anticipated. Difficulties or delays introducing new products or lack of customer acceptance of new products could limit our sales growth or cause our sales to decline and may result in an adverse effect on our business, operating results or financial condition.

We have grown, and may continue to grow, our business through acquisitions and alliances, which could adversely affect our business, operating results or financial condition.

One of our growth strategies is to supplement our organic growth through acquisitions of, and or strategic alliances with, businesses with technologies or products complimenting or augmenting our existing products or distribution or adding new products or distribution to our business. In the past few years, we acquired Vermont Castings Group, a hearth stoves and fireplace company, Artcobell, an education furniture company, and BP Ergo, an office furniture company in India, each of which we continue to integrate into our business. The benefits of these acquisitions, or future acquisitions or alliances may take more time than expected to develop or integrate into our operations, and we cannot guarantee any completed or future acquisitions or alliances will in fact produce any benefits. In addition, acquisitions and alliances involve a number of risks, including, without limitation:

- diversion of management's attention, including significant management time devoted to integrating acquisitions;
- difficulties in assimilating the operations and products of an acquired business or in realizing projected efficiencies, cost savings and revenue synergies;
- potential loss of key employees or customers of the acquired businesses or adverse effects on existing business relationships with suppliers and customers;
- adverse impact on overall profitability if acquired businesses do not achieve the financial results projected in our valuation models;
- reallocation of amounts of capital from other operating initiatives or an increase in our leverage and debt service requirements to pay the acquisition purchase prices, which could in turn restrict our ability to access additional capital when needed or to pursue other important elements of our business strategy;
- inaccurate assessment of undisclosed, contingent or other liabilities or problems and unanticipated costs associated with the acquisition; and
- incorrect estimates made in accounting for acquisitions, incurrence of non-recurring charges and write-off of significant amounts of goodwill that could adversely affect our operating results.

Our ability to grow through future acquisitions will depend, in part, on the availability of suitable acquisition candidates at an acceptable price, our ability to compete effectively for these acquisition candidates and the availability of capital to complete the acquisitions. These risks could be heightened if we complete several acquisitions within a relatively short period of time. In addition, there can be no assurance we will be able to continue to identify attractive opportunities or enter into any transactions with acceptable terms in the future. If an acquisition is completed, there can be no assurance we will be able to successfully integrate the acquired entity into our operations or achieve sales and profitability justifying our investment in the businesses. Any potential acquisition may not be successful and could adversely affect our business, operating results or financial condition.

Our continuing activities to reduce structural costs and drive consistent, flawless execution may result in customer disruption and may distract management from other activities.

As part of our commitment to taking structural cost out of our business, we regularly close, reconfigure or transform manufacturing and distribution facilities. In the past two years, we have closed several facilities in the United States and internationally. We

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have implemented, and will continue to implement, restructuring actions to transform our business and reduce our manufacturing footprint. These actions may take longer than anticipated, prove more costly than expected and may distract management from other activities. If we do not fully realize the expected benefits of our restructuring activities, our financial condition and ability to meet customer needs could be negatively affected.

We are subject to extensive environmental regulation and have exposure to potential environmental liabilities.

The past and present operation and ownership by us of manufacturing facilities and real property are subject to extensive and changing federal, state and local environmental laws and regulations, including those relating to discharges in air, water and land, the handling and disposal of solid and hazardous waste and the remediation of contamination associated with releases of hazardous substances. Compliance with environmental regulations has not had a material effect on our capital expenditures, earnings or competitive position to date; however, compliance with current laws or more stringent laws or regulations which may be imposed on us in the future, stricter interpretation of existing laws or discoveries of contamination at our real property sites which occurred prior to our ownership or the advent of environmental regulation may require us to incur additional expenditures in the future, some of which may be material.

Increasing healthcare costs could adversely affect our business, operating results and financial condition.

We provide healthcare benefits to the majority of our members and are self-insured. Healthcare costs have continued to rise over time, which increases our annual spending on healthcare and could adversely affect our business, operating results and financial condition.

Our inability to improve the quality/capability of our network of independent dealers or the loss of a significant number of dealers could adversely affect our business, operating results or financial condition.

In both the office furniture and hearth products industries, we rely in large part on a network of independent dealers to market our products to customers. We also rely upon these dealers to provide a variety of important specification, installation and after-market services to our customers. Many of our dealers may terminate their relationships with us at any time and for any reason. The loss or termination of a significant number of dealer relationships could cause difficulties for us in marketing and distributing our products, resulting in a decline in our sales, which may adversely affect our business, operating results or financial condition.

Our international operations expose us to risks related to conducting business in multiple jurisdictions outside the United States.

We manufacture, market, and sell our products in international operations and sales, including in China and India. We plan to continue to grow internationally. We primarily sell our products and report our financial results in U.S. dollars; however, our increased business in countries outside the United States exposes us to fluctuations in foreign currency exchange rates, including the recent weakening of the Rupee in India and the Canadian Dollar. Paying our expenses in other currencies can result in a significant increase or decrease in the amount of those expenses in terms of U.S. dollars, which may affect our profits. In the future, any foreign currency appreciation relative to the U.S. dollar would increase our expenses that are denominated in that currency. Additionally, as we report currency in the U.S. dollar, our financial position is affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar.

Further, certain countries have complex regulatory systems which impose administrative and legal requirements which make managing international operations more difficult, including approvals to transfer funds into certain countries. If we are unable to provide financial support to our international operations in a timely manner, our

business, operating results and financial condition could be adversely affected.

We periodically review our foreign currency exposure and evaluate whether we should enter into hedging transactions.

Our international sales and operations are subject to a number of additional risks, including, without limitation:

- social and political turmoil, official corruption and civil and labor unrest;
- restrictive government actions, including the imposition of trade quotas and tariffs and restrictions on transfers of funds;
- changes in labor laws and regulations affecting our ability to hire, retain or dismiss employees;
- the need to comply with multiple and potentially conflicting laws and regulations, including environmental and corporate laws and regulations;
- preference for locally branded products and laws and business practices favoring local competition;
- less effective protection of intellectual property and increased possibility of loss due to cyber-theft;
- unfavorable business conditions or economic instability in any particular country or region;

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• infrastructure disruptions;
• potentially conflicting cultural and business practices; and
• difficulty in obtaining distribution and support.

Restrictions imposed by the terms of our credit facility and note purchase agreement may limit our operating and financial flexibility.

Our credit facility and other financing arrangements, including the note purchase agreement related to our senior notes which mature in April 2016, limit our ability to finance operations, service debt or engage in other business activities that may be in our interest. Specifically, our credit facility restricts our ability to incur additional indebtedness, create or incur certain liens with respect to any of our properties or assets, engage in lines of business substantially different than those currently conducted by us, sell, lease, license or dispose of any of our assets, enter into certain transactions with affiliates, make certain restricted payments or take certain restricted actions and enter into certain sale-leaseback arrangements. Our note purchase agreement contains customary restrictive covenants, among other things, placing limits on our ability to incur liens on assets, incur additional debt, transfer or sell our assets, merge or consolidate with other persons or enter into material transactions with affiliates. Our credit facility and note purchase agreement also require us to maintain certain financial covenants.

Our failure to comply with the obligations under our credit facility may result in an event of default, which, if not cured or waived, may cause accelerated repayment of the indebtedness under the credit facility. We cannot be certain we will have sufficient funds available to pay any accelerated repayments or we will have the ability to refinance accelerated repayments on terms favorable to us or at all.

Costs related to product defects, including product liability costs, could adversely affect our profitability.

We incur various expenses related to product defects, including product warranty costs, product recall and retrofit costs and product liability costs. These expenses relative to product sales vary and could increase. We use chemicals and materials in our products and include components in our products from external suppliers, which we believe are safe and appropriate for their designated use; however, harmful effects may become known which could subject us to litigation, including health-related litigation, and significant losses. We maintain reserves for product defect-related costs based on estimates and our knowledge of circumstances indicating the need for such reserves. We cannot, however, be certain these reserves will be adequate to cover actual product defect-related claims in the future. We also purchase insurance coverage to reduce our exposure to significant levels of product liability claims and maintain a reserve for our self-insured losses based upon estimates of the aggregate liability using claims experience and actuarial assumptions, but we cannot be certain insurance would cover all losses related to product claims. Incorrect estimates or any significant increase in the rate of our product defect expenses could have a material adverse effect on operations.

We may require additional capital in the future, which may not be available or may be available only on unfavorable terms.

Our capital requirements depend on many factors, including capital improvements, tooling, new product development and acquisitions. To the extent our existing capital is insufficient to meet these requirements and cover any losses, we may need to raise additional funds through financings or curtail our growth and reduce our assets. Our ability to generate cash depends on economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. Future borrowings or financings may not be available to us under our credit facility or otherwise in an amount sufficient to enable us to pay our debt or meet our liquidity needs.

Any equity or debt financing, if available at all, could have terms unfavorable to us. In addition, financings could result in dilution to our shareholders or the securities may have rights, preferences and privileges senior to those of our common stock. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital.

Our sales to the U.S. government have declined in recent years and our sales to the U.S. state and local governments are subject to uncertain future funding levels and federal, state and local procurement laws and are governed by restrictive contract terms; any of these factors could limit current or future business.

We derive a portion of our revenue from sales to various U.S. federal, state and local government agencies and departments. Our ability to compete successfully for and retain business with the U.S. government, as well as with state and local governments, is highly dependent on cost-effective performance. Our government business is highly sensitive to changes in procurement laws; national, international, state and local public priorities; and budgets at all levels of government, which have recently experienced downward pressure and, in the case of the federal budget, are subject to uncertainty due to continuing budget cuts. Sales to federal

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government entities decreased by 8% in 2015 after being up 10% in the prior year and they may decline going forward, which could adversely impact our operating results.

Our contracts with government entities are subject to various statutes and regulations that apply to companies doing business with the government. The U.S. government, as well as state and local governments, can typically terminate or modify their contracts with us either for their convenience or if we default by failing to perform under the terms of the applicable contract. A termination arising out of our default could expose us to liability and impede our ability to compete in the future for contracts and orders with agencies and departments at all levels of government. Moreover, we are subject to investigation and audit for compliance with the requirements governing government contracts, including requirements related to procurement integrity, export controls, employment practices, the accuracy of records and reporting of costs. If we were found to not be a responsible supplier or to have committed fraud or certain criminal offenses, we could be suspended or debarred from all further federal, state or local government contracting.

Increased government focus on enforcement may significantly increase our operating costs.

The federal government has increased its focus on enforcement under a wide range of laws and regulations impacting our business, particularly in the following areas:

- antitrust and competition;
- foreign corrupt practices;
- government contracting;
- securities and public company reporting;
- labor and employment practices;
- fraud and abuse; and
- tax reporting.

Should we become the target of a government investigation or enforcement action, we could incur significant costs and suffer damage to our reputation which could adversely impact our business, operating results or financial condition.

Our implementation and use of a new business software system, and accompanying transformation of our business processes, could result in problems that could negatively impact our business and results of operations.

We are engaged in a multi-year, broad-based program, which we refer to as business systems transformation ("BST"), to implement new integrated software systems to support and streamline our business processes. We expect implementation of BST will require transformation of business and financial processes to realize the full benefits of the project. Significant efforts are required to design, test and implement BST, requiring investment of resources, including additional selling, general and administrative and capital expenditures. There can be no assurance other issues relating to BST implementation will not occur, including compatibility issues, integration challenges and delays, and higher than expected implementation costs. Additionally, when implemented, BST could function improperly or not deliver the projected benefits, which could significantly disrupt our business, including our ability to provide quotes, process orders, ship products, invoice customers, process payments, generate management and financial reports and otherwise run our business. Our business and results of operations may be adversely affected if we experience problems related to BST.

We rely on information technology systems to manage numerous aspects of our business, and a disruption or failure of these systems could adversely affect our business.

In the ordinary course of business, we rely upon information technology networks and systems to process, transmit and store electronic information, and to manage numerous aspects of our business and provide information to management. Additionally, we collect and store sensitive data of our customers and suppliers, as well as personally identifiable information of our employees, in data centers and on information technology networks. The secure operation of these information technology networks, and the processing and maintenance of this information, is critical to our business operations and strategy. These networks and systems, despite security and precautionary measures, are vulnerable to, among other things, damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, security breaches, hackers and employee misuse. We may face unauthorized attempts by hackers seeking to harm us or as a result of industrial espionage to penetrate our network security and gain access to our network, steal intellectual or other proprietary data, including design, sales or personally identifiable information, introduce malicious software or interrupt our internal systems, manufacturing or distribution. Though we attempt to prevent and detect these incidents, we may not be successful. Any disruption of our information technology networks or systems, or access to or disclosure of information stored in or transmitted by our

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systems, could result in legal claims and damages, loss of intellectual property or other proprietary information, including customer data, disrupt operations, result in competitive disadvantage and damage our reputation, which could adversely affect our business and results of operations. We are also required to comply with certain information technology standards, including standards imposed by credit card providers regarding the storage, processing and transmission of cardholder data. These standards continue to become more challenging to meet, and any failure of our systems to meet these standards could result in our inability to accept certain forms of customer payments or risk of cardholder data being breached as described above.

Natural disasters, acts of God, force majeure events or other catastrophic events may impact the Corporation's production capacity and, in turn, negatively impact profitability.

Natural disasters, acts of God, force majeure events or other catastrophic events, including severe weather, military action, terrorist attacks, power interruptions and fires, could disrupt operations and likewise the ability to produce or deliver our products. Several of our production facilities, members and key management are located within a small geographic area in eastern Iowa and a natural disaster or catastrophe in the area could have a significant adverse effect on our results of operations and business conditions. Further, several of our production facilities are single-site manufacturers of certain products, and an adverse event affecting any of those facilities could significantly delay production of certain products and adversely affect our operations and business conditions. Members are an integral part of our business and events including an epidemic could reduce the availability of members reporting for work. In the event we experience a temporary or permanent interruption in our ability to produce or deliver product, revenues could be reduced, and business could be materially adversely affected. In addition, any continuing disruption in our computer system could adversely affect our ability to receive and process customers' orders, manufacture products and ship products on a timely basis and could adversely affect relations with customers, potentially resulting in reduction in orders from customers or loss of customers. We maintain insurance to help protect us from costs relating to some of these events, but it may not be sufficient or paid in a timely manner in the event we suffer such an event.

Our business is subject to a number of other miscellaneous risks that may adversely affect our business, operating results or financial condition.

Other miscellaneous risks include, without limitation:

- reduced demand for our storage products caused by changes in office technology, including the change from paper record storage to electronic record storage;

- our ability to realize cost savings and productivity improvements from our cost containment, business simplification, manufacturing consolidation and logistical realignment initiatives;

- volatility in the market price and trading volume of equity securities may adversely affect the market price for our common stock;

- our ability to protect our intellectual property, including trade secrets and key business operations data;

- labor or other manufacturing inefficiencies due to items including new product introductions, a new operating system or turnover in personnel;

- our ability to effectively manage working capital and maintain our effective tax rate;

- potential claims by third parties that we infringed upon their intellectual property rights;

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our insurance may not adequately (1) insulate us from expenses for product defects and the negligent acts and omissions of our members and agents and (2) compensate us for damages to our facilities and equipment and loss of business; and

our ability to retain our experienced management team and recruit other key personnel.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The Corporation maintains its corporate headquarters in Muscatine, Iowa, and conducts operations at locations throughout the United States, Canada, China, Hong Kong, India and Taiwan, which house manufacturing, distribution and retail operations and offices totaling an aggregate of approximately 10.7 million square feet. Of this total, approximately 1.6 million square feet are leased.

Although the plants are of varying ages, the Corporation believes they are well maintained, equipped with modern and efficient equipment, in good operating condition and suitable for the purposes for which they are being used. The Corporation has sufficient capacity to increase output at most locations by increasing the use of overtime or the number of production shifts employed.

