MILLER HERMAN INC
Form 10-K/A
September 16, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K/A
(Amendment No. 1)

[X]	ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[__]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended May 29, 2010 Commission File No. 001-15141
Herman Miller, Inc.
(Exact name of registrant as specified in its charter)

Michigan	38-0837640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

855 East Main Avenue	
PO Box 302	
Zeeland, Michigan	49464-0302
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (616) 654 3000
Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:	Common Stock, $.20 Par Value (Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [X] 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 [X]

Indicate by check mark

whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [__]

Indicate by check mark 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 (§ 229.405 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 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. [X]

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 definition of “accelerated filer,” “large accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X] Accelerated filer [__] Non-accelerated filer [__] Smaller reporting company [__]

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

Yes [__] No [X]

The aggregate market value of the voting stock held by "nonaffiliates" of the registrant (for this purpose only, the affiliates of the registrant have been assumed to be the executive officers and directors of the registrant and their associates) as of November 28, 2009, was $835,337,496 (based on $15.17 per share which was the closing sale price as reported by NASDAQ).

The number of shares outstanding of the registrant's common stock, as of July 23, 2010: Common stock, $.20 par value - 57,060,055 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on October 11, 2010, are incorporated into Part III of this report.

EXPLANATORY NOTE

Herman Miller, Inc. (the "Company") is filing this Amendment No. 1 to its Annual Report on Form 10-K ("Form 10-K/A") for the fiscal year ended May 29, 2010, which was filed with the Securities and Exchange Commission (SEC) on July 27, 2010 (the "Original Filing"). The Company is filing this Form 10-K/A to revise the supplemental pro forma information included in Note 2 to the Consolidated Financial Statements, contained in Item 8 of Part II of the Original Filing. The revision changes the amount of pro forma net sales and pro forma net earnings attributable to the acquisitions in the fiscal year ended May 29, 2010 from $1,477.7 million to $1,359.8 million and from $28.6 million to $29.5 million, respectively.

PART II

Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Quarterly Financial Data (Unaudited)

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

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

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

Consolidated Statements of Operations

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

Consolidated Balance Sheets

(In millions, except share and per share data)	May 29, 2010	May 30, 2009
Assets		
Current Assets:		
Cash and cash equivalents	$ 134.8	$ 192.9
Marketable securities	12.1	11.3
Accounts receivable, less allowances of $4.4 in 2010 and $7.3 in 2009	144.7	148.9
Inventories, net	57.9	37.3
Prepaid expenses and other	45.2	60.5
Total Current Assets	394.7	450.9
Property and Equipment:		
Land and improvements	19.4	18.8
Buildings and improvements	147.6	137.4
Machinery and equipment	546.4	552.0
Construction in progress	10.7	9.8
	724.1	718.0
Less: accumulated depreciation	(548.9)	(538.8)
Net Property and Equipment	175.2	179.2
Goodwill and indefinite-lived intangibles	132.6	72.7
Other amortizable intangibles, net	25.0	11.3
Other assets	43.1	53.2
Total Assets	$ 770.6	$ 767.3
Liabilities and Shareholders' Equity		
Current Liabilities:		
Unfunded checks	$ 4.3	$ 3.9
Current maturities of long-term debt	100.0	75.0
Accounts payable	96.3	79.1
Accrued liabilities	112.4	124.2
Total Current Liabilities	313.0	282.2
Long-term debt, less current maturities	201.2	302.4
Other liabilities	176.3	174.7
Total Liabilities	690.5	759.3
Shareholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, $0.20 par value (240,000,000 shares authorized, 57,002,733 and 53,826,061 shares issued and outstanding in 2010 and	11.4	10.8

2009, respectively)		
Additional paid-in capital	55.9	5.9
Retained earnings	152.4	129.2
Accumulated other comprehensive loss	(136.2)	(134.1)
Key executive deferred compensation	(3.4)	(3.8)
Total Shareholders' Equity	80.1	8.0
Total Liabilities and Shareholders' Equity	$ 770.6	$ 767.3

