ROYAL BANK OF CANADA
Form 424B2
November 30, 2018

RBC Capital Markets®	Filed Pursuant to Rule 424(b)(2) Registration Statement No. 333-227001

Pricing Supplement

Dated November 28, 2018 To the Product Prospectus Supplement No. CCBN-1 Dated September 10, 2018, the Prospectus Supplement Dated September 7, 2018 and the Prospectus Dated September 7, 2018	$1,668,000 Auto-Callable Contingent Coupon Barrier Notes Linked to the Common Stock of Apple Inc., Due December 2, 2021 Royal Bank of Canada

Royal Bank of Canada is offering Auto-Callable Contingent Coupon Barrier Notes (the "Notes") linked to the common stock (the "Reference Stock") of Apple Inc. (the "Reference Stock Issuer"). The Notes offered are senior unsecured obligations of Royal Bank of Canada, will pay a quarterly Contingent Coupon at the rate and under the circumstances specified below, and will have the terms described in the documents described above, as supplemented or modified by this pricing supplement.

The Notes do not guarantee any return of principal at maturity. Any payments on the Notes are subject to our credit risk.

Investing in the Notes involves a number of risks. See "Risk Factors" beginning on page PS-5 of the product prospectus supplement dated September 10, 2018, on page S-1 of the prospectus supplement dated September 7, 2018, and "Selected Risk Considerations" beginning on page P-7 of this pricing supplement.

The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality. The Notes are not subject to conversion into our common shares under subsection 39.2(2.3) of the Canada Deposit Insurance Corporation Act.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Issuer:	Royal Bank of Canada	Stock Exchange Listing:	None
Trade Date:	November 28, 2018	Principal Amount:	$1,000 per Note
Issue Date:	November 30, 2018	Maturity Date:	December 2, 2021
Observation Dates:	Quarterly, as set forth below	Coupon Payment Dates:	Quarterly, as set forth below
Valuation Date:	November 29, 2021	Contingent Coupon Rate:	8.45% per annum
Initial Stock Price:	$180.94, which was the closing price of the Reference Stock on the Trade Date.		
Final Stock Price:	The closing price of the Reference Stock on the Valuation Date.		
Call Stock Price:	100% of the Initial Stock Price.		
Trigger Price and Coupon Barrier:	$135.71, which is 75.00% of the Initial Stock Price (rounded to two decimal places)		
Contingent Coupon:	If the closing price of the Reference Stock is greater than or equal to the Coupon Barrier on the applicable Observation Date, we will pay the Contingent Coupon		

	applicable to that Observation Date. You may not receive any Contingent Coupons during the term of the Notes.
Payment at Maturity (if held to maturity):	If the Notes are not previously called, we will pay you at maturity an amount based on the Final Stock Price: For each $1,000 in principal amount, $1,000 plus the Contingent Coupon at maturity, unless the Final Stock Price is less than the Trigger Price. If the Final Stock Price is less than the Trigger Price, then the investor will receive at maturity, for each $1,000 in principal amount, a cash payment equal to: $1,000 + ($1,000 x Reference Stock Return) Investors in the Notes will lose some or all of their principal amount if the Final Stock Price of the Reference Stock is less than the Trigger Price.
Call Feature:	If the closing price of the Reference Stock is greater than or equal to the Call Stock Price starting on May 28, 2019 and on any Observation Date thereafter, the Notes will be automatically called for 100% of their principal amount, plus the Contingent Coupon applicable to the corresponding Observation Date.
Call Settlement Dates:	The Coupon Payment Date corresponding to that Observation Date.
CUSIP:	78013XSY5

	Per Note	Total
Price to public[1]	100.00%	$1,668,000.00
Underwriting discounts and commissions[1]	2.25%	$37,530.00
Proceeds to Royal Bank of Canada	97.75%	$1,630,470.00

[1]Certain dealers who purchased the Notes for sale to certain fee-based advisory accounts may have foregone some or all of their underwriting discount or selling concessions. The public offering price for investors purchasing the Notes in these accounts was between $977.50 and $1,000 per $1,000 in principal amount.

The initial estimated value of the Notes as of the date of this pricing supplement is $968.80 per $1,000 in principal amount, which is less than the price to public. The actual value of the Notes at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount. We describe our determination of the initial estimated value in more detail below.

RBC Capital Markets, LLC, which we refer to as RBCCM, acting as agent for Royal Bank of Canada, received a commission of $22.50 per $1,000 in principal amount of the Notes and used a portion of that commission to allow selling concessions to other dealers of up to $22.50 per $1,000 in principal amount of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. See “Supplemental Plan of Distribution (Conflicts of Interest)” below.

RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes

SUMMARY

The information in this "Summary" section is qualified by the more detailed information set forth in this pricing supplement, the product prospectus supplement, the prospectus supplement, and the prospectus.