The Corporation's principal manufacturing and distribution facilities (200,000 square feet in size or larger) are as follows:

Location	Approximate Square Feet	Owned or Leased	Description of Use
Cedartown, Georgia	550,000	Owned	Manufacturing office furniture (1)
Dongguan, China	1,007,716	Owned	Manufacturing office furniture (1)
Hickory, North Carolina	206,316	Owned	Manufacturing office furniture
Lake City, Minnesota	241,500	Owned	Manufacturing fireplaces
Mechanicsburg, Pennsylvania	400,000	Leased	Warehousing office furniture
Milan, Illinois	244,017	Leased	Warehousing office furniture components
Mt. Pleasant, Iowa	288,006	Owned	Manufacturing fireplaces (1)
Muscatine, Iowa	272,900	Owned	Manufacturing office furniture
Muscatine, Iowa	578,284	Owned	Warehousing office furniture
Muscatine, Iowa	236,100	Owned	Manufacturing office furniture
Muscatine, Iowa	636,250	Owned	Manufacturing office furniture
Muscatine, Iowa	237,800	Owned	Manufacturing office furniture
Nagpur, India	355,135	Owned	Manufacturing office furniture
Orleans, Indiana	1,196,946	Owned	Manufacturing office furniture (1)
Paris, Kentucky	300,000	Owned	Manufacturing fireplaces
Temple, Texas	395,428	Owned	Manufacturing office furniture
Temple, Texas	354,000	Leased	Warehousing office furniture
Wayland, New York	716,484	Owned	Manufacturing office furniture (1)

(1) Also includes a regional warehouse/distribution center

Other Corporation facilities, under 200,000 square feet in size, are located in various communities throughout the United States, Canada, China, Hong Kong, India and Taiwan. These facilities total approximately 2.6 million square feet with approximately 1.4 million square feet used for the manufacture and distribution of office furniture and approximately 1.0 million square feet for hearth products. Of this total, approximately 1.0 million square feet are leased. The Corporation also leases sales showroom space in office furniture market centers in several major metropolitan areas.

There are no major encumbrances on Corporation-owned properties. Refer to Property, Plant, and Equipment in the Notes to Consolidated Financial Statements for related cost, accumulated depreciation and net book value data.

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ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in various disputes and legal proceedings that have arisen in the ordinary course of its business, including pending litigation, environmental remediation, taxes and other claims. It is the Corporation's opinion, after consultation with legal counsel, that liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, cash flows or on the Corporation's quarterly or annual operating results when resolved in a future period.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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TABLE I
EXECUTIVE OFFICERS OF THE REGISTRANT
January 2, 2016

Name	Age	Family Relationship	Position	Position Held Since	Other Business Experience During Past Five Years
Julie M. Abramowski	40	None	Vice President, Corporate Controller	2015	Director, Financial Reporting (2014-2015); Director, Financial Planning and Analysis, Leveraged Furniture Operations (2013-2014); Corporate Controller, The HON Company (2007-2013)
Stan A. Askren	55	None	Chairman of the Board Chief Executive Officer President Director	2004 2004 2003 2003	
Steven M. Bradford	58	None	Senior Vice President, General Counsel and Secretary	2015	Vice President, General Counsel and Secretary (2008-2015)
Bradley D. Determan	54	None	Executive Vice President President, Hearth & Home Technologies Group	2005 2015	President, Hearth & Home Technologies LLC (2003-2015)
Jerald K. Dittmer	58	None	Executive Vice President President, The HON Company LLC	2008 2008	
Jeffrey D. Lorenger	50	None	Executive Vice President President, HNI Contract Furniture Group	2010 2014	President, Allsteel, Inc. (2008-2014)
Donald T. Mead	56	None	Executive Vice President President, The Gunlocke Company L.L.C.	2011 2008	
Donna D. Meade	50	None	Vice President, Member Relations	2014	Vice President, Member and Community Relations, Allsteel Inc. (2009-14)
Marco V. Molinari	56	None	Executive Vice President President, HNI International Inc.	2006 2003	
Kurt A. Tjaden	52	None	Senior Vice President and Chief Financial Officer	2015	Vice President and Chief Financial Officer (2008-2015)

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Corporation's common stock is listed for trading on the New York Stock Exchange (NYSE) under the trading symbol HNI. As of year-end 2015, the Corporation had 7,171 stockholders of record.

Wells Fargo Shareowner Services, St. Paul, Minnesota, serves as the Corporation's transfer agent and registrar of its common stock. Shareholders may report a change of address or make inquiries by writing or calling: Wells Fargo Shareowner Services, P.O. Box 64874, St. Paul, MN 55164-0854 or telephone 800/468-9716.

Information regarding historical sale prices of and dividends paid on the Corporation's common stock is presented in the Investor Information section which follows the Notes to Consolidated Financial Statements filed as part of this report and is incorporated herein by reference.

The Corporation expects to continue its policy of paying regular quarterly cash dividends. Dividends have been paid each quarter since the Corporation paid its first dividend in 1955. The average dividend payout percentage for the most recent three-year period has been 77% of prior year earnings. Future dividends are dependent on future earnings, capital requirements and the Corporation's financial condition, and are declared in the sole discretion of the Corporation's Board of Directors.

Issuer Purchases of Equity Securities:

The following is a summary of share repurchase activity during the quarter ended January 2, 2016.

Period	(a) Total Number of Shares (or Units) Purchased (1)	(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
10/04/15 - 10/31/15	2,000	\$42.48	2,000	\$194,514,152
11/01/15 - 11/28/15	38,000	\$42.91	38,000	\$192,883,610
11/29/15 - 1/02/16	3,700	\$43.80	3,700	\$192,721,564
Total	43,700		43,700	

(1) No shares were purchased outside of a publicly announced plan or program.

The Corporation repurchases shares under previously announced plans authorized by the Board as follows:

Plan announced November 9, 2007, providing share repurchase authorization of \$200,000,000 with no specific expiration date, with increase announced November 7, 2014, providing additional share repurchase authorization of \$200,000,000 with no specific expiration date.

No repurchase plans expired or were terminated during the fourth quarter of fiscal 2015, nor do any plans exist under which the Corporation does not intend to make further purchases.

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ITEM 6. SELECTED FINANCIAL DATA — FIVE-YEAR SUMMARY

	2015	2014	2013	2012	2011	
Operating Results (Thousands of Dollars)						
Net Sales	\$2,304,419	\$2,222,695	\$2,059,964	\$2,004,003	\$1,833,450	
Gross Profit as a % of Net Sales	36.8	% 35.3	% 34.7	% 34.4	% 34.9	%
Net Income Attributable to HNI Corporation	\$105,436	\$61,471	\$63,683	\$48,967	\$45,986	
Net Income Attributable to HNI Corporation as a % of Net Sales	4.6	% 2.8	% 3.1	% 2.4	% 2.5	%
Share and Per Share Data (Basic and Dilutive)						
Net Income Attributable to HNI Corporation – basic	\$2.38	\$1.37	\$1.41	\$1.08	\$1.03	
Net Income Attributable to HNI Corporation – diluted	\$2.32	\$1.35	\$1.39	\$1.07	\$1.01	
Cash Dividends	\$1.045	\$0.99	\$0.96	\$0.95	\$0.92	
Weighted-Average Shares						
Outstanding During Year – basic (in Thousands)	44,285	44,760	45,251	45,211	44,803	
Outstanding During Year – diluted (in Thousands)	45,441	45,579	45,956	45,820	45,694	
Financial Position (Thousands of Dollars)						
Current Assets	\$438,370	\$455,559	\$433,228	\$402,375	\$431,504	
Current Liabilities	\$435,900	\$457,333	\$411,584	\$389,171	\$382,270	
Working Capital	\$2,470	\$(1,774)	\$21,644	\$13,204	\$49,234	
Total Assets	\$1,263,925	\$1,239,334	\$1,134,705	\$1,077,066	\$1,051,722	
% Return on Beginning Assets Employed	13.3	% 9.9	% 9.8	% 8.3	% 8.2	%
Long-Term Debt and Capital Lease Obligations	\$185,000	\$197,736	\$150,197	\$150,372	\$150,540	
Shareholders' Equity	\$476,954	\$414,587	\$436,328	\$420,359	\$419,057	
% Return on Average Shareholders' Equity	23.7	% 14.4	% 14.9	% 11.7	% 11.1	%

2014 reflects a 53-week year

Reflects Artcobell acquisition beginning in 2011, BP Ergo acquisition beginning in 2012 and VCG acquisition beginning in 2014.

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

The following discussion of the Corporation's historical results of operations and of its liquidity and capital resources should be read in conjunction with the Consolidated Financial Statements of the Corporation and related notes. Statements that are not historical are forward-looking and involve risks and uncertainties, including those discussed under "Item 1A. Risk Factors" and elsewhere in this report.

Overview

The Corporation has two reportable segments: office furniture and hearth products. The Corporation is a leading global office furniture manufacturer and North America's leading manufacturer and marketer of gas and wood burning fireplaces. The Corporation utilizes its split and focus, with leverage, decentralized business model to deliver value to its customers with various brands and selling models. The Corporation is focused on growing its existing businesses while seeking out and developing new opportunities for growth.

The Corporation delivered another strong year in 2015 with top-line growth in both the office furniture and hearth products segments. Our businesses performed well in a challenging, slow-growth economic environment. Growth in the office furniture segment was led by continued momentum in the contract channel. The supplies channel of the office furniture segment was flat due to muted small business confidence. The Corporation's hearth products segment saw mixed results as solid growth in new construction and retail/retrofit businesses was partially offset by a significant decline in the biomass business due to low oil prices and unseasonably warm weather. Strong operational performance, consistent flawless execution for our customers and benefits from operational investments were key drivers for increased earnings over 2014. The Corporation remains committed to long-term profitable growth across its core businesses and continued focused investments in selling, marketing, manufacturing and product initiatives.

Net sales during 2015 were \$2.3 billion, an increase of 3.7 percent, compared to net sales of \$2.2 billion in 2014. The sales increase was driven by increased volume in the contract channel of the office furniture segment as well as the new construction channel of the hearth products segment. The Corporation completed the acquisition of Vermont Castings Group ("VCG"), a manufacturer of free-standing hearth stoves and fireplaces, during the fourth quarter of 2014. The VCG acquisition increased sales \$62.7 million in 2015.

Fiscal 2015 included 52 weeks compared to 53 weeks in 2014. Due to the Corporation's holiday schedule and production shutdowns, the extra week in 2014 had minimal impact on net sales and operating income.

The Corporation recorded \$11.2 million and \$29.4 million of goodwill and intangible impairment charges during 2015 and 2014, respectively, related to reporting units in the office furniture segment acquired over the past five years. These impairment charges are the result of current and projected market conditions and product and operational transformation.

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Results of Operations

The following table sets forth the percentage of consolidated net sales represented by certain items reflected in the Corporation's Consolidated Statements of Income for the periods indicated.

Fiscal	2015		2014		2013	
Net Sales	100.0	%	100.0	%	100.0	%
Cost of products sold	63.2		64.7		65.3	
Gross profit	36.8		35.3		34.7	
Selling and administrative expenses	29.2		29.2		29.4	
(Gain) loss on sale of assets	—		(0.5	)	0.1	
Restructuring related charges	0.5		1.5		—	
Operating income	7.1		5.1		5.1	
Interest expense net	0.3		0.4		0.5	
Income before income taxes	6.8		4.7		4.7	
Income taxes	2.2		2.0		1.6	
Net income attributable to the noncontrolling interest	—		—		—	
Net income attributable to HNI Corporation	4.6	%	2.8	%	3.1	%

Net Sales

Net sales during 2015 were \$2.3 billion, an increase of 3.7 percent, compared to net sales of \$2.2 billion in 2014. Compared to the prior year, the acquisition of VCG increased sales \$62.7 million. On an organic basis, sales increased 0.9 percent. Sales in the office furniture segment were driven by continued momentum in the contract channel while the supplies channel was flat due to muted small business confidence. Sales in the hearth products segment were driven by new construction growth while the remodel/retrofit channel declined due to the impact of warm weather and low oil prices on biomass sales. Both segments experienced price realization compared to 2014.

Net sales during 2014 were \$2.2 billion, an increase of 7.9 percent, compared to net sales of \$2.1 billion in 2013. Both the office furniture segment and the hearth products segment experienced better price realization and increased volume. Compared to 2013, the acquisition of VCG, net of divestitures of several small businesses, including office furniture dealers, increased sales \$7.5 million.

Fiscal 2014 included 53 weeks compared to 52 weeks in 2015 and 2013. Due to the Corporation's holiday schedule and production shutdowns, the extra week had minimal impact on net sales and operating income.

Gross Profit

Gross profit as a percent of net sales increased 150 basis points in 2015 as compared to 2014 driven by strong operational performance, structural cost reductions, lower restructuring charges, favorable material costs and price realization partially offset by lower volume and unfavorable product mix. Gross profit as a percent of net sales increased 60 basis points in 2014 as compared to 2013 due to higher volume, price realization and strong operational performance offset partially by unfavorable product mix, investments in operations, higher warranty costs and increased restructuring and transition costs.

Selling and Administrative Expenses

Selling and administrative expenses increased 3.6 percent in 2015 but were flat as a percentage of net sales driven by higher freight costs, strategic investments and acquisition impact, offset by lower incentive based compensation and

cost reductions. Selling and administrative costs increased 7.0 percent in 2014 due to volume related expenses, higher freight costs, investments in selling and growth initiatives, increased group medical costs, higher incentive-based compensation and costs associated with an acquisition.

Selling and administrative expenses include freight expense for shipments to customers, product development costs and amortization expense of intangible assets. Refer to Summary of Significant Accounting Policies and Goodwill and Other Intangible Assets in the Notes to Consolidated Financial Statements for further information regarding the comparative expense levels for these items.

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Gain/Loss on Sale of Assets

The Corporation realized gains totaling \$10.7 million on the sale of two facilities and California air emission credits in 2014. The Corporation realized a \$2.5 million loss on the sale of a non-core office furniture business in 2013.

Restructuring and Impairment Charges

As a result of the Corporation's ongoing business simplification and cost reduction strategies, the Corporation made the decision to exit a small line of business within our hearth products segment during 2015. The Corporation incurred \$0.9 million of restructuring charges as the result of this decision, of which \$0.8 million were included in Cost of Sales.

During 2014, the Corporation made decisions to close three office furniture manufacturing facilities located in Florence, Alabama, Chicago, Illinois and Nalagarh, India and consolidate production into existing office furniture manufacturing facilities. In connection with these decisions, the Corporation recorded \$8.8 million of pre-tax charges in 2014, which included \$5.2 million of accelerated depreciation on machinery and equipment recorded in cost of sales and \$3.6 million of severance and facility exit costs which were recorded as restructuring charges during the year. During 2015, the Corporation incurred \$0.4 million of pre-tax restructuring charges related to these closures in the form of facility exit costs partially offset by lower than anticipated post employment costs.

During 2010, the Corporation completed the shutdown of an office furniture facility in South Gate, California and consolidated production into existing office furniture manufacturing facilities. During 2013, the Corporation incurred \$0.3 million of restructuring charges due to ongoing costs related to a vacant building from this closure.

The Corporation recorded \$11.2 million and \$29.4 million of goodwill and intangible impairments in 2015 and 2014, respectively, related to reporting units in the office furniture segment acquired over the past five years. These impairment charges are the result of current and projected market conditions and product and operational transformation.

Operating Income

Operating income increased \$50.9 million to \$163.7 million in 2015, compared to \$112.8 million in 2014, driven by strong operational performance, structural cost reductions, lower restructuring and impairment charges, favorable material costs and price realization. These factors were offset partially by lower volume, unfavorable product mix, higher freight costs and strategic investments.