Consolidated Statements of Shareholders' Equity

(In millions, except share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Key Exec. Deferred Comp.	Total Shareholders' Equity
Balance, June 2, 2007	62,919,425	$ 12.6	$ —	$ 197.8	$ (51.6)	$ (3.5)	$ 155.3
Net earnings attributable to controlling interest	—	—	—	152.3	—	—	152.3
Foreign currency translation adjustment	—	—	—	—	4.1	—	4.1
Pension and post-retirement liability adjustments (net of tax of $5.2 million)	—	—	—	—	(12.6)	—	(12.6)
Total comprehensive income							143.8
Cash dividends declared ($0.352 per share)	—	—	—	(20.5)	—	—	(20.5)
Exercise of stock options	125,301	—	2.9	—	—	—	2.9
Employee stock purchase plan	118,801	—	3.3	—	—	—	3.3
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Excess tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Repurchase and retirement of common stock	(7,488,430)	(1.5)	(13.3)	(251.9)	—	—	(266.7)
Restricted stock units compensation expense	—	—	0.6	—	—	—	0.6
Restricted stock units released	2,892	—	0.1	—	—	—	0.1
	—	—	0.7	—	—	—	0.7

Stock grants compensation expense							
Stock grants issued	12,922	—	—	—	—	—	—
Stock option compensation expense	—	—	3.0	—	—	—	3.0
Deferred compensation plan	—	—	0.6	—	—	(0.8)	(0.2)
Directors' fees	16,086	—	0.5	—	—	—	0.5
Performance share units compensation expense	—	—	1.4	—	—	—	1.4
Cumulative effect of adopting uncertain tax position provisions of ASC 740 (net of tax)	—	—	—	(1.0)	—	—	(1.0)
Balance, May 31, 2008	55,706,997	$ 11.1	$ (0)	$ 76.7	$ (60.1)	$ (4.3)	$ 23.4

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Consolidated Statements of Shareholders' Equity

(In millions, except share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Key Exec. Deferred Comp.	Total Shareholders' Equity
Balance, May 31, 2008	55,706,997	$ 11.1	$ (0)	$ 76.7	$ (60.1)	$ (4.3)	$ 23.4
Net earnings attributable to controlling interest	—	—	—	68.0	—	—	68.0
Foreign currency translation adjustment	—	—	—	—	(14.0)	—	(14.0)
Pension liability adjustments (net of tax of $35.3 million)	—	—	—	—	(59.9)	—	(59.9)
Unrealized holding loss on available-for-sale securities	—	—	—	—	(0.1)	—	(0.1)
Total comprehensive loss							(6.0)
Cash dividends declared ($0.286 per share)	—	—	—	(15.5)	—	—	(15.5)
Exercise of stock options	23,050	—	0.5	—	—	—	0.5
Employee stock purchase plan	187,037	—	2.7	—	—	—	2.7
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Excess tax benefit relating to stock-based compensation	—	—	(0.3)	—	—	—	(0.3)
Repurchase and retirement of common stock	(2,138,701)	(0.3)	0.2	—	—	—	(0.1)
Restricted stock units compensation expense	—	—	0.2	—	—	—	0.2
Restricted stock units released	14,074	—	0.4	—	—	—	0.4

Stock grants compensation expense	—	—	0.7	—	—	—	0.7
Stock grants issued	3,600	—	—	—	—	—	—
Stock option compensation expense	—	—	2.9	—	—	—	2.9
Deferred compensation plan	—	—	(0.5)	—	—	0.5	—
Directors' fees	30,004	—	0.4	—	—	—	0.4
Performance share units compensation expense	—	—	(1.4)	—	—	—	(1.4)
Balance, May 30, 2009	53,826,061	$ 10.8	$ 5.9	$ 129.2	$ (134.1)	$ (3.8)	$ 8.0