Operating income increased \$6.9 million to \$112.8 million in 2014, compared to \$106.0 million in 2013. The increase was due to higher volume, price realization, strong operational performance and gains on sale of assets. These drivers were offset partially by investments in operations, unfavorable product mix, increased warranty costs, higher freight costs, increased group medical costs, higher incentive-based compensation and restructuring, impairment and transition costs

Income Taxes

The provision for income taxes reflect an effective tax rate of 32.9 percent, 41.7 percent and 34.5 percent for 2015, 2014 and 2013, respectively. The 2015 decrease in the effective tax rate was driven by the non-deductibility of goodwill impairment in 2014, an increased tax benefit for the U.S. Manufacturing Deduction, and an increase in the R&D credit. The 2014 effective tax rate increase over 2013 was primarily driven by the non-deductibility of goodwill impairment.

Net Income Attributable to HNI Corporation

Net income attributable to HNI Corporation increased 71.5 percent to \$105.4 million in 2015 compared to \$61.5 million in 2014 and \$63.7 million in 2013. Net income per diluted share increased 71.9 percent to \$2.32 in 2015 compared to \$1.35 in 2014 and \$1.39 in 2013.

Office Furniture

Office furniture comprised 77 percent, 78 percent, and 82 percent of consolidated net sales for 2015, 2014 and 2013, respectively. Net sales for office furniture increased \$38.8 million or 2.2 percent in 2015 to \$1.778 billion compared to \$1.739 billion in 2014 including price realization of \$31 million. The Corporation experienced growth in the contract channel while the supplies channel remained flat. BIFMA reported 2015 shipments up 5 percent from 2014 levels, which were up 4 percent from 2013 levels.

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Net sales for office furniture increased \$53.8 million or 3.2 percent in 2014 to \$1.739 billion compared to \$1.685 billion in 2013 including price realization of \$36 million. Compared to prior year, divestitures of several small businesses, including office furniture dealers, reduced sales by \$17.7 million. The Corporation experienced growth in both the supplies-driven and contract channels.

Operating profit as a percent of net sales was 7.7 percent in 2015, 5.0 percent in 2014 and 5.8 percent in 2013. The improvement in operating margins for 2015 was due to increased volume, strong operational performance, cost reductions, lower restructuring and impairment charges, favorable material costs and price realization. These drivers were partially offset by unfavorable product mix, higher freight costs, strategic investments, and incentive based compensation. The decrease in operating margins in 2014 from 2013 was due to unfavorable product mix, investment in operations, higher freight costs, increased incentive-based compensation, restructuring charges, goodwill and intangible impairments and transition costs. These factors were partially offset by higher volume, better price realization, strong operational performance and gains on sale of assets.

Hearth Products

Hearth products sales increased \$43.0 million or 8.9 percent in 2015 to \$527 million compared to \$484 million in 2014 including price realization of \$6 million and incremental sales from the VCG acquisition of \$63 million. Sales in the new construction channel grew as the housing market continued to recover but were offset by a decline in the biomass portion of the remodel/retrofit channel due to unseasonably warm weather and low oil prices.

Hearth products sales increased 29.1 percent in 2014 to \$484 million compared to \$375 million in 2013 including price realization of \$6 million and incremental sales from the VCG acquisition of \$25 million. The sales increase was also due to an increase in both the new construction channel due to the continued housing market recovery and the remodel/retrofit channel due to strong biomass product sales.

Operating profit as a percent of sales in 2015 was 14.8 percent compared to 15.9 percent in 2014 and 12.5 percent in 2013. The 2015 decrease in operating margins was due to dilution caused by the VCG acquisition and decreased volume partially offset by cost reductions, lower material costs, and price realization. The increase in operating margins in 2014 compared to 2013 was due to higher volume and better price realization, partially offset by increased material costs, higher warranty expense, increased incentive-based compensation and acquisition impact.

Liquidity and Capital Resources

Cash Flow – Operating Activities

Cash generated from operating activities in 2015 totaled \$173.4 million compared to \$167.8 million generated in 2014. The increase in cash generated was driven by higher net income partially offset by working capital. Changes in working capital balances resulted in a \$28.1 million use of cash in 2015 compared to \$2.3 million source of cash in the prior year. Cash generated from operating activities in 2013 totaled \$165.0 million and changes in working capital balances resulted in a \$16.8 million source of cash.

The use of cash related to working capital balance in 2015 was primarily driven from lower accounts payable of \$26.3 million due to timing of payments. Other uses of cash include higher receivables due to sales timing and increased inventory due to strategic investments.

The use of cash related to working capital balance in 2014 was primarily driven from higher inventory of \$23.4 million due to strategic initiatives, impact of west coast port congestion and timing of shipments. This use of cash was offset partially by an \$8.6 million decrease in trade receivables due to strong collection efforts and timing and a \$21.8 million increase in current liabilities from timing of accounts payable and higher compensation, benefits and marketing accruals partially offset by a decrease in tax related accruals.

The Corporation places special emphasis on management and control of working capital with a particular focus on trade receivables and inventory levels. The success achieved in managing receivables is in large part a result of doing business with quality customers and maintaining close communication with them. Management believes recorded trade receivable valuation allowances at the end of 2015 are adequate to cover the risk of potential bad debts. Allowances for non-collectible trade receivables, as a percent of gross trade receivables, totaled 1.7 percent, 2.1 percent and 2.6 percent at the end of fiscal years 2015, 2014 and 2013, respectively.

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The Corporation's inventory turns were 12, 12 and 15, for fiscal years 2015, 2014 and 2013, respectively. The decrease in inventory turns from 2013 is due to strategic initiatives.

Cash Flow – Investing Activities

Capital expenditures, including capitalized software, were \$115.0 million in 2015, \$112.7 million in 2014 and \$78.9 million in 2013. These expenditures continue to focus on machinery, equipment and tooling required to support new products, continuous improvements and cost savings initiatives in our manufacturing processes as well as the implementation of new integrated information systems to support business process transformation. The Corporation anticipates capital expenditures for 2016 to total \$105 million to \$110 million, primarily related to new products, operational process improvements and capabilities and the business process transformation project referred to above.

In 2014, the investing activities reflected a net cash outflow of \$61.8 million related to the acquisition of VCG. The acquisition of VCG adds brands, strong customer relationships and quality products to the Corporation's Hearth and Home Technologies business. Refer to the Business Combination note in the Notes to Consolidated Financial Statements for additional information.

In 2014, the Corporation completed the sales of a facility located in South Gate, California, a facility and equipment located in Chicago, Illinois and California air emission credits. The proceeds from these sales of \$16 million are reflected in the Consolidated Statement of Cash Flows as "Proceeds from sale of property, plant and equipment" for 2014.

Cash Flow – Financing Activities

The Corporation, certain domestic subsidiaries of the Corporation, the lenders and Wells Fargo Bank, National Association, as administrative agent, entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") on June 9, 2015.

The Credit Agreement amended and restated the Corporation's existing \$250 million revolving credit facility dated September 28, 2011.

As of January 2, 2016, there was \$40 million outstanding under the \$250 million revolving credit facility of which \$35 million was classified as long-term as the Corporation does not expect to repay the borrowings within a year and \$5 million was classified as current as the Corporation does expect to repay the borrowings within a year.

The Corporation, certain domestic subsidiaries of the Corporation, the lenders and Wells Fargo Bank, National Association, as administrative agent, entered into the First Amendment to Second Amended and Restated Credit Agreement (the "Credit Agreement Amendment") on January 6, 2016. The Credit Agreement Amendment amends the Second Amended and Restated Credit Agreement dated as of June 9, 2015.

The Credit Agreement was amended to, among other things, increase the revolving commitment of the lenders from \$250 million to \$400 million (while retaining the Corporation's option under the Credit Agreement to increase its borrowing capacity by an additional \$150 million) in order to provide funding for the expected pay off of maturing Senior Notes and to extend the maturity date from June 2020 to January 2021.

The revolving credit facility is the primary source of committed funding from which the Corporation finances its planned capital expenditures and strategic initiatives, such as acquisitions, repurchases of common stock and certain working capital needs. Non-compliance with the various financial covenant ratios in the revolving credit facility or the Senior Notes could prevent the Corporation from being able to access further borrowings under the revolving credit facility, require immediate repayment of all amounts outstanding with respect to the revolving credit facility and Senior Notes and/or increase the cost of borrowing.

The Credit Agreement contains a number of covenants, including covenants requiring maintenance of the following financial ratios as of the end of any fiscal quarter:

a consolidated interest coverage ratio of not less than 4.0 to 1.0, based upon the ratio of (a) consolidated EBITDA (as defined in the Credit Agreement) for the last four fiscal quarters to (b) the sum of consolidated interest charges; and
a consolidated leverage ratio of not greater than 3.5 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness (as defined in the Credit Agreement) to (b) consolidated EBITDA for the last four fiscal quarters.

The most restrictive of the financial covenants is the consolidated leverage ratio requirement of 3.5 to 1.0 included in the Credit Agreement. Under the Credit Agreement, consolidated EBITDA is defined as consolidated net income before interest expense, income taxes and depreciation and amortization of intangibles, as well as non-cash, nonrecurring charges and all non-cash items increasing net income. At January 2, 2016, the Corporation was well below the maximum allowable ratio and was in compliance

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with all of the covenants and other restrictions in the Credit Agreement and the note purchase agreement. The Corporation expects to remain in compliance over the next twelve months.

In 2006, the Corporation refinanced \$150 million of borrowings outstanding under its prior revolving credit facility with 5.54 percent, ten-year unsecured Senior Notes (due 2016) issued through the private placement debt market. Interest payments are due semi-annually on April 1 and October 1 of each year and the principal is due in a lump sum on April 6, 2016. These Senior Notes were classified as long term as of January 2, 2016 since the Corporation will pay off the Senior Notes upon maturity with revolving credit facility borrowings expected to remain outstanding for more than twelve months.

During 2015, the Corporation repurchased 550,000 shares of its common stock at a cost of approximately \$26.7 million, or an average price of \$48.47 per share. The Board authorized \$200 million on November 9, 2007, and an additional \$200 million on November 7, 2014, for repurchases of the Corporation's common stock. As of January 2, 2016, approximately \$192.7 million of this authorized amount remained unspent. During 2014, the Corporation repurchased 1,665,850 shares of its common stock at a cost of approximately \$67.9 million, or an average price of \$40.76 per share. During 2013, the Corporation repurchased 740,000 shares of its common stock at a cost of approximately \$27.5 million, or an average price of \$37.15 per share.

A cash dividend has been paid every quarter since April 15, 1955, and quarterly dividends are expected to continue. Cash dividends were \$1.045 per common share for 2015, \$0.99 for 2014 and \$0.96 for 2013. The last quarterly dividend increase was from \$0.25 to \$0.265 per common share effective with the May 29, 2015 dividend payment for shareholders of record at the close of business on May 15, 2015. The average dividend payout percentage for the most recent three-year period has been 77 percent of prior year earnings or 28 percent of prior year cash flow from operating activities.

Cash, cash equivalents and short-term investments totaled \$32.8 million at the end of 2015 compared to \$37.2 million at the end of 2014 and \$72.3 million at the end of 2013. These funds, coupled with cash from future operations, borrowing capacity under the existing facility as amended January 6, 2016 and the ability to access capital markets are expected to be adequate to fund operations and satisfy cash flow needs for at least the next twelve months. As of the end of 2015, \$13.1 million of cash was held overseas and considered permanently reinvested. If such amounts were repatriated it could result in additional tax expense to the Corporation. The Corporation does not believe asserting this cash as permanently reinvested will have any impact on its liquidity.

Contractual Obligations

The following table discloses the Corporation's obligations and commitments to make future payments under contracts:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Long-term debt obligations, including estimated interest (1)	\$ 195,222	\$ 159,604	\$ 35,618	\$—	\$—
Operating lease obligations	98,706	30,241	40,324	17,873	10,268
Purchase obligations (2)	64,403	64,403	—	—	—
Other long-term obligations (3)	47,835	7,034	11,665	3,197	25,939
Total	\$ 406,166	\$ 261,282	\$ 87,607	\$ 21,070	\$ 36,207

(1) Interest has been included for all debt at the fixed or variable rate in effect as of January 2, 2016, as applicable. See Note 10 "Long-Term Debt" in the Notes to Consolidated Financial Statements for further information.

(2) Purchase obligations include agreements to purchase goods or services that are enforceable, legally binding and specify all significant terms, including the quantity to be purchased, the price to be paid and the timing of the

purchase.

(3) Other long-term obligations represent payments due to members who are participants in the Corporation's deferred and long-term incentive compensation programs, liability for unrecognized tax liabilities and contribution and benefit payments expected to be made pursuant to the Corporation's post-retirement benefit plans. It should be noted the obligations related to post-retirement benefit plans are not contractual and the plans could be amended at the discretion of the Corporation. The disclosure of contributions and benefit payments has been limited to 10 years, as information beyond this time period was not available.

Litigation and Uncertainties

The Corporation is involved in various kinds of disputes and legal proceedings that have arisen in the ordinary course of business, including pending litigation, environmental remediation, taxes and other claims. It is the Corporation's opinion, after consultation

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with legal counsel, that additional liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, cash flows or on the Corporation's quarterly or annual operating results when resolved in a future period.

Looking Ahead

Management remains optimistic about the office furniture and hearth markets and the Corporation's long-term prospects.

The Corporation remains focused on creating long-term shareholder value by growing its business through investment in building brands, product solutions and selling models, enhancing its strong member-owner culture and remaining focused on its long-standing rapid continuous improvement programs to build best total cost and a lean enterprise.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Corporation's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Consolidated Financial Statements, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of the Board. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate be made based on assumptions about matters uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes the following critical accounting policies reflect its more significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Allowance for doubtful accounts receivable – The allowance for doubtful accounts receivable is based on several factors, including overall customer credit quality, historical write-off experience, the length of time a receivable has been outstanding and specific account analysis that projects the ultimate collectability of the account. As such, these factors may change over time causing the Corporation to adjust the reserve level accordingly.

Long-lived assets - The Corporation reviews long-lived assets for impairment as events or changes in circumstances occur indicating the amount of the asset reflected in the Corporation's balance sheet may not be recoverable. The Corporation compares an estimate of undiscounted cash flows produced by the asset, or the appropriate group of assets, to the carrying value to determine whether impairment exists. The estimates of future cash flows involve considerable management judgment and are based upon the Corporation's assumptions about future operating performance. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance and economic conditions. Asset impairment charges associated with the Corporation's restructuring activities are discussed in Restructuring Related and Impairment Charges in the Notes to Consolidated Financial Statements.

Goodwill and other intangibles – The Corporation evaluates its goodwill for impairment on an annual basis during the fourth quarter or whenever indicators of impairment exist. The Corporation reviews goodwill at the reporting unit level within its office furniture and hearth products operating segments. These reporting units constitute components for which discrete financial information is available and regularly reviewed by segment management. The accounting standards for goodwill permit entities to first assess qualitative factors to determine whether it is more likely than not the fair value of a reporting unit is less than its

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carrying amount as a basis for determining whether it is necessary to perform a two-step goodwill impairment test. If the two-step is required, the Corporation estimates the fair value of its reporting units. In estimating the fair value, the Corporation relies on an average of the income approach and the market approach. In the income approach, the estimate of fair value of each reporting unit is based on management's projection of revenues, gross margin, operating costs and cash flows considering historical and estimated future results, general economic and market conditions as well as the impact of planned business and operational strategies. The valuations employ present value techniques to measure fair value and consider market factors. In the market approach, the Corporation utilizes the guideline company method, which involved calculating valuation multiples based on operating data from guideline publicly-traded companies. These multiples are then applied to the operating data for the reporting units and adjusted for factors similar to those used in the discounted cash flow analysis. Management believes the assumptions used for the impairment test are consistent with those utilized by a market participant in performing similar valuations of its reporting units. Management bases its fair value estimates on assumptions they believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Actual results may differ from those estimates.

If the fair value of the reporting unit is less than its carrying value, an additional step is required to determine the implied fair value of goodwill associated with that reporting unit. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of its assets and liabilities and then computing the excess of the reporting unit's fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment and, accordingly, such impairment is recognized.

Assessing the fair value of goodwill includes, among other things, making key assumptions for estimating future cash flows and appropriate market multiples. These assumptions are subject to a high degree of judgment and complexity. The Corporation makes every effort to estimate future cash flows as accurately as possible with the information available at the time the forecast is developed. However, changes in assumptions and estimates may affect the estimated fair value of the reporting unit, and could result in an impairment charge in future periods. Factors that have the potential to create variances in the estimated fair value of the reporting unit include but are not limited to economic conditions in the U.S. and other countries where the Corporation has a presence, competitor behavior, the mix of product sales, commodity costs, wage rates, the level of manufacturing capacity, the pricing environment and currency exchange fluctuations. In addition, estimates of fair value are impacted by estimates of the market-participant derived weighted average cost of capital.

Additionally, the Corporation compares the estimated aggregate fair value of its reporting units to its overall market capitalization.

The Corporation also evaluates the fair value of indefinite-lived trade names on an annual basis during the fourth quarter or whenever indication of impairment exists. The estimate of the fair value of the trade names is based on a discounted cash flow model using inputs which include: projected revenues from management's long-term plan, assumed royalty rates that could be payable if the trade names were not owned and a discount rate.

The Corporation has definite-lived intangibles that are amortized over their estimated useful lives. Impairment losses are recognized if the carrying amount of an intangible, subject to amortization, is not recoverable from expected future cash flows and its carrying amount exceeds its fair value.

Key to recoverability of goodwill, indefinite-lived intangibles and long-lived assets is the forecast of economic conditions and its impact on future revenues, operating margins and cash flows. Management's projection for the U.S. office furniture and domestic hearth markets and global economic conditions is inherently subject to a number of uncertain factors, such as global economic improvement, the U.S housing market, credit availability and borrowing rates, and overall consumer confidence. In the near term, as management monitors the above factors, it is possible it

may change the revenue and cash flow projections of certain reporting units, which may require the recording of additional asset impairment charges.

Self-insured reserves – The Corporation is primarily self-insured or carries high deductibles for general, auto, and product liability, workers' compensation, and certain employee health benefits. The general, auto, product, and workers' compensation liabilities are managed via a wholly-owned insurance captive and the related liabilities are included in the accompanying financial statements. The Corporation's policy is to accrue amounts in accordance with the actuarially determined liabilities. The actuarial valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as the number or severity of claims, medical cost inflation, and magnitude of change in actual experience development could cause these estimates to change in the near term.

Income taxes – The provision for income taxes is determined using the asset and liability approach taking into account guidance related to uncertain tax positions. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Corporation's assets and liabilities. The Corporation provides for taxes that may be payable if

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undistributed earnings of overseas subsidiaries were to be remitted to the United States, except for those earnings that it considers to be permanently reinvested.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU requires companies to reevaluate when revenue is recorded on a transaction based upon newly defined criteria, either at a point in time or over time as goods or services are delivered. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. The new standard becomes effective for us in fiscal 2018, and allows for both retrospective and modified-retrospective methods of adoption. We are currently evaluating the effect, if any, that the updated standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying Presentation of Debt Issuance Costs. The core principle of the ASU is that an entity should present debt issuance costs as a direct deduction from the face amount of that debt in the balance sheet similar to the manner in which a debt discount or premium is presented, and not reflected as a deferred charge or deferred credit. The ASU requires additional disclosure about the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted and the effect of the change on the financial statement line item (that is, the debt issuance cost asset and the debt liability). The new standard becomes effective for us in fiscal 2016, and requires retrospective implementation in which the balance sheet of each individual period presented is to be adjusted to reflect the period-specific effects of applying the new guidance, early adoption is permitted. Subsequent to the issuance of ASU 2015-03 the SEC staff made an announcement regarding the presentation of debt issuance costs associated with line-of-credit arrangements, which was codified by the FASB in ASU 2015-15. This guidance, which clarifies the exclusion of line-of-credit arrangements from the scope of ASU 2015-03, is effective upon adoption of ASU 2015-03. We are currently evaluating the effect, if any, that the updated standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-05, Internal-Use Software (Subtopic 350-40) - Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. The ASU applies to cloud computing arrangements including software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements, and was issued to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The ASU provides guidance about whether the arrangement includes a software license. The core principle of the ASU is that if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change U.S. GAAP for a customer’s accounting for service contracts. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015. The company anticipates the adoption in the effective period and we are currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. The ASU eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The core principle of the ASU is that entities will be required to recognize the cumulative impact of a measurement period adjustment (including the impact on prior periods) in the reporting period in which the adjustment is identified. The

ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015. However early adoption is permitted. The company anticipates the adoption for fiscal 2016 with minimal impact.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the normal course of business, the Corporation is subjected to market risk associated with interest rate movements. Interest rate risk arises from our variable interest debt obligations. For information related to the Corporation's long-term debt, refer to the Long-Term Debt disclosure in the Notes to Consolidated Financial Statements filed as part of this report. The Corporation does not currently have any interest rate swap agreements in place. The Corporation does not currently have any significant foreign currency exposure.

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The Corporation is exposed to risks arising from price changes for certain direct materials and assembly components used in its operations. The most significant material purchases and cost for the Corporation are for steel, plastics, textiles, wood particleboard and cartoning. Steel, aluminum and wood/wood related products are the most significant raw material used in the manufacturing of products. The market price of plastics and textiles, in particular, are sensitive to the cost of oil and natural gas. The cost of wood particleboard has been impacted by continued downsizing of production capacity as well as increased volatility in input and transportation costs. All of these materials are impacted increasingly by global market pressure. The Corporation works to offset these increased costs through global sourcing initiatives, product re-engineering and price increases on its products. Margins have been negatively impacted in the past due to the lag between cost increases and the Corporation's ability to increase its prices. The Corporation believes future market price 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed under Item 15(a)(1) and (2) are filed as part of this report and are incorporated herein by reference.

The Summary of Unaudited Quarterly Results of Operations follows the Notes to Consolidated Financial Statements filed as part of this report and are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to ensure information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of management, the Chief Executive Officer and Chief Financial Officer of the Corporation have evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as defined in Rules 13a – 15(e) and 15d – 15(e) under the Exchange Act. As of January 2, 2016, and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded these controls and procedures are effective. There have not been any changes in the Corporation's internal control over financial reporting that occurred during the fiscal quarter ended January 2, 2016 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management's annual report on internal control over financial reporting and the attestation report of the Corporation's independent registered public accounting firm are included in Item 15. Exhibits, Financial Statement Schedules of this report under the headings "Management Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively and management's annual report is incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information under the caption "Proposal No. 1 - Election of Directors" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference. For information with respect to executive officers of the Corporation, see Table I - Executive Officers of the Registrant included in Part I of this report.

Information relating to the identification of the audit committee and audit committee financial expert of the Corporation is contained under the caption "Information Regarding the Board" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, and is incorporated herein by reference.

Code of Ethics

The information under the caption "Code of Business Conduct and Ethics" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference.

Compliance with Section 16(a) of the Exchange Act

The information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the captions "Executive Compensation" and "Director Compensation" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the captions "Security Ownership" and "Equity Compensation Plan Information" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information under the captions "Information Regarding the Board" and "Review, Approval or Ratification of Transactions with Related Persons" of the Corporation's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information under the caption “Fees Incurred for KPMG LLP and PricewaterhouseCoopers LLP” of the Corporation’s Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Shareholders to be held on May 10, 2016, is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements of the Corporation and its subsidiaries included in the Corporation's 2015 Annual Report to Shareholders are filed as a part of this Report pursuant to Item 8:

	Page
<u>Management Report on Internal Control Over Financial Reporting</u>	<u>36</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>37</u>
<u>Consolidated Statements of Comprehensive Income for the Years Ended January 2, 2016, January 3, 2015, and December 28, 2013</u>	<u>39</u>
<u>Consolidated Balance Sheets – January 2, 2016 and January 3, 2015</u>	<u>40</u>
<u>Consolidated Statements of Equity for the Years Ended January 2, 2016, January 3, 2015, and December 28, 2013</u>	<u>41</u>
<u>Consolidated Statements of Cash Flows for the Years Ended January 2, 2016, January 3, 2015, and December 28, 2013</u>	<u>42</u>
<u>Notes to Consolidated Financial Statements</u>	<u>43</u>
<u>Investor Information</u>	<u>68</u>
(2) Financial Statement Schedules	

All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(b) Exhibits

An exhibit index of all exhibits incorporated by reference into, or filed with, this Report appears on Page 71. The following exhibits are filed herewith:

Exhibit	
(21)	) Subsidiaries of the Registrant
(23.1)	) Consent of Independent Registered Public Accounting Firm (KPMG)
(23.2)	) Consent of Independent Registered Public Accounting Firm (PwC)
(31.1)	) Certification of the CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	) Certification of the CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	) Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101) The following materials from HNI Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (iv) Notes to Consolidated Financial Statements

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

HNI Corporation

Date: February 29, 2016

By:

/s/ Stan A. Askren
Stan A. Askren
Chairman, President and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. Each Director whose signature appears below authorizes and appoints Stan A. Askren as his or her attorney-in-fact to sign and file on his or her behalf any and all amendments and post-effective amendments to this report.

Signature	Title	Date
/s/ Stan A. Askren Stan A. Askren	Chairman, President and CEO, Principal Executive Officer, and Director	February 29, 2016
/s/ Kurt A. Tjaden Kurt A. Tjaden	Senior Vice President and Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer	February 29, 2016
/s/ Mary H. Bell Mary H. Bell	Director	February 29, 2016
/s/ Miguel M. Calado Miguel M. Calado	Director	February 29, 2016
/s/ Cheryl A. Francis Cheryl A. Francis	Director	February 29, 2016
/s/ James R. Jenkins James R. Jenkins	Director	February 29, 2016
/s/ Mary K. W. Jones Mary K. W. Jones	Director	February 29, 2016
/s/ Dennis J. Martin Dennis J. Martin	Director	February 29, 2016

/s/ Larry B. Porcellato
Larry B. Porcellato

Director

February 29, 2016

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Signature	Title	Date
/s/ Abbie J. Smith Abbie J. Smith	Lead Director	February 29, 2016
/s/ Brian E. Stern Brian E. Stern	Director	February 29, 2016
/s/ Ronald V. Waters, III Ronald V. Waters, III	Director	February 29, 2016

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Management Report on Internal Control Over Financial Reporting

Management of HNI Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. HNI Corporation'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 accounting principles generally accepted in the United States of America. HNI Corporation's internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of HNI Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of HNI Corporation are being made only in accordance with authorizations of management and directors of HNI Corporation; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

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 controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of HNI Corporation's internal control over financial reporting as of January 2, 2016. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of HNI Corporation's internal control over financial reporting and testing of operational effectiveness of HNI Corporation's internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Board of Directors.

Based on this assessment, management determined, as of January 2, 2016, HNI Corporation maintained effective internal control over financial reporting.

The effectiveness of HNI Corporation's internal control over financial reporting as of January 2, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which appears herein.

February 29, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of HNI Corporation:

We have audited the accompanying consolidated balance sheet of HNI Corporation (the Company) and subsidiaries as of January 2, 2016 and the related consolidated statements of comprehensive income, equity, and cash flows for the year ended January 2, 2016. We also have audited HNI Corporation's internal control over financial reporting as of January 2, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). HNI Corporation's management is responsible for these consolidated financial statements, 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 these consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HNI Corporation and subsidiaries as of January 2, 2016, and the results of their operations and their cash flows for the year ended January 2, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, HNI Corporation maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) .

/s/ KPMG LLP

Chicago, Illinois

February 29, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of HNI Corporation:

In our opinion, the consolidated balance sheet as of January 3, 2015 and the related consolidated statements of comprehensive income, statements of equity, and statements of cash flows for each of two years in the period ended January 3, 2015 present fairly, in all material respects, the financial position of HNI Corporation and its subsidiaries at January 3, 2015, and the results of their operations and their cash flows for each of the two years in the period ended January 3, 2015, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 27, 2015

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HNI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands, except for per share data)

For the Years	2015	2014	2013
Net sales	\$2,304,419	\$2,222,695	\$2,059,964
Cost of products sold	1,457,021	1,438,495	1,344,672
Gross profit	847,398	784,200	715,292
Selling and administrative expenses	672,125	649,055	606,512
(Gain) loss on sale of assets	(195	) (10,723	) 2,460
Restructuring and impairment charges	11,792	33,019	333
Operating income	163,676	112,849	105,987
Interest income	395	418	626
Interest expense	6,901	8,336	9,906
Income before income taxes	157,170	104,931	96,707
Income taxes	51,764	43,776	33,338
Net income	105,406	61,155	63,369
Less: Net (loss) attributable to the noncontrolling interest	(30	) (316	) (314
Net income attributable to HNI Corporation	\$105,436	\$61,471	\$63,683
Net income attributable to HNI Corporation per common share – basic	\$2.38	\$1.37	\$1.41
Weighted average shares outstanding – basic	44,285,298	44,759,716	45,250,665
Net income attributable to HNI Corporation per common share – diluted	\$2.32	\$1.35	\$1.39
Weighted average shares outstanding - diluted	45,440,653	45,578,872	45,956,280
Foreign currency translation adjustments	\$(1,901	) \$(691	) \$(2,562
Change in unrealized gains and losses on marketable securities (net of tax)	(39	) (44	) (124
Change in pension and postretirement liability (net of tax)	1,256	(4,622	) 2,151
Change in derivative financial instruments (net of tax)	873	(983	) 187
Other comprehensive income(loss) net of tax	\$189	\$(6,340	) \$(348
Comprehensive income	105,595	54,815	63,021
Less: Comprehensive (loss) attributable to noncontrolling interest	(30	) (316	) (314
Comprehensive income attributable to HNI Corporation	\$105,625	\$55,131	\$63,335

The accompanying notes are an integral part of the consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of dollars and shares except par value)

As of Year-end	2015	2014	
Assets			
Current Assets			
Cash and cash equivalents	\$28,548	\$34,144	
Short-term investments	4,252	3,052	
Receivables, net	243,409	240,053	
Inventories, net	125,228	121,791	
Deferred income taxes	—	17,310	
Prepaid expenses and other current assets	36,933	39,209	
Total Current Assets	438,370	455,559	
Property, Plant, and Equipment	341,159	311,008	
Goodwill	277,650	279,310	
Other Assets	206,746	193,457	
Total Assets	\$1,263,925	\$1,239,334	
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses	\$424,405	\$453,754	
Note payable and current maturities of long-term debt and capital lease obligations	5,477	160	
Current maturities of other long-term obligations	6,018	3,419	
Total Current Liabilities	435,900	457,333	
Long-Term Debt	185,000	197,736	
Other Long-Term Liabilities	76,792	80,353	
Deferred Income Taxes	88,934	89,411	
Commitments and Contingencies			
Shareholders' Equity			
Preferred stock - \$1 par value	—	—	
Authorized: 2,000			
Issued: None			
Common stock - \$1 par value	44,158	44,166	
Authorized: 200,000			
Issued and outstanding: 2015 - 44,158; 2014 - 44,166			
Additional paid-in capital	4,407	867	
Retained earnings	433,575	374,929	
Accumulated other comprehensive loss	(5,186) (5,375)
Total HNI Corporation shareholders' equity	476,954	414,587	
Noncontrolling interest	345	(86)
Total Equity	477,299	414,501	
Total Liabilities and Equity	\$1,263,925	\$1,239,334	

The accompanying notes are an integral part of the consolidated financial statements.