Consolidated Statements of Shareholders' Equity

(In millions, except share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Key Exec. Deferred Comp.	Total Shareholders' Equity
Balance, May 30, 2009	53,826,061	$ 10.8	$ 5.9	$ 129.2	$ (134.1)	$ (3.8)	$ 8.0
Net earnings attributable to controlling interest	—	—	—	28.3	—	—	28.3
Foreign currency translation adjustment	—	—	—	—	(2.9)	—	(2.9)
Pension and post-retirement liability adjustments (net of tax benefit of $0.9 million)	—	—	—	—	0.6	—	0.6
Unrealized holding gain on available-for-sale securities	—	—	—	—	0.2	—	0.2
Total comprehensive income							26.2
Cash dividends declared ($0.088 per share)	—	—	—	(5.1)	—	—	(5.1)
Issuance of common stock in connection with business acquisition	2,041,666	0.4	28.3	—	—	—	28.7
Contribution of common stock to defined benefit pension plan	967,000	0.2	16.5				16.7
Exercise of stock options	10,000	—	0.2	—	—	—	0.2
Employee stock purchase plan	133,048	—	2.2	—	—	—	2.2
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
	—	—	(0.5)	—	—	—	(0.5)

Excess tax benefit relating to stock-based compensation							
Repurchase and retirement of common stock	(44,654)	—	(0.8)	—	—	—	(0.8)
Restricted stock units compensation expense	—	—	1.0	—	—	—	1.0
Restricted stock units released	8,896	—	0.2	—	—	—	0.2
Stock grants compensation expense	—	—	0.4	—	—	—	0.4
Stock grants issued	41,981	—	—	—	—	—	—
Stock option compensation expense	—	—	2.5	—	—	—	2.5
Deferred compensation plan	—	—	(0.4)	—	—	0.4	—
Directors' fees	18,735	—	0.3	—	—	—	0.3
Balance, May 29, 2010	57,002,733	$ 11.4	$ 55.9	$ 152.4	$ (136.2)	$ (3.4)	$ 80.1

Consolidated Statements of Cash Flows

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

Effect of exchange rate changes on cash and cash equivalents	(0.7)	(8.2)	2.9
Net Increase (Decrease) in Cash and Cash Equivalents	(58.1)	37.5	79.0
Cash and cash equivalents, beginning of year	192.9	155.4	76.4
Cash and Cash Equivalents, End of Year	$ 134.8	$ 192.9	$ 155.4

Notes to the Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

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

Principles of Consolidation

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

Description of Business

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

Fiscal Year

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

Foreign Currency Translation

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

Cash Equivalents

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

Marketable Securities

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

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

Accounts Receivable Allowances

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

Inventories

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

Property, Equipment, and Depreciation

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

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

Goodwill and Indefinite-lived Intangible Assets

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

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

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

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

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

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

Long-Lived Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shipping and Handling Expenses
The company records shipping and handling related expenses under the caption “Cost of Sales” in the Consolidated Statements of Operations.

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

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

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

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

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

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

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

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

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

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

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

Fair Value

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

- Level 1 — Financial instruments with unadjusted, quoted prices listed on active market exchanges.
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Level 2 — Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. Financial instrument values are determined using prices for recently traded financial instruments with similar underlying terms and direct or indirect observational inputs, such as interest rates and yield curves at commonly quoted intervals.

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Level 3 — Financial instruments not actively traded on a market exchange and there is little, if any, market activity. Values are determined using significant unobservable inputs or valuation techniques.

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

Derivative Instruments and Hedging Activities

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

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

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

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

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

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below.

Fair Value of Derivative Instruments in Condensed Consolidated Balance Sheet

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

Effects of Derivative Instruments of Income

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

New Accounting Standards

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

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

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

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

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cash flows of the company.

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

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

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

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

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

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

2. Acquisitions and Divestitures

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

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

Nemschoff

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

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

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

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

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

There is a CVR for each of the 2,041,666 shares of common stock issued in the transaction. Each CVR entitles the holder to payment in the event that the company's share price is below $24.00 per share at June 30, 2011. A floor price of $13.28 per share has been established that provides a maximum payout of $10.72 per share to be paid at the time of share redemption. Any payment due may be settled in the form of cash or stock at the company's discretion. At the acquisition date, the fair value of the CVRs was $16.3 million and as of May 29, 2010, the CVRs were valued at $12.6 million with the change in value reflected within

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"Operating Expenses" in the Condensed Consolidated Statements of Operations. The fair value of the CVRs is estimated using a Black-Scholes model which uses several key assumptions, including the current share price of the company. The fair value estimate of the CVRs is calculated at the end of each quarter. The following key assumptions were used to determine the fair value as of the respective date.