Table of ContentsHNI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(Amounts in thousands)	Parent Company Shareholders' Equity					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Non-controlling Interest	Total Shareholders' Equity
Balance, December 29, 2012	\$44,951	\$20,153	\$353,942	\$1,313	\$301	\$420,660
Comprehensive income:						
Net income			63,683		(314)	63,369
Other comprehensive income (net of tax)				(348)		(348)
Distributions to noncontrolling interest					(167)	(167)
Change in ownership of noncontrolling interest			(479)		269	(210)
Cash dividends; \$0.96 per share			(43,494)			(43,494)
Common shares – treasury:						
Shares purchased	(740)	(26,748)				(27,488)
Shares issued under Members' Stock Purchase Plan and stock awards	771	23,324				24,095
Balance, December 28, 2013	\$44,982	\$16,729	\$373,652	\$965	\$89	\$436,417
Comprehensive income:						
Net income (loss)			61,471		(316)	61,155
Other comprehensive (loss) (net of tax)				(6,340)		(6,340)
Distributions to noncontrolling interest					(5)	(5)
Change in ownership of noncontrolling interest			(146)		146	—
Cash dividends; \$0.99 per share			(44,328)			(44,328)
Common shares – treasury:						
Shares purchased	(1,666)	(50,522)	(15,720)			(67,908)
Shares issued under Members' Stock Purchase Plan and stock awards	850	34,660				35,510
Balance, January 3, 2015	\$44,166	\$867	\$374,929	\$(5,375)	\$(86)	\$414,501
Comprehensive income:						
Net income (loss)			105,436		(30)	105,406
Other comprehensive (loss) (net of tax)				189		189
Distributions to noncontrolling interest						—
Change in ownership of noncontrolling interest			(461)		461	—
Cash dividends; \$1.045 per share			(46,329)			(46,329)
Common shares – treasury:						
Shares purchased	(550)	(26,107)				(26,657)

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Shares issued under Members' Stock Purchase Plan and stock awards	542	29,647				30,189
Balance, January 2, 2016	\$44,158	\$4,407	\$433,575	\$(5,186)	) \$345	\$477,299

The accompanying notes are an integral part of the consolidated financial statements.

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HNI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

For the Years	2015	2014	2013
Net Cash Flows From (To) Operating Activities:			
Net income	\$ 105,406	\$ 61,155	\$ 63,369
Noncash items included in net income:			
Depreciation and amortization	57,564	56,722	46,621
Other postretirement and post-employment benefits	1,856	1,239	1,309
Stock-based compensation	9,097	8,597	7,451
Excess tax benefits from stock compensation	(1,581)	) (2,161)	) (2,211)
Deferred income taxes	15,257	14,655	18,451
Net (gain) loss on sale of long-lived assets	1,222	(10,327)	) 344
Loss on impairment of intangibles	11,241	29,382	—
Loss on sale of business	—	—	2,177
Other – net	(1,216)	) 4,693	4,419
Changes in working capital, excluding acquisition and disposition:			
Receivables	(3,592)	) 8,631	(21,029)
Inventories	(4,221)	) (23,437)	) 1,606
Prepaid expenses and other current assets	(5,940)	) (4,622)	) 526
Accounts payable and accrued expenses	(21,121)	) 32,915	31,215
Income taxes	6,799	(11,165)	) 4,525
Increase (decrease) in other liabilities	2,581	1,519	6,229
Net cash flows from (to) operating activities	173,352	167,796	165,002
Net Cash Flows From (To) Investing Activities:			
Capital expenditures	(82,610)	) (74,323)	) (60,977)
Proceeds from sale of property, plant and equipment	2,201	16,361	421
Capitalized software	(32,356)	) (38,390)	) (17,918)
Acquisition spending, net of cash acquired	—	(61,823)) —
Purchase of investments	(3,660)	) (3,801)	) (1,107)
Sales or maturities of investments	3,550	7,770	5,053
Other – net	—	(4)	) (891)
Net cash flows from (to) investing activities	(112,875)	) (154,210)	) (75,419)
Net Cash Flows From (To) Financing Activities:			
Purchase of HNI Corporation common stock	(26,657)	) (67,908)	) (27,488)
Withholding related to net share settlements of equity based awards	(171)	) (79)	) (1,598)
Proceeds from note and long-term debt	448,449	282,808	157,967
Payments of note and long-term debt and other financing	(455,222)	) (235,595)	) (163,524)
Proceeds from sale of HNI Corporation common stock	12,276	18,469	9,591
Excess tax benefits from stock compensation	1,581	2,161	2,211
Dividends paid	(46,329)	) (44,328)	) (43,494)
Net cash flows from (to) financing activities	(66,073)	) (44,472)	) (66,335)
Net increase (decrease) in cash and cash equivalents	(5,596)	) (30,886)	) 23,248
Cash and cash equivalents at beginning of year	34,144	65,030	41,782
Cash and cash equivalents at end of year	\$ 28,548	\$ 34,144	\$ 65,030

The accompanying notes are an integral part of the consolidated financial statements.

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HNI CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Nature of Operations

HNI Corporation with its subsidiaries (the "Corporation") is a provider of office furniture and hearth products. Both industries are reportable segments; however, the Corporation's office furniture business is its principal line of business. Refer to Reportable Segment Information for further information. Office furniture products include panel-based and freestanding furniture systems and complementary products such as seating, storage and tables. These products are sold primarily through a national system of dealers, wholesalers and office product distributors but also directly to end-user customers and federal, state and local governments. Hearth products include a full array of gas, wood and pellet burning fireplaces, inserts, stoves, facings and accessories. These products are sold through a national system of dealers and distributors, as well as Corporation-owned distribution and retail outlets. The Corporation's products are marketed predominantly in the United States and Canada. The Corporation exports select products to a limited number of markets outside North America, principally the Middle East, Mexico, Latin America and the Caribbean, through its export subsidiary and manufactures and markets office furniture in Asia and India; however, based on sales, these activities are not significant.

Fiscal year-end – The Corporation follows a 52/53-week fiscal year which ends on the Saturday nearest December 31. Fiscal year 2015 ended on January 2, 2016; 2014 ended on January 3, 2015; and 2013 ended on December 28, 2013. The financial statements for fiscal year 2014 are on a 53-week basis. The financial statements for fiscal years 2015 and 2013 are on a 52-week basis. A 53-week year occurs approximately every sixth year.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts and transactions of the Corporation and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Cash, Cash Equivalents and Investments

Cash and cash equivalents generally consist of cash and money market accounts. The fair value approximates the carrying value due to the short duration of the securities. These securities have original maturity dates not exceeding three months. The Corporation has short-term investments with maturities of less than one year and also has investments with maturities greater than one year included in Other Assets on the Consolidated Balance Sheets. Management classifies investments in marketable securities at the time of purchase and reevaluates such classification at each balance sheet date. Debt securities including government and corporate bonds are classified as available-for-sale and stated at current market value with unrealized gains and losses included as a separate component of equity, net of any related tax effect. The specific identification method is used to determine realized gains and losses on the trade date.

At January 2, 2016 and January 3, 2015, cash, cash equivalents and investments consisted of the following:

Year-End 2015	Cash and cash equivalents	Short-term investments	Long-term investments
(In thousands)			
Held-to-maturity securities			
Certificates of deposit	\$—	\$252	\$—
Available-for-sale securities			
Debt securities	—	4,000	8,067
Cash and money market accounts	28,548	—	—

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Total	\$28,548	\$4,252	\$8,067
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The amortized cost basis of the debt securities as of January 2, 2016 was \$12.1 million. Immaterial unrealized gains are recorded in accumulated other comprehensive income as of January 2, 2016 for these debt securities.

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Year-End 2014	Cash and cash equivalents	Short-term investments	Long-term investments
(In thousands)			
Held-to-maturity securities			
Certificates of deposit	\$—	\$252	\$—
Available-for-sale securities			
Debt securities	—	2,800	9,240
Cash and money market accounts	34,144	—	—
Total	\$34,144	\$3,052	\$9,240

The amortized cost basis of the debt securities as of January 3, 2015 was \$12.0 million. Unrealized gains of \$0.1 million and unrealized losses of \$0.0 million are recorded in accumulated other comprehensive income as of January 3, 2015 for these debt securities.

Receivables

Accounts receivable are presented net of allowance for doubtful accounts of \$4.3 million and \$5.1 million for 2015 and 2014, respectively. The allowance is developed based on several factors including overall customer credit quality, historical write-off experience, and specific account analyses projecting the ultimate collectability of the account. As such, these factors may change over time causing the reserve level to adjust accordingly.

Allowance for doubtful accounts	Balance at beginning of period	Charged to costs and expenses	Amounts written off, net of recoveries and other adjustments	Balance at end of period
Year ended January 2, 2016	5,096	1,394	2,203	4,287
Year ended January 3, 2015	6,208	343	1,455	5,096
Year ended December 28, 2013	5,151	2,590	1,533	6,208

Inventories

The Corporation valued 78 percent and 71 percent of its inventory by the LIFO method at January 2, 2016 and January 3, 2015, respectively. During 2014 and 2013, inventory quantities were reduced at certain reporting units. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of current year purchases, the effect of which decreased cost of goods sold by approximately \$0.03 million and \$0.2 million in 2014 and 2013, respectively. If the FIFO method had been in use, inventories would have been \$25.1 million and \$28.0 million higher than reported at January 2, 2016 and January 3, 2015, respectively.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Expenditures for repairs and maintenance are expensed as incurred. Major improvements that materially extend the useful lives of the assets are capitalized. Depreciation has been computed using the straight-line method over estimated useful lives: land improvements, 10 – 20 years; buildings, 10 – 40 years; and machinery and equipment, 3 – 12 years.

Long-Lived Assets

Long-lived assets are reviewed for impairment as events or changes in circumstances occur indicating the amount of the asset reflected in the Corporation's balance sheet may not be recoverable. An estimate of undiscounted cash flows produced by the asset, or the appropriate group of assets, is compared to the carrying value to determine whether impairment exists. The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance. The actual cash flows could differ from management's

estimates due to changes in business conditions, operating performance and economic conditions. Asset impairment charges recorded in connection with the Corporation's restructuring activities are discussed in Restructuring Related Charges. These assets included real estate, manufacturing equipment and certain other fixed assets. The Corporation's continuous focus on improving the manufacturing process tends to increase the likelihood of assets being replaced; therefore, the Corporation is regularly evaluating the expected lives of its equipment and accelerating depreciation where appropriate.

Goodwill and Other Intangible Assets

See Goodwill and Other Intangible Assets note to consolidated financial statements.

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Table of Contents**Product Warranties**

The Corporation issues certain warranty policies on its furniture and hearth products that provide for repair or replacement of any covered product or component failing during normal use because of a defect in design, materials or workmanship. Reserves have been established for the various costs associated with the Corporation's warranty programs.

A warranty reserve is determined by recording a specific reserve for known warranty issues and an additional reserve for unknown claims expected to be incurred based on historical claims experience. Actual claims incurred could differ from the original estimates, requiring adjustments to the reserve. Activity associated with warranty obligations was as follows:

(In thousands)	2015	2014	2013
Balance at the beginning of the period	\$16,719	\$13,840	\$13,055
Accrual assumed from acquisition	—	1,100	—
Accruals for warranties issued during the period	19,995	18,951	21,878
Accrual(Recovery) related to pre-existing warranties	(334)	) 172	106
Settlements made during the period	(20,153)	) (17,344)	) (21,199)
Balance at the end of the period	\$16,227	\$16,719	\$13,840

The portion of the reserve for estimated settlements expected to be paid in the next twelve months was \$8.2 million and \$8.5 million as of January 2, 2016 and January 3, 2015, respectively, and is included in "Accounts payable and accrued expenses" in the Consolidated Balance Sheets. The portion of the reserve for settlements expected to be paid beyond one year was \$8.0 million and \$8.2 million, as of January 2, 2016 and January 3, 2015, respectively, and are included in "Other Long-Term Liabilities" in the Consolidated Balance Sheets.

Revenue Recognition

Sales of office furniture and hearth products are generally recognized when title transfers and the risks and rewards of ownership have passed to customers. Typically title and risk of ownership transfer when the product is shipped. In certain circumstances, title and risk of ownership do not transfer until the goods are received by the customer or upon installation and customer acceptance. Revenue includes freight charged to customers; related costs are recorded in selling and administrative expense. Rebates, discounts and other marketing program expenses directly related to the sale are recorded as a reduction to net sales. Marketing program accruals require the use of management estimates and the consideration of contractual arrangements subject to interpretation. Customer sales that achieve or do not achieve certain award levels can affect the amount of such estimates and actual results could differ from these estimates.

Product Development Costs

Product development costs relating to development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred. These costs include salaries, contractor fees, building costs, utilities and administrative fees. The amounts charged against income were \$31.1 million in 2015, \$29.7 million in 2014 and \$27.3 million in 2013 and were recorded in "Selling and Administrative Expenses" on the Consolidated Statements of Income.

Freight Expense

The Corporation records freight expense on shipments to customers in "Selling and Administrative Expenses" on the Consolidated Statements of Income. Amounts recorded were \$133.4 million in 2015, \$131.0 million in 2014 and \$123.8 million in 2013.

Stock-Based Compensation

The Corporation measures the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes cost over the requisite service period. See the Stock-Based Compensation note to consolidated financial statements for further information.

Income Taxes

The Corporation uses an asset and liability approach that takes into account guidance related to uncertain tax positions and requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns. Deferred income taxes are provided to reflect differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. The Corporation provides for taxes that may be payable if undistributed earnings of overseas subsidiaries were to be remitted to the United States, except for those earnings it considers to be permanently reinvested. There were approximately \$33.9 million of accumulated earnings considered permanently reinvested in China, Hong Kong and India as of January 2, 2016. The Corporation believes the U.S. tax cost on unremitted foreign

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earnings would be approximately \$10.3 million if the amounts were not considered permanently reinvested. See the Income Tax note to consolidated financial statements for further information.

Earnings Per Share

Basic earnings per share are based on the weighted-average number of common shares outstanding during the year. Shares potentially issuable under stock options, restricted stock units and common stock equivalents under the Corporation's deferred compensation plans have been considered outstanding for purposes of the diluted earnings per share calculation. The following table reconciles the numerators and denominators used in the calculation of basic and diluted earnings per share (EPS):

(In thousands, except per share data)	2015	2014	2013
Numerators:			
Numerators for both basic and diluted EPS net income attributable to parent company	\$ 105,436	\$ 61,471	\$ 63,683
Denominators:			
Denominator for basic EPS weighted- average common shares outstanding	44,285	44,760	45,251
Potentially dilutive shares from stock option plans	1,156	819	706
Denominator for diluted EPS	45,441	45,579	45,956
Earnings per share – basic	\$ 2.38	\$ 1.37	\$ 1.41
Earnings per share – diluted	\$ 2.32	\$ 1.35	\$ 1.39

Certain exercisable and non-exercisable stock options were not included in the computation of diluted EPS for fiscal years 2015, 2014 and 2013 because inclusion would have been anti-dilutive. The number of stock options outstanding which met this criterion was 493,202; 500,058 and 769,394 for 2015, 2014 and 2013, respectively.

Use of Estimates

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 amounts reported in the financial statements and accompanying notes. The more significant areas requiring use of management estimates relate to allowance for doubtful accounts, inventory reserves, marketing program accruals, warranty accruals, accruals for self-insured medical claims, workers' compensation, legal contingencies, general liability and auto insurance claims, valuation of long-lived assets, and useful lives for depreciation and amortization. Actual results could differ from those estimates.

Self-Insurance

The Corporation is primarily self-insured for general, auto and product liability, workers' compensation, and certain employee health benefits. The general, auto, product and workers' compensation liabilities are managed using a wholly owned insurance captive and the related liabilities are included in the accompanying consolidated financial statements. As of January 2, 2016, these liabilities totaled \$27.7 million. The Corporation's policy is to accrue amounts in accordance with the actuarially determined liabilities. 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 cost inflation and magnitude of change in actual experience development could cause these estimates to change in the future.