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

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

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

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

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

(In millions)	Fair Value	Useful Life
Trade name	$ 20.0	Indefinite

Customer relationships	12.9	15 years
Non-compete agreements	0.3	2 years
Total	$ 33.2	

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

CBS

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

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

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

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

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

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

Net Assets Acquired	$ 17.3

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

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

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

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

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

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

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

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

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

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

	(REVISED)
	Year ended
(In millions)	May 29, 2010
Pro forma net sales	$ 1,359.8
Pro forma net earnings	$ 29.5

3. Variable Interest Entities

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

4. Inventories

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

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

5. Prepaid Expenses and Other

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

6. Other Assets

(In millions)	May 29, 2010	May 30, 2009
Notes receivable, less allowance of $0.4 in 2010 and $0.5 in 2009	$ —	$ —
Deferred income taxes	37.0	45.0

Cash surrender value of life insurance	0.8	2.1
Other	5.3	6.1
Total	$ 43.1	$ 53.2

7. Accrued Liabilities

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

8. Other Liabilities

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

9. Notes Payable

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

10. Long-Term Debt

(In millions)	May 29, 2010	May 30, 2009
Series A senior notes, 5.94%, due January 3, 2015	$ 50.0	$ 50.0
Series B senior notes, 6.42%, due January 3, 2018	150.0	150.0
Debt securities, 7.125%, due March 15, 2011	100.0	175.0
Fair value of interest rate swap arrangements	1.2	2.4

	301.2	377.4
Less: current portion	(100.0)	(75.0)
Total	$ 201.2	$ 302.4

In January 2008, the company issued a total of $200 million in senior unsecured private placement notes.

Notes in the principal amount of $150 million bear interest at 6.42 percent and are due in January 2018. The remaining $50 million in private placement notes bear interest at 5.94 percent and are due in January 2015. Related interest payments are due semi-annually.

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

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

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

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

11. Operating Leases

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

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

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

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

12. Employee Benefit Plans

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

Pension Plans and Post-Retirement Medical Insurance

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

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

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

Benefit Obligations and Funded Status

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

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

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

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

$ (95.9)	$ (18.4)	$ (105.9)	$ (15.4)	$ (11.1)	$ (13.6)

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

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

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

Primary Domestic Plan

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

(1) Primarily includes cash and equivalents.

Primary International Plan

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

(1) Primarily includes cash and equivalents.

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

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

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

Cash Flows

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

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

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

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

Profit Sharing and 401(k) Plan

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

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

13. Common Stock and Per Share Information

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

(In millions, except shares)	2010	2009	2008
Numerators:			
Numerators for basic EPS, net earnings attributable to controlling interest	$ 28.3	$ 68.0	$ 152.3
Income from adjustments to contingent consideration that can be settled in common stock at the company's option, net of tax	(3.6)	—	—
Numerator for diluted EPS	$ 24.7	$ 68.0	$ 152.3
Denominators:			
Denominators for basic EPS, weighted-average common shares outstanding	55,997,781	54,138,570	59,109,284

Potentially dilutive shares resulting from stock plans	1,492,587	396,921	475,632
Denominator for diluted EPS	57,490,368	54,535,491	59,584,916

Options to purchase 2,777,406 shares, 3,029,844 shares, and 1,295,762 shares of common stock have not been included in the denominator for the computation of diluted earnings per share for the fiscal years

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ended May 29, 2010, May 30, 2009, and May 31, 2008, respectively, because they were anti-dilutive.

14. Stock-Based Compensation

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

Valuation and Expense Information

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

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

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

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

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

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

(1) Represents the U.S. Treasury yield over the same period as the expected option term.
(2) Represents the period of time that options granted are expected to be outstanding. Based on analysis of historical option exercise activity, the

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company has determined that all employee groups exhibit similar exercise and post-vesting termination behavior.
(3) Amount is determined based on analysis of historical price volatility of the company's common stock over a period equal to the expected term of the options. The company also utilizes a market-based or “implied volatility” measure, on exchange-traded options in the company's common stock, as a reference in determining this assumption.
(4) Represents the company's estimated cash dividend yield over the expected term of options.

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

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

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

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

	Shares Under Option	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at June 2, 2007	2,860,122	$ 27.18	4.82	$ 26.8
Granted at market	317,902	$ 31.35		
Exercised	(125,301)	$ 24.03		
Forfeited or expired	(58,121)	$ 30.84		
Outstanding at May 31, 2008	2,994,602	$ 27.68	4.36	$ 1.5
Granted at market	509,100	$ 23.07		
Exercised	(23,050)	$ 24.29		
Forfeited or expired	(656,440)	$ 27.86		
Outstanding at May 30, 2009	2,824,212	$ 26.83	4.86	$ 0.2
Granted at market	337,253	$ 15.76		
Exercised	(10,000)	$ 20.06		
Forfeited or expired	(372,829)	$ 25.72		

Outstanding at May 29, 2010	2,778,636	$ 25.66	4.79	$ 1.8
Ending vested + expected to vest	2,757,684	$ 25.71	4.76	$ 1.7
Exercisable at end of period	2,147,992	$ 26.97	3.68	$ 0.7

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

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

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

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

Restricted Stock Grants

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

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

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

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Restricted Stock Units

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

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

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

Performance Share Units

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

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

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

Deferred Compensation Plans

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

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

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

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

Director Fees

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

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

15. Income Taxes

The components of earnings before income taxes are as follows.

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

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

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

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

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

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

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

(In millions)	2010	2009
Deferred tax assets:		
Compensation-related accruals	$ 12.4	$ 11.7
Accrued pension and post-retirement benefit obligations	48.5	52.4
Accrued health claims	1.4	1.6
Reserves for inventory	2.1	1.7
Reserves for uncollectible accounts and notes receivable	1.6	2.3
Other reserves and accruals	6.5	5.1
Warranty	5.1	5.0
State and local tax net operating loss carryforwards	4.0	3.8
Federal net operating loss carryforward	0.3	0.4
State credits	1.6	1.8
Foreign tax net operating loss carryforwards	7.2	5.4
Foreign tax credits	0.5	0.2
Other	3.7	4.7
Subtotal	94.9	96.1
Valuation allowance	(11.0)	(9.2)

Total	$ 83.9	$ 86.9
Deferred tax liabilities:		
Book basis in property in excess of tax basis	$ (18.1)	$ (17.1)
Prepaid employee benefits	—	(5.2)
Intangible assets	(6.4)	(3.9)
Other	(0.5)	(0.9)
Total	$ (25.0)	$ (27.1)

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

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

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

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

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

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

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

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

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

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

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

16. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total	$ 12.2	$ 12.1

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

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

17. Financial Instruments with Off-Balance Sheet Risk

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

Foreign Currency Contracts

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

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

Interest Rate Swaps

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

As of May 29, 2010, a total of $50.0 million of the company's outstanding debt was effectively converted to a variable-rate basis as a result of the remaining interest rate swap arrangement. This swap is a fair-value hedge and qualifies for hedge-accounting treatment using the “short-cut” method under the provisions of ASC 815-Derivatives and Hedging. Under this accounting treatment, the change in the fair value of the interest rate swap is equal to the change in value of the related hedged debt and, as a result, there is no

net effect on earnings. The agreement requires the company to pay floating-rate interest payments in return for receiving fixed-rate interest payments that coincide with the semi-annual payments to the debt holders at the same date. The periodic interest settlements, which occur at the same interval as the public debt securities, are recorded as interest expense.

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

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

18. Supplemental Disclosures of Cash Flow Information

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

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

Cash payments for interest and income taxes were as follows:

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

19. Guarantees, Indemnifications, and Contingencies

Product Warranties

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

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

Other Guarantees

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

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

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

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

Contingencies

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

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

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

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

20. Operating Segments

The company is comprised of two primary operating segments as defined by ASC Topic 280, Segment Reporting, North American Furniture Solutions and non-North American Furniture Solutions.