Foreign Currency Translations

Foreign currency financial statements of foreign operations where the local currency is the functional currency are translated using exchange rates in effect at period end for assets and liabilities and average exchange rates during the period for results of operations. Related translation adjustments are reported as a component of Shareholders'

Equity. Gains and losses on foreign currency transactions are included in the “Selling and administrative expenses” caption of the Consolidated Statements of Income.

Reclassifications

Certain reclassifications have been made within the financial statements to conform to the current year presentation.

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Recently Adopted Accounting Pronouncements

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, with early adoption permitted. The new guidance has been adopted on a prospective basis by the Company for the fiscal year ended January 2, 2016.

Note 3. Restructuring and Impairment Charges

As a result of the Corporation's ongoing business simplification and cost reduction strategies, the Corporation made the decision to exit a line of business within our hearth products segment during 2015. The Corporation incurred \$0.9 million of restructuring charges as the result of this decision of which \$0.8 million were included in Cost of Sales.

During 2014, the Corporation made decisions to close three office furniture manufacturing facilities located in Florence, Alabama, Chicago, Illinois and Nalagarh, India and consolidate production into existing office furniture manufacturing facilities. In connection with these decisions, the Corporation recorded \$8.8 million of pre-tax charges in 2014, which included \$5.2 million of accelerated depreciation on machinery and equipment recorded in cost of sales and \$3.6 million of severance and facility exit costs which were recorded as restructuring charges during the year. During 2015 the Corporation incurred \$0.4 million of pre-tax restructuring charges related to these closures in the form of facility exit costs partially offset by lower than anticipated post employment costs.

During 2010, the Corporation completed the shutdown of an office furniture facility in South Gate, California and consolidated production into existing office furniture manufacturing facilities. During 2013, the Corporation incurred \$0.3 million of restructuring charges due to ongoing costs related to a vacant building from this closure.

The following table summarizes the restructuring accrual activity since the beginning of fiscal 2013.

(In thousands)	Severance Costs	Facility Termination & Other Costs	Total
Restructuring reserve at December 29, 2012	\$192	\$18	\$210
Restructuring charges	(8	) 341	333
Cash payments	(135	) (353	) (488
Restructuring reserve At December 28, 2013	\$49	\$6	\$55
Restructuring charges	2,933	705	3,638
Cash payments	(1,769	) (711	) (2,480
Restructuring reserve At January 3, 2015	\$1,213	\$—	\$1,213
Restructuring charges	(706	) 1,255	549
Cash Payments	(257	) (1,240	) (1,497
Restructuring reserve At January 2, 2016	\$250	\$15	\$265

The Corporation recorded \$11.2 million of goodwill and long-lived asset impairments in 2015 included in the "Restructuring and Impairment Charges" line item on the Consolidated Statements of Income. See Goodwill and Other Intangible Assets note to consolidated financial statements for more information.

Note 4. Business Combinations

The Corporation completed the acquisition of Vermont Casting Group, a leading manufacturer of free-standing hearth stoves and fireplaces, on October 1, 2014 for a purchase price of \$62.2 million in an all cash transaction. There were \$24.9 million of intangible assets other than goodwill associated with this acquisition with estimated useful lives

ranging from five to fifteen years with amortization recorded on a straight line basis based on the projected cash flow associated with the respective intangible assets' existing relationships. There was \$17.0 million of goodwill associated with this acquisition assigned to the hearth products segment. The goodwill is not deductible for income tax purposes.

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Note 5. Supplemental Cash Flow Information

The Corporation's cash payments for interest and income taxes and non-cash investing and financing activities are as follows:

(In thousands)	2015	2014	2013
Cash paid for:			
Interest paid (net of capitalized interest)	\$7,066	\$8,301	\$9,909
Income taxes paid	28,252	36,637	9,576
Changes in accrued expenses due to:			
Purchases of property and equipment	(327	) 3,873	3,769
Purchases of capitalized software	(2,806	) 2,183	1,114

Note 6. Inventories

(In thousands)	2015	2014
Finished products	\$68,478	\$65,126
Materials and work in process	81,860	84,677
LIFO reserve	(25,110	) (28,012
	\$125,228	\$121,791

Note 7. Property, Plant, and Equipment

(In thousands)	2015	2014
Land and land improvements	\$28,801	\$27,329
Buildings	298,516	298,170
Machinery and equipment	515,131	492,646
Construction and equipment installation in progress	31,986	27,704
	874,434	845,849
Less: accumulated depreciation	533,275	534,841
	\$341,159	\$311,008

Total depreciation expense was \$46.5 million, \$46.1 million and \$36.3 million in 2015, 2014 and 2013, respectively.

Note 8. Goodwill and Other Intangible Assets

As a result of the required annual impairment assessment performed in the fourth quarter of 2015, the Corporation determined the fair value of a recently acquired reporting unit within the office furniture segment was below its carrying value. The decline in the estimated fair value of this reporting unit was largely driven by lower than expected operating performance in 2015. The projections used in the impairment model reflected management's assumptions regarding revenue growth rates, economic and market trends, cost structure, investments required for sales force and operational transformation and other expectations about the anticipated short-term and long-term operating results of the reporting unit. Based on the two-step analysis, the Corporation recorded a \$3.0 million goodwill impairment charge in 2015, and there was no remaining net goodwill in the reporting unit as of January 2, 2016. Additionally and prior to the goodwill impairment assessment, the Corporation tested the recoverability of the long-lived assets in that reporting unit, other than goodwill, which included definite-lived intangible assets consisting of customer lists and trade names, and recorded an impairment charge of \$8.3 million.

Based on the results of the annual impairment tests, the Corporation concluded that no other goodwill impairment existed apart from the impairment charges discussed above. For all other reporting units included in the annual two-step impairment test except the two noted below, the estimated fair value is significantly in excess of carrying

value.

For one of the office furniture reporting units that exceeded its carrying value by approximately 12.9 percent, the Corporation assumed a discount rate of 13.0 percent, near term growth rates ranging from 3.5 percent to 7.5 percent and a terminal growth rate of 3.0 percent. The fair value model assumes continued positive economic momentum and transformation of the reporting unit

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including sales and marketing initiatives, new product development and operational processes. Holding other assumptions constant a 100 basis point increase in the discount rate would result in a \$5.0 million decrease in the estimated fair value of the reporting unit and a 100 basis point decrease in the long-term growth rate would result in a \$2.0 million decrease in the estimated fair value of the reporting unit. Neither of these scenarios individually would result in the reporting unit failing step one.

For the other office furniture reporting unit that exceeded its carrying value by approximately 17.8 percent, the Corporation assumed a discount rate of 15.0 percent, near term growth rates ranging from negative 10.7 percent to positive 8.0 percent and a terminal growth rate of 4.0 percent. The fair value model assumes continued positive economic momentum and transformation of the reporting unit including sales and marketing initiatives, new product development and operational processes. Holding other assumptions constant a 100 basis point increase in the discount rate would result in a \$5.0 million decrease in the estimated fair value of the reporting unit and a 100 basis point decrease in the long-term growth rate would result in a \$2.5 million decrease in the estimated fair value of the reporting unit. Neither of these scenarios individually would result in the reporting unit failing step one.

The Corporation also owns certain trademarks and trade names having a carrying value of \$41.0 million as of January 2, 2016, \$41.0 million as of January 3, 2015, and \$41.0 million as of December 28, 2013. These trademarks and trade names are deemed to have indefinite useful lives because they are expected to generate cash flows indefinitely. As a result of the review performed in the fourth quarter of 2015, the Corporation determined the fair value of all trade names exceeded the respective carrying value and, therefore no impairment was recorded.

One trade name within the office furniture segment had a minimal amount of headroom on its valuation. This trade name exceeded its carrying value by approximately \$1.0 million and had a carrying value of \$11.2 million. For this trade name the Corporation assumed a discount rate of 12.0 percent, terminal growth rate of 3.0 percent and a royalty rate of 2.5 percent. Holding other assumptions constant, a nominal change in the discount rate or royalty rate could trigger an impairment.

The table below summarizes amortizable definite-lived intangible assets, which are reflected in Other Assets in the Corporation's Consolidated Balance Sheets:

(In thousands)	January 2, 2016			January 3, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Patents	\$18,645	\$18,615	\$30	\$18,945	\$18,724	\$221
Software	122,892	21,193	101,699	93,343	17,711	75,632
Trademarks and trade names	6,564	753	5,811	11,424	1,724	9,700
Customer lists and other	105,586	60,063	45,523	113,671	58,019	55,652
Net definite lived intangible assets	\$253,687	\$100,624	\$153,063	\$237,383	\$96,178	\$141,205

The Corporation recorded an impairment charge of \$8.3 million to adjust the customer list and trade names associated with a small office furniture reporting unit to fair market value as discussed above.

Amortization expense for capitalized software for 2015, 2014 and 2013, was \$3.5 million, \$3.3 million and \$2.9 million, respectively. Amortization expense for all other definite-lived intangibles for 2015, 2014 and 2013, was \$7.6 million, \$7.2 million and \$7.4 million, respectively. All amortization expense was recorded in Selling and Administrative Expenses on the Consolidated Statements of Income. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the following five fiscal years is as follows:

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(in millions)	2016	2017	2018	2019	2020
Amortization expense	\$11.6	\$17.6	\$17.8	\$17.1	\$16.5

The occurrence of events such as acquisitions, dispositions or impairments in the future may result in changes to amounts.

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The changes in the carrying amount of goodwill since December 28, 2013, are as follows by reporting segment:

(In thousands)	Office Furniture	Hearth Products	Total
Balance as of December 28, 2013			
Goodwill	\$149,969	\$166,188	\$316,157
Accumulated impairment losses	(29,359	) (143	) (29,502
	120,610	166,045	286,655
Goodwill acquired during the year	—	15,713	15,713
Impairment losses	(22,802	) —	(22,802
Foreign currency translation adjustment	(256	) —	(256
Balance as of January 3, 2015			
Goodwill	149,713	181,901	331,614
Accumulated impairment losses	(52,161	) (143	) (52,304
	97,552	181,758	279,310
Impairment losses	(2,963	) —	(2,963
Final purchase price allocations/contingent payments from prior year acquisitions	—	1,298	1,298
Foreign currency translation adjustment	5	—	5
Balance as of January 2, 2016			
Goodwill	149,718	183,199	332,917
Accumulated impairment losses	(55,124	) (143	) (55,267
	94,594	183,056	277,650

The goodwill increases relate to acquisitions completed. See the Business Combinations note. The decreases in goodwill in the office furniture segment in 2014 and 2015 were due to the impairment charges described above.

Note 9. Accounts Payable and Accrued Expenses

(In thousands)	2015	2014
Trade accounts payable	\$197,579	\$224,026
Compensation	43,380	46,619
Profit sharing and retirement expense	29,089	27,956
Marketing expenses	35,969	39,175
Freight	16,384	15,531
Other accrued expenses	102,004	100,447
	\$424,405	\$453,754

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Note 10. Long-Term Debt

(In thousands)	2015	2014
Note payable to bank, revolving credit facility with interest at a variable rate (2015 - 1.5%; 2014 - 1.8%)	\$40,300	\$47,700
Senior notes due April 2016 with interest at a fixed rate of 5.54% per annum.	150,000	150,000
Other notes and amounts	177	91
Total debt	190,477	197,791
Less: current portion	5,477	55
Long-term debt	\$185,000	\$197,736

Aggregate maturities of long-term debt are as follows:

(In thousands)	
2016	\$5,477
2017	35,000
2018	—
2019	—
2020	—
Thereafter	150,000

The carrying value of the Corporation's outstanding variable-rate, long-term debt obligations at January 2, 2016 and January 3, 2015 was \$40 million and \$48 million, respectively, which approximated fair value. The fair value of the Corporation's outstanding fixed rate long-term debt obligations was estimated based on discounted cash flow method (Level 2) to be \$148 million at January 2, 2016 and \$154 million at January 3, 2015 compared to the carrying value of \$150 million.

The Corporation increased the borrowing capacity (while preserving the existing \$150 million accordion feature) under the revolving credit facility on January 6, 2016 to \$400 million and will use the additional borrowings to pay off the Corporation's Senior Notes due April 6, 2016. These Senior Notes were classified as long term as of January 2, 2016 since the Corporation will pay off the Senior Notes upon maturity with revolving credit facility borrowings expected to remain outstanding for more than twelve months.

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Note 11. Income Taxes

Significant components of the provision for income taxes including those related to noncontrolling interest and discontinued operations are as follows:

(In thousands)	2015	2014	2013
Current:			
Federal	\$27,768	\$22,738	\$12,077
State	5,258	4,623	1,036
Foreign	1,713	972	2,153
Current provision	34,739	28,333	15,266
Deferred:			
Federal	15,348	13,692	16,614
State	2,217	2,013	2,558
Foreign	(540	) (262	) (1,100
Deferred provision	17,025	15,443	18,072
	\$51,764	\$43,776	\$33,338

The differences between the actual tax expense and tax expense computed at the statutory U.S. Federal tax rate are explained as follows:

	2015	2014	2013
Federal statutory tax expense	\$55,020	\$36,836	\$33,957
State taxes, net of federal tax effect	4,269	4,118	2,469
Credit for increasing research activities	(3,320	) (2,569	) (1,338
Deduction related to domestic production activities	(3,320	) (1,751	) (1,396
Valuation allowance	—	2,474	—
Goodwill Impairment	—	4,298	—
Change in uncertain tax positions	(1,344	) 1,099	773
Other – net	459	(729	) (1,127
Total income tax expense	\$51,764	\$43,776	\$33,338

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

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Significant components of the Corporation's deferred tax liabilities and assets are as follows:

(In thousands)	2015	2014	
Deferred Taxes			
Allowance for doubtful accounts	\$1,089	\$1,240	
Compensation	15,491	16,817	
Inventory differences	4,497	5,691	
Marketing accrual	1,355	1,454	
Stock-based compensation	11,923	9,906	
Accrued post-retirement benefit obligations	6,682	6,341	
OCI tax effected items	3,169	3,887	
Vacation accrual	4,181	3,875	
Warranty Accrual	6,052	6,023	
Other – net	12,167	10,774	
Total deferred tax assets	\$66,606	\$66,008	
Deferred income	(4,907) (4,836)
Goodwill	(79,471) (80,366)
Prepays	(7,876) (7,724)
Tax over book depreciation	(59,308) (41,770)
Total deferred tax liabilities	\$(151,562) \$(134,696)
Valuation allowance	(3,978) (3,413)
Total net deferred tax liabilities	\$(88,934) \$(72,101)
Current net deferred tax assets	—	17,310	
Long term net deferred tax liabilities	(88,934) (89,411)
Total net deferred tax liabilities	\$(88,934) \$(72,101)

The valuation allowance for deferred tax assets is as follows:

Valuation allowance for deferred tax asset (in thousands)	Balance at beginning of period	Charged to expenses	Adjustments to balance sheet	Balance at end of period
Year ended January 2, 2016	3,413	—	565	3,978
Year ended January 3, 2015	1,579	2,474	(640)	3,413
Year ended December 28, 2013	1,580	—	(1)	1,579

At January 2, 2016, the Corporation has approximately \$6.4 million of U.S. state tax net operating losses and \$2.2 million of U.S. state tax credits which expire over the next twenty years.

The Corporation has adopted ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes on a prospective basis for the fiscal year ended January 2, 2016. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	2015	2014
Unrecognized tax benefits, beginning of period	\$4,250	\$2,809
Increases in positions due to purchase accounting	—	400
Increases in positions taken in a prior period	82	406
Decreases in positions taken in a prior period	(1,611	) (124
New positions taken in a current period	793	1,422
Decrease due to settlements	—	—
Decrease due to lapse of statute of limitations	(656	) (663
Unrecognized tax benefits, end of period	\$2,858	\$4,250

The amount of unrecognized tax benefits which would impact the Corporation's effective tax rate, if recognized, was \$2.8 million at January 2, 2016 and \$4.2 million at January 3, 2015.

As of January 2, 2016, it is reasonably possible the amount of unrecognized tax benefits may increase or decrease within the twelve months following the reporting date. These increases or decreases in the unrecognized tax benefits would be due to 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 any of the changes will be material individually or in total to the results or financial position of the Corporation.

The Corporation recognized interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses consistent with the recognition of these items in prior reporting. Interest and penalties recognized in the Consolidated Statements of Income amounted to a benefit of \$0.1 million, \$0.0 million and \$0.1 million in January 2, 2016, January 3, 2015 and December 28, 2013, respectively. The Corporation had recorded a liability for interest and penalties related to unrecognized tax benefits of \$0.1 million and \$0.2 million as of January 2, 2016 and January 3, 2015, respectively.

Tax years 2012 through 2015 remain open for examination by the Internal Revenue Service ("IRS"). The Corporation is currently under examination in various state jurisdictions, of which years 2009 through 2014 remain open to examination.

Deferred income taxes are provided to reflect differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The Corporation provides for taxes that may be payable if undistributed earnings of overseas subsidiaries were to be remitted to the United States, except for those earnings it considers to be permanently reinvested. There were approximately \$33.9 million of accumulated earnings considered permanently reinvested in Canada, China, and Hong Kong as of January 2, 2016. The Corporation believes the U.S tax cost on unremitted foreign earnings would be approximately \$10.3 million if the amounts were not considered permanently reinvested.

Note 12. Fair Value Measurements of Financial Instruments

For recognition purposes, on a recurring basis, the Corporation is required to measure at fair value its marketable securities. The marketable securities are comprised of investments in government securities, corporate bonds and money market funds. When available, the Corporation uses quoted market prices to determine fair value and classifies such measurements within Level 1. In some cases where market prices are not available, the Corporation makes use of observable market based inputs (prices or quotes from published exchanges/indexes) to calculate fair value using the market approach, in which case the measurements are classified within Level 2.

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Assets measured at fair value for the year ended January 2, 2016 were as follows:

(in thousands)	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	\$9,663	\$—	\$9,663	\$—
Corporate bonds	\$2,405	\$—	\$2,405	\$—
Derivative financial instruments	\$(1,252)	) \$—	\$(1,252)) \$—

Assets measured at fair value for the year ended January 3, 2015 were as follows:

(in thousands)	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	\$9,835	\$—	\$9,835	\$—
Corporate bonds	\$2,205	\$—	\$2,205	\$—
Derivative financial instruments	\$(1,374)	) \$—	\$(1,374)) \$—

Note 13. Shareholders' Equity

	2015	2014
Common Stock, \$1 Par Value		
Authorized	200,000,000	200,000,000
Issued and outstanding	44,158,256	44,165,676
Preferred Stock, \$1 Par Value		
Authorized	2,000,000	2,000,000
Issued and outstanding	—	—

The Corporation purchased 550,000, 1,665,850, and 740,000 shares of its common stock during 2015, 2014 and 2013, respectively. The par value method of accounting is used for common stock repurchases.

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The following table summarizes the components of accumulated other comprehensive income (loss) and the changes in accumulated other comprehensive income loss:

(in thousands)	Foreign Currency Translation Adjustment	Unrealized Gains Losses) on Marketable Securities	Pension Postretirement Liability	Derivative Financial Instruments	Accumulated Other Comprehensive Loss
Balance at December 29, 2012	\$5,475	\$205	\$(4,291)	\$(76)	\$1,313
Other comprehensive income before reclassifications	(2,562)	(191)	3,389	538	1,174
Less: Taxes	—	(67)	1,312	197	1,442
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	74	(154)	(80)
Balance at December 28, 2013	2,913	81	(2,140)	111	965
Other comprehensive income before reclassifications	(690)	(67)	(7,280)	(1,728)	(9,765)
Less: Taxes	—	(23)	(2,657)	(631)	(3,311)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	114	114
Balance at January 3, 2015	2,223	37	(6,763)	(872)	(5,375)
Other comprehensive income before reclassifications	(1,901)	(60)	1,975	(1,188)	(1,174)
Less: Taxes	—	(21)	718	(433)	264
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	1,627	1,627
Balance at January 2, 2016	\$322	\$(2)	\$(5,506)	\$—	\$(5,186)

The following table details the reclassifications from accumulated other comprehensive income (loss) for the years ended January 3, 2015 and January 2, 2016 (in thousands):

Details about Accumulated Other Comprehensive Income Components	Affected Line Item in the Statement Where Net Income is Presented	2015	2014
Derivative financial instruments			
Diesel hedge	Selling and administrative expenses	\$(2,562)	\$(180)
	Tax (expense) or benefit	935	66
	Net of tax	\$(1,627)	\$(114)

The Corporation determined in fourth quarter 2015 that the qualifications for hedge accounting treatment on the diesel hedge derivative financial instruments were not met and reversed \$1.3 million recorded in accumulated other comprehensive income as a reduction to net income.

In May 2007, the Corporation registered 300,000 shares of its common stock under its 2007 Equity Plan for Non-Employee Directors of HNI Corporation, as amended (the “Director Plan”). The Director Plan permits the Corporation to issue to its non-employee directors options to purchase shares of Corporation common stock, restricted stock or restricted stock units of the Corporation and awards of Corporation common stock. The Director Plan also permits non-employee directors to elect to receive all or a portion of their annual retainers and other compensation in the form of shares of Corporation common stock. During 2015, 2014, and 2013, 20,146; 27,272; and 26,520 shares, respectively, of Corporation common stock were issued under the Director Plan.

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Cash dividends declared and paid per share for each year are:

(In dollars)	2015	2014	2013
Common shares	\$1.045	\$0.99	\$0.96

During 2007, shareholders approved the 2002 Members' Stock Purchase Plan (the "Purchase Plan"), as amended January 1, 2007. Under the plan, 800,000 shares of common stock were initially registered for issuance to participating members. On June 12, 2009, an additional 1,000,000 shares of common stock were registered for issuance to participating members. Beginning on June 30, 2002, rights to purchase stock are granted on a quarterly basis to all participating members who customarily work 20 hours or more per week and for five months or more in any calendar year. The price of the stock purchased under the Purchase Plan is 85% of the closing price on the exercise date. No member may purchase stock under the Purchase Plan in an amount which exceeds a maximum fair value of \$25,000 in any calendar year. During 2015, 73,874 shares of common stock were issued under the Purchase Plan at an average price of \$32.18. During 2014, 84,065 shares of common stock were issued under the plan at an average price of \$27.92. During 2013, 86,291 shares of common stock were issued under the Purchase Plan at an average price of \$25.63. An additional 373,268 shares were available for issuance under the Purchase Plan at January 2, 2016.

The Corporation has entered into change in control employment agreements with certain officers. According to the agreements, a change in control occurs when a third person or entity becomes the beneficial owner of 20% or more of the Corporation's common stock, when more than one-third of the Board is composed of persons not recommended by at least three-fourths of the incumbent Board, upon certain business combinations involving the Corporation or upon approval by the Corporation's shareholders of a complete liquidation or dissolution. Upon a change in control, a key member is deemed to have a two year employment agreement with the Corporation, and all of his or her benefits vest under the Corporation's compensation plans. If, at any time within two years of the change in control, his or her employment is terminated by the Corporation for any reason other than cause or disability, or by the key member for good reason, as such terms are defined in the agreement, then the key member is entitled to receive, among other benefits, a severance payment equal to two times (three times for the Corporation's Chairman, President and CEO) annual salary and the average of the prior two years' bonuses.

Note 14. Stock-Based Compensation

Under the Corporation's 2007 Stock-Based Compensation Plan (the "Plan"), effective May 8, 2007, as amended, the Corporation may award options to purchase shares of the Corporation's common stock and grant other stock awards to executives, managers and key personnel. Upon shareholder approval of the Plan in May 2007, no future awards were granted under the Corporation's 1995 Stock-Based Compensation Plan, but all outstanding awards previously granted under that plan shall remain outstanding in accordance with their terms. As of January 2, 2016, there were approximately 3.7 million shares available for future issuance under the Plan. The Plan is administered by the Human Resources and Compensation Committee of the Board. Restricted stock units awarded under the Plan are expensed ratably over the vesting period of the awards. Stock options awarded to members under the Plan must be at exercise prices equal to or exceeding the fair market value of the Corporation's common stock on the date of grant. Stock options are generally subject to four-year cliff vesting and must be exercised within 10 years from the date of grant.

The Corporation measures the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes cost over the requisite service period.

Compensation cost charged against operations for the Plan and Purchase Plan described in Note 13 of the consolidated financial statements was \$9.1 million, \$8.6 million and \$7.5 million for the years ended January 2, 2016, January 3, 2015 and December 28, 2013, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was \$3.1 million, \$3.1 million and \$2.6 million for the years ended

January 2, 2016, January 3, 2015 and December 28, 2013, respectively.

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The stock compensation expense for the years ended January 2, 2016, January 3, 2015 and December 28, 2013, was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions by grant year:

	Year Ended Jan, 2, 2016	Year Ended Jan, 3, 2015	Year Ended Dec. 28, 2013	
Expected term	6 years	5 years	5 years	
Expected volatility:				
Weighted-average	43.54	% 42.49	% 50.39	%
Expected dividend yield:				
Weighted-average	1.94	% 2.76	% 3.02	%
Risk-free interest rate:				
Range used	1.69	% 1.54	% 0.93	%

Expected volatilities were based on historical volatility as the Corporation does not feel that future volatility over the expected term of the options is likely to differ from the past. The Corporation used a calculation method based on daily frequency for the prior six years for 2015 and a simple-average calculation method based on monthly frequency points for the prior five years for 2014 and 2013. The Corporation used the current dividend yield in all years as there are no plans to substantially increase or decrease its dividends. The Corporation used historical exercise experience in all years to determine the expected term. The risk-free interest rate was selected based on yields from treasury securities as published by the Federal Reserve equal to the expected term of the options being valued for 2015 and yields from U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options being valued for 2014 and 2013.

The following table summarizes the changes in outstanding stock options since the beginning of fiscal 2013.

	Number of Shares	Weighted-Average Exercise Price
Outstanding at December 29, 2012	3,456,514	\$ 27.96
Granted	611,599	31.79
Exercised	(394,476)	) 14.86
Forfeited or Expired	(43,070)	) 35.05
Outstanding at December 28, 2013	3,630,567	\$ 29.94
Granted	536,275	34.78
Exercised	(542,837)	) 28.53
Forfeited or Expired	(288,560)	) 38.55
Outstanding at January 3, 2015	3,335,445	\$ 29.93
Granted	350,038	51.54
Exercised	(302,635)	) 30.22
Forfeited or Expired	(24,525)) 39.14
Outstanding at January 2, 2016	3,358,323	\$ 32.09

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A summary of the Corporation's nonvested stock options as of January 2, 2016 and changes during the year are presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested Stock Options		
Nonvested at January 3, 2015	2,286,997	\$ 10.14
Granted	350,038	22.66
Vested	(480,585	) 11.56
Forfeited	(17,726	) 11.63
Nonvested at January 2, 2016	2,138,724	\$ 11.86

At January 2, 2016, there was \$3.3 million of unrecognized compensation cost related to nonvested stock option awards, which the Corporation expects to recognize over a weighted-average period of 1.2 years. Information about stock options expected to vest or currently exercisable at January 2, 2016, is as follows:

Options	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Years	Aggregate Intrinsic Value (\$000s)
Expected to vest	2,084,026	\$ 33.39	7.3	\$13,155
Exercisable	1,219,599	\$ 29.30	3.7	\$13,078

The weighted-average grant-date fair value of options granted was \$18.45, \$10.48 and \$10.85, for 2015, 2014 and 2013, respectively. Other information for the last three years is as follows:

(In thousands)	Jan. 2, 2016	Jan. 3, 2015	Dec. 28, 2013
Total fair value of shares vested	\$5,554	\$5,735	\$1,127
Total intrinsic value of options exercised	6,412	8,389	6,445
Cash received from exercise of stock options	9,145	15,489	5,862
Tax benefit realized from exercise of stock options	2,111	2,982	2,291

The Corporation has occasionally issued restricted stock units ("RSUs") to executives, managers and key personnel. The RSUs vest at the end of three years after the grant date. No dividends are accrued on the RSUs. The share-based compensation expense associated with the RSUs is based on the quoted market price of HNI Corporation shares on the date of grant less the discounted present value of dividends not received on the shares and is amortized using the straight-line method from the grant date through the earlier of the vesting date or the estimated retirement eligibility date.

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The following table summarizes the changes in outstanding RSUs since the beginning of fiscal 2013:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 29, 2012	157,219	\$ 21.71
Granted	—	—
Vested	(132,693	) 21.47
Forfeited	—	—
Outstanding at December 28, 2013	24,526	\$ 23.01
Granted	15,500	32.23
Vested	(14,000	) 21.47
Forfeited	—	—
Outstanding at January 3, 2015	26,026	\$ 27.76
Granted	23,000	51.54
Vested	(10,526	) 21.19
Forfeited	—	—
Outstanding at January 2, 2016	38,500	\$ 43.77

At January 2, 2016, there was \$1.0 million of unrecognized compensation cost related to RSUs which the Corporation expects to recognize over a weighted-average period of 0.6 year. The total value of shares vested in 2015, 2014 and 2013 was \$0.2 million, \$0.3 million and \$2.8 million, respectively.

Note 15. Retirement Benefits

The Corporation has defined contribution profit-sharing plans covering substantially all employees who are not participants in certain defined benefit plans. The Corporation's annual contribution to the defined contribution plans is based on employee eligible earnings and results of operations and amounted to \$29.1 million, \$26.8 million, and \$23.3 million, in 2015, 2014, and 2013, respectively. A portion of the annual contribution is in the form of common stock of the Corporation. The amount of the stock contribution was \$6.8 million, \$6.4 million, and \$6.1 million in 2015, 2014, and 2013, respectively.

The Corporation sponsors a defined benefit plan which covers a limited number of former salaried and hourly members. The Corporation's funding policy is generally to contribute annually the minimum actuarially computed amount. Net pension costs relating to these plans were \$281,000, \$167,000 and \$185,000, in 2015, 2014 and 2013, respectively. The actuarial present value of obligations, less related plan assets at fair value, is not significant.

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Note 16. Postretirement Health Care

Guidance on employers' accounting for other postretirement plans requires recognition of the overfunded or underfunded status on the balance sheet. Under this guidance, gains and losses, prior services costs and credits and any remaining transition amounts under previous guidance not yet recognized through net periodic benefit cost are recognized in accumulated other comprehensive income (loss), net of tax effects, until they are amortized as a component of net periodic benefit cost. Also, the measurement date – the date at which the benefit obligation and plan assets are measured – is required to be the Corporation's fiscal year-end.