The North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States, Canada, and Mexico. The business associated with the company's owned contract furniture dealers is also included in the North American Furniture Solutions segment. The non-North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, outside of North America.

The company also reports an “Other” category consisting primarily of its North American Home and start-up businesses and certain unallocated corporate expenses. North American Home includes the operations associated with the design, manufacture and sale of furniture products for residential settings in the United States, Canada, and Mexico. The start-up businesses are discrete operations, such as Convia, Inc., or activities aimed at developing innovative products to serve current and new markets. This category also includes restructuring and impairment costs.

The performance of the operating segments is evaluated by the company's management using various financial measures. The following is a summary of certain key financial measures for the respective fiscal years indicated:

(In millions)	2010	2009	2008
Net Sales:			
North American Furniture Solutions	$ 1,074.5	$ 1,349.4	$ 1,636.3
Non-North American Furniture Solutions	196.3	238.4	323.5
Other	48.0	42.2	52.3
Total	$ 1,318.8	$ 1,630.0	$ 2,012.1
Depreciation and Amortization:			
North American Furniture Solutions	$ 38.3	$ 35.7	$ 36.5
Non-North American Furniture Solutions	2.8	4.4	4.6
Other	1.5	1.6	2.1
Total	$ 42.6	$ 41.7	$ 43.2
Operating Earnings (Losses):			
North American Furniture Solutions	$ 72.3	$ 133.0	$ 195.9
Non-North American Furniture Solutions	(1.0)	15.1	47.3
Other	(17.7)	(25.3)	3.4
Total	$ 53.6	$ 122.8	$ 246.6
Capital Expenditures:			
North American Furniture Solutions	$ 21.5	$ 22.3	$ 33.2

Non-North American Furniture Solutions	0.8	2.8	5.7
Other	—	0.2	1.6
Total	$ 22.3	$ 25.3	$ 40.5
Total Assets:			
North American Furniture Solutions	$ 620.7	$ 628.7	$ 594.9
Non-North American Furniture Solutions	131.2	110.7	159.2
Other	18.7	27.9	29.1
Total	$ 770.6	$ 767.3	$ 783.2

Goodwill:			
North American Furniture Solutions	$ 104.6	$ 69.5	$ 40.2
Non-North American Furniture Solutions	4.8	—	—
Other	—	—	—
Total	$ 109.4	$ 69.5	$ 40.2

The accounting policies of the reportable operating segments are the same as those of the company, which are disclosed in further detail within Note 1 of the Consolidated Financial Statements. Additionally, the company employs a methodology for allocating corporate costs and assets to the operating segments. The underlying objective of this methodology is to allocate corporate costs according to the relative "usage" of the underlying resources and to allocate corporate assets according to the relative expected benefit. The company has determined that allocation based on relative net sales is most appropriate for all expenses. The majority of corporate costs are allocated to the operating segments; however, certain costs that are generally considered the result of isolated business decisions are not subject to allocation and are evaluated separately from the rest of the regular ongoing business operations. The restructuring and asset impairment charges of $16.7 million in fiscal 2010 and $28.4 million in fiscal 2009, as discussed in Note 21 of the Consolidated Financial Statements, were allocated to the "Other" category.

The company's product offerings consist primarily of office furniture systems, seating, freestanding furniture, storage and casegoods. These product offerings are marketed, distributed, and managed primarily as a group of similar products on an overall portfolio basis. The following is a summary of net sales by product category for the respective fiscal years indicated. Given that formal product line information is not available for the company as a whole, this summary is intended to represent a reasonable estimate of net sales by product category based on the best information available.

(In millions)	2010	2009	2008
Net Sales:			
Systems	$ 349.3	$ 511.6	$ 579.7
Seating	329.7	361.1	489.1
Freestanding and storage	246.2	260.3	295.9
International (1)	290.1	365.7	481.0
Other (2)	103.5	131.3	166.4
Total	$ 1,318.8	$ 1,630.0	$ 2,012.1

(1) The company has determined that the disclosure of international product line information is not practicable.
(2) "Other" primarily consists of miscellaneous or otherwise uncategorized product sales and service sales.

Sales by geographic area are based on the location of the customer. Long-lived assets consist of long-term assets of the company, excluding financial instruments, deferred tax assets, and long-term intangibles. The following is a summary of geographic information for the respective fiscal years indicated. Individual foreign country information is not provided as none of the individual foreign countries in which we operate are considered material for separate disclosure based on quantitative and qualitative considerations.

(In millions)	2010	2009	2008
Net Sales:			
United States	$ 1,028.7	$ 1,264.3	$ 1,531.1
International	290.1	365.7	481.0
Total	$ 1,318.8	$ 1,630.0	$ 2,012.1
Long-lived assets:			
United States	$ 159.7	$ 162.4	$ 189.3
International	21.6	25.0	30.6
Total	$ 181.3	$ 187.4	$ 219.9

It is estimated that no single dealer accounted for more than 5 percent of the company's net sales in the fiscal year ended May 29, 2010. It is also estimated that the largest single end-user customer, the U.S. federal government, accounted for approximately $180.3 million or 14 percent of the company's fiscal 2010 net sales. The 10 largest customers accounted for approximately 27 percent of net sales.

Approximately 6 percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemshoff, and Herman Miller Limited (U.K.) subsidiaries.

21. Restructuring Charges

2009 Action

During the third quarter of fiscal 2009, the company executed a restructuring plan (“the 2009 Plan”) that reduced operating expenses in order to improve operating performance, profitability and further enhance productivity and efficiencies. The 2009 Plan eliminated approximately 1,400 salaried, hourly and temporary positions, primarily in the North American Furniture Solutions segment. A number of these employees were offered one-time termination benefits, including severance and outplacement services. Additionally, the company consolidated facilities and exited leased buildings. In connection with these actions, the company recognized $28.4 million of pre-tax charges.

The following is a summary of changes in restructuring accruals during fiscal 2009 and fiscal 2010 for the 2009 Plan.

(In millions)	Total Plan Costs	Severance and Outplacement Costs	Leased Building Exit Costs
Balance as of May 31, 2008	$ —	$ —	$ —
Restructuring expenses	28.4	25.0	3.4
Cash payments	(16.8)	(16.0)	(0.8)
Adjustments	(2.0)	(2.0)	—
Balance as of May 30, 2009	9.6	7.0	2.6
Restructuring expenses	1.3	0.7	0.6
Cash payments	(9.5)	(7.4)	(2.1)
Adjustments	(0.1)	(0.1)	—
Balance as of May 29, 2010	$ 1.3	$ 0.2	$ 1.1

Manufacturing Consolidation

In May and June 2009, the company announced a plan (“the Manufacturing Consolidation Plan”) to consolidate manufacturing operations with the closure of its Integrated Metal Technologies (IMT) subsidiary in Spring Lake, Michigan and Brandrud facility in Auburn, Washington. Under this plan for the IMT closure, the company will retain existing West Michigan production capacity and will enhance operational efficiency, with the majority of work and equipment moving to other newer, larger facilities in the area. Relocation began during the first quarter of fiscal 2010, with final closure completed in the fourth quarter. For the Brandrud closure, the company further consolidated manufacturing operations with the transfer of substantially all of the manufacturing capabilities of Brandrud to its Nemschoff manufacturing plants. The anticipated cost for this action is $12.0 million with approximately $2 million and $9.7 million of these costs having been recognized in fiscal 2009 and fiscal 2010, respectively. We do not anticipate any further significant costs for this action. The remaining accrued costs will be paid for with cash generated from operations during fiscal 2011.

The following is a summary of changes in restructuring accruals during fiscal 2010 for the Manufacturing Consolidation Plan.

(In millions)	Total Plan Costs	Severance and Outplacement Costs	Leased Building Exit Costs
Balance as of May 30, 2009	$ —	$ —	$ —
Restructuring expenses	9.7	5.3	4.4
Cash payments	(5.9)	(3.4)	(2.5)
Adjustments	(1.2)	(0.4)	(0.8)
Balance as of May 29, 2010	$ 2.6	$ 1.5	$ 1.1

2010 Action

During the fourth quarter of fiscal 2010, the company executed a restructuring plan (“the 2010 Plan”) that reduced operating expenses in order to improve operating performance, profitability and further enhance productivity. This action reduced our salaried workforce, primarily in North America, with the reduction of approximately 70 employees. This action resulted in expenses of approximately $3.2 million.