(In thousands)	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	\$21,972	\$16,448
Service cost	803	504
Interest cost	816	735
Benefits paid	(1,009	) (1,280
Actuarial (gain)/loss	(1,698	) 5,565
Benefit obligation at end of year	\$20,884	\$21,972
Change in plan assets		
Fair value at beginning of year	\$—	\$—
Actual return on assets	—	—
Employer contribution	1,009	1,280
Transferred out	—	—
Benefits paid	(1,009	) (1,280
Fair value at end of year	\$—	\$—
Funded Status of Plan	\$(20,884	) \$(21,972
Amounts recognized in the Statement of Financial Position consist of:		
Current liabilities	\$1,014	\$1,004
Noncurrent liabilities	\$19,870	\$20,968
Amounts recognized in Accumulated Other Comprehensive Income (before tax) consist of:		
Actuarial (gain)/loss	\$2,730	\$4,665
Transition (asset)/obligation	—	—
Prior service cost	—	—
	\$2,730	\$4,665
Change in Accumulated Other Comprehensive Income (before tax):		
Amount disclosed at beginning of year	\$4,665	\$(900
Actuarial (gain)/loss	(1,698	) 5,565
Amortization of actuarial gain or loss		—
Amortization of transition amount	(237) —
Amortization of prior service cost		—
Amount disclosed at end of year	\$2,730	\$4,665

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Estimated Future Benefit Payments (In thousands)	
Fiscal 2016	\$1,014
Fiscal 2017	1,020
Fiscal 2018	1,018
Fiscal 2019	1,042
Fiscal 2020	1,076
Fiscal 2021 – 2025	6,375
Expected Contributions During Fiscal 2016	
Total	\$1,014

The discount rates at fiscal year-end 2015, 2014 and 2013, were 4.2%, 3.8% and 4.6%, respectively. The Corporation's payment for these benefits has reached the maximum amounts per the plan; therefore, healthcare trend rates have no impact on the Corporation's cost. There were no funds designated as plan assets.

Components of Net Periodic Postretirement Benefit Cost (in thousands)	
Service cost	2016 \$735
Interest cost	846
Amortization of net (gain)/loss	62
Net periodic postretirement benefit cost/(income)	\$1,643

A discount rate of 4.2% was used to determine net periodic benefit cost for 2016. The discount rate is set at the measurement date to reflect the yield of a portfolio of high quality, fixed income debt instruments. There are no plan assets invested.

Note 17. Leases

The Corporation leases certain warehouse and plant facilities and equipment. Commitments for minimum rentals under non-cancelable leases at the end of 2015 are as follows:

(In thousands)	Operating Leases
2016	\$30,241
2017	23,640
2018	16,684
2019	11,422
2020	6,451
Thereafter	10,268
Total minimum lease payments	\$98,706

There are no capitalized leases at January 2, 2016. The present value of net minimum capital lease payments at January 3, 2015 was \$105 thousand, all of which was classified as current.

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Property, plant and equipment at year-end include the following amounts for capitalized leases:

(In thousands)	2015	2014
Office equipment	\$—	\$570
Less: allowances for depreciation	—	460
	\$—	\$110

Rent expense for the years 2015, 2014 and 2013, amounted to approximately \$34.0 million, \$48.0 million and \$41.5 million, respectively. There was no contingent rent expense under either capitalized and operating leases (generally based on mileage of transportation equipment) for the years 2015, 2014, and 2013.

Note 18. Guarantees, Commitments and Contingencies

The Corporation utilizes letters of credit in the amount of \$10 million to back certain financing instruments, insurance policies and payment obligations. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined.

The Corporation is involved in various kinds of disputes and legal proceedings that have arisen in the course of its business, including pending litigation, environmental remediation, taxes and other claims. It is the Corporation's opinion, after consultation with legal counsel, that additional liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's quarterly or annual operating results and cash flows when resolved in a future period.

Note 19. Reportable Segment Information

Management views the Corporation as being in two reportable segments based on industries: office furniture and hearth products, with the former being the principal segment. The aggregated office furniture segment manufactures and markets a broad line of metal and wood commercial and home office furniture which includes storage products, desks, credenzas, chairs, tables, bookcases, freestanding office partitions and panel systems and other related products. The hearth products segment manufactures and markets a broad line of gas, electric, wood and biomass burning fireplaces, inserts, stoves, facings and accessories, principally for the home.

For purposes of segment reporting, intercompany sales transfers between segments are not material, and operating profit is income before income taxes exclusive of certain unallocated corporate expenses. These unallocated corporate expenses include the net costs of the Corporation's corporate operations, interest income and interest expense. Management views interest income and expense as corporate financing costs and not as a reportable segment cost. In addition, management applies an effective income tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis. Identifiable assets by segment are those assets applicable to the respective industry segments. Corporate assets consist principally of cash and cash equivalents, short-term investments, long-term investments and corporate office real estate and related equipment.

No geographic information for revenues from external customers or for long-lived assets is disclosed since the Corporation's primary market and capital investments are concentrated in the United States.

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Reportable segment data reconciled to the consolidated financial statements for the years ended 2015, 2014, and 2013, is as follows for continuing operations:

(In thousands)	2015	2014	2013
Net sales:			
Office furniture	\$1,777,804	\$1,739,049	\$1,685,205
Hearth products	526,615	483,646	374,759
	\$2,304,419	\$2,222,695	\$2,059,964
Operating profit:			
Office furniture ^(a)	\$136,593	\$87,053	\$97,339
Hearth products ^(b)	78,162	77,066	46,662
Total operating profit	214,755	164,119	144,001
Unallocated corporate expenses	(57,585)	(59,188)	(47,294)
Income (loss) before income taxes	\$157,170	\$104,931	\$96,707
Depreciation and amortization expense:			
Office furniture	\$42,415	\$45,891	\$36,992
Hearth products	8,430	5,415	5,288
General corporate	6,719	5,416	4,341
	\$57,564	\$56,722	\$46,621
Capital expenditures (including capitalized software):			
Office furniture	\$64,850	\$62,696	\$51,954
Hearth products	11,078	6,342	4,220
General corporate	39,038	43,675	22,721
	\$114,966	\$112,713	\$78,895
Identifiable assets:			
Office furniture	\$739,915	\$724,293	\$722,697
Hearth products	341,813	341,315	255,978
General corporate	182,197	173,726	156,030
	\$1,263,925	\$1,239,334	\$1,134,705

^(a) Included in operating profit for the office furniture segment are pretax charges of \$11.7 million, \$33.0 million and \$0.3 million, for closing of facilities and impairment charges in 2015, 2014 and 2013, respectively.

^(b) Included in operating profit for the hearth products segment are pretax charges of \$0.9 million related to exiting a line of business in 2015.

The Corporation's net sales by product category were as follows for the years ended 2015, 2014 and 2013:

(in thousands)	2015	2014	2013
Systems and storage	\$1,140,369	\$1,156,170	\$1,132,885
Seating	561,392	498,389	469,220
Other	76,043	84,490	83,100
Hearth products	526,615	483,646	374,759
	\$2,304,419	\$2,222,695	\$2,059,964

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Note 20. Subsequent Events

On January 29, 2016 the Corporation acquired a small office furniture distribution company with annual sales of approximately \$27 million at a cost of approximately \$34 million.

On February 17, 2016 the Corporation approved the closure of its Paris, Kentucky hearth manufacturing facility as part of ongoing efforts to reduce structural costs and enhance efficiencies. The Corporation estimates the consolidation will save \$9.0 million annually beginning in 2017. The Corporation estimates pre-tax charges of \$8.9 million related to the closure and consolidation.

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Summary of Quarterly Results of Operations (Unaudited)

The following table presents certain unaudited quarterly financial information for each of the past 8 quarters. In the opinion of the Corporation's management, this information has been prepared on the same basis as the consolidated financial statements appearing elsewhere in this report and includes all adjustments (consisting only of normal recurring accruals) necessary to state fairly the financial results set forth herein. Results of operations for any previous quarter are not necessarily indicative of results for any future period.

Year-End 2015: thousands, except per share data)	(In	First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
Net sales		\$523,477	\$568,226	\$615,850	\$596,866		
Cost of products sold		338,977	362,102	384,219	371,723		
Gross profit		184,500	206,124	231,631	225,143		
Selling and administrative expenses		168,704	167,278	170,371	165,772		
(Gain) on sale of assets		—	—	—	(195)	
Restructuring related charges (income)		377	(560	)	172	11,803
Operating income (loss)		15,419	39,406	61,088	47,763		
Interest income (expense) – net		(1,899)	(1,849)	(1,135)
Income (loss) before income taxes		13,520	37,557	59,465	46,628		
Income taxes		5,068	13,680	18,619	14,397		
Net income (loss)		8,452	23,877	40,846	32,231		
Less: net income attributable to the noncontrolling interest		(26)	(2)	(2)
Net income (loss) attributable to HNI Corporation		\$8,478	\$23,879	\$40,848	\$32,231		
Net income (loss) attributable to HNI Corporation per common share – basic		\$0.19	\$0.54	\$0.92	\$0.73		
Weighted-average common shares outstanding – basic		44,304	44,416	44,263	44,158		
Net income (loss) attributable to HNI Corporation per common share – diluted		\$0.19	\$0.52	\$0.90	\$0.71		
Weighted-average common shares outstanding – diluted		45,524	45,621	45,403	45,199		
As a Percentage of Net Sales							
Net sales		100.0	% 100.0	% 100.0	% 100.0	%	
Gross profit		35.2	36.3	37.6	37.7		
Selling and administrative expenses		32.2	29.4	27.7	27.8		
Restructuring related charges		0.1	(0.1	)	—	2.0
Operating income (loss)		2.9	6.9	9.9	8.0		
Income taxes		1.0	2.4	3.0	2.4		
Net income (loss) attributable to HNI Corporation		1.6	4.2	6.6	5.4		

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Year-End 2014: (In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$452,201	\$509,143	\$614,690	\$646,661
Cost of products sold	297,029	328,010	394,758	418,698
Gross profit	155,172	181,133	219,932	227,963
Selling and administrative expenses	145,210	155,288	166,216	182,341
(Gain) on sale of assets	(8,400)	(1,346)	—	(977)
Restructuring related charges	(28)	10,282	987	21,778
Operating income (loss)	18,390	16,909	52,729	24,821
Interest income (expense) – net	(2,132)	(2,041)	(1,861)	(1,884)
Income (loss) before income taxes	16,258	14,868	50,868	22,937
Income taxes	5,242	5,203	17,372	15,959
Net income (loss)	11,016	9,665	33,496	6,978
Less: net income attributable to the noncontrolling interest	(80)	(40)	(92)	(104)
Net income (loss) attributable to HNI Corporation	\$11,096	\$9,705	\$33,588	\$7,082
Net income (loss) attributable to HNI Corporation per common share – basic	\$0.25	\$0.22	\$0.75	\$0.16
Weighted-average common shares outstanding – basic	45,039	45,020	44,690	44,324
Net income (loss) attributable to HNI Corporation per common share – diluted	\$0.24	\$0.21	\$0.74	\$0.16
Weighted-average common shares outstanding – diluted	45,838	45,868	45,611	45,202
As a Percentage of Net Sales				
Net sales	100.0	% 100.0	% 100.0	% 100.0
Gross profit	34.3	35.6	35.8	35.3
Selling and administrative expenses	32.1	30.5	27.0	28.2
(Gain) on sale of assets	(1.9)	(0.3)	—	(0.2)
Restructuring related charges	—	2.0	0.2	3.4
Operating income (loss)	4.1	3.3	8.6	3.8
Income taxes	1.2	1.0	2.8	2.5
Net income (loss) attributable to HNI Corporation	2.5	1.9	5.5	1.1

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INVESTOR INFORMATION

Common Stock Market Prices and Dividends (Unaudited)

Quarterly 2015 – 2013

2015 by Quarter	High	Low	Dividends per Share
1 st	\$56.47	\$38.01	\$0.25
2 nd	57.74	46.19	0.265
3 rd	52.52	41.29	0.265
4 th	47.68	35.53	0.265
Total Dividends Paid			\$1.045
2014 by Quarter	High	Low	Dividends per Share
1 st	\$39.42	\$31.00	\$0.24
2 nd	39.29	31.61	0.25
3 rd	40.43	34.62	0.25
4 th	52.90	34.75	0.25
Total Dividends Paid			\$0.99
2013 by Quarter	High	Low	Dividends per Share
1 st	\$35.74	\$28.28	\$0.24
2 nd	38.53	31.45	0.24
3 rd	40.73	32.38	0.24
4 th	40.10	32.83	0.24
Total Dividends Paid			\$0.96

Common Stock Market Price and Price/Earnings Ratio (Unaudited)

Fiscal Years 2015 – 2011

Year	Market Price		Diluted Earnings per Share	Price/Earnings Ratio	
	High	Low		High	Low
2015	\$57.74	\$35.53	\$2.32	25	15
2014	52.90	31.00	1.35	39	23
2013	40.73	28.28	1.39	29	20
2012	32.02	21.57	1.07	30	20
2011	36.48	15.78	1.01	36	16
Five-Year Average				32	19

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ITEM 15(c) - INDEX OF EXHIBITS

Exhibit Number Description of Document

(3.1))	Articles of Incorporation of HNI Corporation, as amended, incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2010
(3.2)	)	Amended and restated By-laws of HNI Corporation, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 8, 2014
(3.3)	)	Amended and restated By-laws of HNI Corporation, as amended, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 18, 2016
(10.1)	)	HNI Corporation 2007 Stock-Based Compensation Plan, as amended (incorporated by reference to Appendix A to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)*
(10.2)	)	2007 Equity Plan for Non-Employee Directors of HNI Corporation, as amended (incorporated by reference to Appendix D to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)
(10.3)	)	Form of HNI Corporation Change In Control Employment Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 16, 2006*
(10.4)	)	HNI Corporation Supplemental Income Plan (f/k/a HNI Corporation ERISA Supplemental Retirement Plan), as amended and restated, incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed February 22, 2010*
(10.5)	)	Form of HNI Corporation Amended and Restated Indemnity Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 14, 2007*
(10.6)	)	Form of 2007 Equity Plan For Non-Employee Directors of HNI Corporation Participation Agreement, incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2010*
(10.7)	)	Form of HNI Corporation 2007 Stock-Based Compensation Plan Stock Option Award Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2009*
(10.8)	)	Second Amended and Restated Credit Agreement, including all schedules and exhibits, dated as of June 9, 2015, by and among HNI Corporation, as Borrower, certain domestic subsidiaries of HNI Corporation, as Guarantors, certain lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 12, 2015
(10.09)	)	First Amendment to Second Amended and Restated Credit Agreement, dated as of January 6, 2016, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed January 11, 2016
(10.10)	)	HNI Corporation Long-Term Performance Plan, as amended (incorporated by reference to Appendix C to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)*
(10.11)	)	HNI Corporation Executive Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2015*
(10.12)	)	Note Purchase Agreement dated as of April 6, 2006, by and among HNI Corporation and the Purchasers named therein, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed April 10, 2006
(10.13)	)	HNI Corporation Directors Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2015*
(10.14))	HNI Annual Incentive Plan, as amended (incorporated by reference to Appendix B to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)*
(10.15))	

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Form of HNI Corporation Amendment No. 1 to Change in Control Employment Agreement incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed August 10, 2007*

(10.16) Form of HNI Corporation 2007 Stock-Based Compensation Plan Restricted Stock Unit Award Agreement, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 4, 2009 (for restricted stock unit awards granted in 2009)*

(10.17) HNI Corporation Stock-Based Compensation Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006*

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Exhibit Number Description of Document

(10.18)	Form of Exercise of Stock Option granted under the HNI Corporation Stock-Based Compensation Plan, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 27, 2008*
(10.19)	Form of HNI Corporation Stock-Based Compensation Plan Stock Option Award Agreement, incorporated by reference to Exhibit 99D to the Registrant's Current Report on Form 8-K filed February 22, 2005*
(10.20)	Form of HNI Corporation 2007 Stock-Based Compensation Plan Restricted Stock Unit Award Agreement, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 (for restricted stock unit awards granted in 2010)*
(10.21)	Form of HNI Corporation Executive Deferred Compensation Plan Deferral Election Agreement, incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2010*
(10.22)	Form of HNI Corporation Directors Deferred Compensation Plan Deferral Election Agreement, incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2010*
(21)	Subsidiaries of the Registrant ⁺
(23.1)	Consent of Independent Registered Public Accounting Firm ⁺ (KPMG)
(23.2)	Consent of Independent Registered Public Accounting Firm ⁺ (PwC)
(31.1)	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁺
(31.2)	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁺
(32.1)	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁺
101	The following materials from HNI Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements

*Indicates management contract or compensatory plan.

⁺ Filed herewith.