The following is a summary of changes in restructuring accruals during fiscal 2010 for the 2010 Plan.

(In millions)	Total Plan Costs	Severance and Outplacement Costs	Leased Building Exit Costs
Balance as of May 30, 2009	$ —	$ —	$ —
Restructuring expenses	3.2	2.9	0.3
Cash payments	(0.1)	(0.1)	—
Balance as of May 29, 2010	$ 3.1	$ 2.8	$ 0.3

In addition to the restructuring expenses noted above, the 2010 action included an impairment of certain assets totaling $2.5 million that were related to our Convia line of business. These assets related to products that we determined had no future revenue stream to the company.

These charges have been reflected separately as restructuring expenses in the Consolidated Statements of Operations. Refer to Note 20 of the Consolidated Financial Statements for a discussion of the Plan's impact on the company's reportable operating segments.

Management's Report on Internal Control over Financial Reporting

To the Board of Directors and Shareholders of Herman Miller, Inc.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The internal control over financial reporting at Herman Miller, Inc., is designed to provide reasonable assurance to our stakeholders that the financial statements of the company fairly represent its financial condition and results of operations.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of May 29, 2010, based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes the company's internal control over financial reporting was effective as of May 29, 2010.

Ernst & Young LLP has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page 96.

/s/ Brian C. Walker
Brian C. Walker
Chief Executive Officer

/s/ Gregory J. Bylsma
Gregory J. Bylsma
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

To the Board of Directors and Shareholders of Herman Miller, Inc.

We have audited Herman Miller Inc.'s internal control over financial reporting as of May 29, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Herman Miller. Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Herman Miller, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 29, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the fiscal 2010 consolidated financial statements of Herman Miller, Inc., and our report dated July 27, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Grand Rapids, Michigan
July 27, 2010

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Report of Independent Registered Public Accounting Firm on Financial Statements

To the Board of Directors and Shareholders of Herman Miller, Inc.

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries as of May 29, 2010 and May 30, 2009, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended May 29, 2010. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Herman Miller, Inc. and subsidiaries at May 29, 2010 and May 30, 2009, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended May 29, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Herman Miller, Inc.'s internal control over financial reporting as of May 29, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 27, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Grand Rapids, Michigan
July 27, 2010, except Note 2, as to which the date is
September 16, 2010

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERMAN MILLER, INC.

	/s/ Brian C. Walker	and	/s/ Gregory J. Bylsma
By	Brian C. Walker President and Chief Executive Officer (Duly Authorized Signatory for Registrant)		Gregory J. Bylsma Chief Financial Officer (Principal Accounting Officer and Duly Authorized Signatory for Registrant)

Date: September 16, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on, September 16, 2010 by the following persons on behalf of the Registrant in the capacities indicated.

/s/ Michael A. Volkema* Michael A. Volkema (Chairman of the Board)	/s/ Lord Griffiths of Fforestfach* Lord Griffiths of Fforestfach (Director)
/s/ David O. Ulrich* David O. Ulrich (Director)	/s/ Mary Vermeer Andringa* Mary Vermeer Andringa (Director)
/s/ Dorothy A. Terrell* Dorothy A. Terrell (Director)	/s/ James R. Kackley* James R. Kackley (Director)
/s/ C. William Pollard* C. William Pollard (Director)	/s/ John R. Hoke III* John R. Hoke III (Director)
/s/ Douglas D. French* Douglas D. French (Director)	/s/ Mark S. Nemschoff* Mark S. Nemschoff (Director)
/s/ J. Barry Griswell* J. Barry Griswell (Director)	/s/ Brian C. Walker Brian C. Walker (President, Chief Executive Officer, and Director)

* Signed by Brian C. Walker, Attorney-In-Fact

EXHIBIT INDEX

(23)(a)	Consent of Independent Registered Public Accounting Firm
(31)(a)	Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31)(b)	Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32)(a)	Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32)(b)	Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002