General:	This pricing supplement relates to an offering of Auto-Callable Contingent Coupon Barrier Notes (the "Notes") linked to the common stock of Apple Inc.
Issuer:	Royal Bank of Canada ("Royal Bank")
Trade Date:	November 28, 2018
Issue Date:	November 30, 2018
Denominations:	Minimum denomination of $1,000, and integral multiples of $1,000 thereafter.
Designated Currency:	U.S. Dollars
Contingent Coupon:	We will pay you a Contingent Coupon during the term of the Notes, periodically in arrears on each Coupon Payment Date, under the conditions described below: · If the closing price of the Reference Stock is greater than or equal to the Coupon Barrier on the applicable Observation Date, we will pay the Contingent Coupon applicable to that Observation Date. · If the closing price of the Reference Stock is less than the Coupon Barrier on the applicable Observation Date, we will not pay you the Contingent Coupon applicable to that Observation Date. You may not receive a Contingent Coupon for one or more quarterly periods during the term of the Notes.
Contingent Coupon Rate:	8.45% per annum (2.1125% per quarter)
Observation Dates:	Quarterly on February 28, 2019, May 28, 2019, August 28, 2019, November 29, 2019, February 28, 2020, May 28, 2020, August 28, 2020, November 30, 2020, February 26, 2021, May 28, 2021, August 30, 2021 and the Valuation Date.
Coupon Payment Dates:	The Contingent Coupon, if applicable, will be paid quarterly on March 5, 2019, May 31, 2019, September 3, 2019, December 4, 2019, March 4, 2020, June 2, 2020, September 2, 2020, December 3, 2020, March 3, 2021, June 3, 2021, September 2, 2021 and the Maturity Date.
Record Dates:	The record date for each Coupon Payment Date will be one business day prior to that scheduled Coupon Payment Date; provided, however, that any Contingent Coupon payable at maturity or upon a call will be payable to the person to whom the payment at maturity or upon the call, as the case may be, will be payable.
Call Feature:	If, starting on May 28, 2019 and on any Observation Date thereafter, the closing price of the Reference Stock is greater than or equal to the Call Stock Price, then the Notes will be automatically called.
Call Settlement Dates:	If the Notes are called on any Observation Date starting on May 28, 2019 and thereafter, the Call Settlement Date will be the Coupon Payment Date corresponding to that Observation Date.
Payment if Called:	If the Notes are automatically called, then, on the applicable Call Settlement Date, for each $1,000 principal amount, you will receive $1,000 plus the Contingent Coupon otherwise due on that Call Settlement Date.
Valuation Date:	November 29, 2021
Maturity Date:	December 2, 2021
Initial Stock Price:	The closing price of the Reference Stock on the Trade Date, as specified on the cover page of this pricing supplement.
Final Stock Price:	The closing price of the Reference Stock on the Valuation Date.

Auto-Callable Contingent Coupon Barrier Notes

Call Stock Price:	100% of the Initial Stock Price.
Trigger Price and Coupon Barrier:	75.00% of the Initial Stock Price, as specified on the cover page of this pricing supplement.
Payment at Maturity (if not previously called and held to maturity):	If the Notes are not previously called, we will pay you at maturity an amount based on the Final Stock Price of the Reference Stock: · If the Final Stock Price is greater than or equal to the Trigger Price, we will pay you a cash payment equal to the principal amount plus the Contingent Coupon otherwise due on the Maturity Date. · If the Final Stock Price is below the Trigger Price, you will receive at maturity, for each $1,000 in principal amount, a cash payment equal to: $1,000 + ($1,000 x Reference Stock Return) The amount of cash that you receive will be less than your principal amount, if anything, resulting in a loss that is proportionate to the decline of the Reference Stock from the Trade Date to the Valuation Date. Investors in the Notes will lose some or all of their principal amount if the Final Stock Price of the Reference Stock is less than the Trigger Price.
Reference Stock Return:	$\frac{\text{Final Stock Price} - \text{Initial Stock Price}}{\text{Initial Stock Price}}$
Stock Settlement:	Not applicable. Payments on the Notes will be made solely in cash.
Market Disruption Events:	The occurrence of a market disruption event (or a non-trading day) as to the Reference Stock will result in the postponement of an Observation Date or the Valuation Date, as described in the product prospectus supplement.
Calculation Agent:	RBC Capital Markets, LLC ("RBCCM")
U.S. Tax Treatment:	By purchasing a Note, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat the Notes as a callable pre-paid cash-settled contingent income-bearing derivative contract linked to the Reference Stock for U.S. federal income tax purposes. However, the U.S. federal income tax consequences of your investment in the Notes are uncertain and the Internal Revenue Service could assert that the Notes should be taxed in a manner that is different from that described in the preceding sentence. Please see the section below, "Supplemental Discussion of U.S. Federal Income Tax Consequences," and the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product prospectus supplement dated September 10, 2018 under "Supplemental Discussion of U.S. Federal Income Tax Consequences," which apply to the Notes.
Secondary Market:	RBCCM (or one of its affiliates), though not obligated to do so, may maintain a secondary market in the Notes after the Issue Date. The amount that you may receive upon sale of your Notes prior to maturity may be less than the principal amount.
Listing:	The Notes will not be listed on any securities exchange.
Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under "Description of Debt Securities — Ownership and Book-Entry Issuance" in the prospectus dated September 7, 2018).
Terms Incorporated in the	All of the terms appearing above the item captioned "Secondary Market" on the cover page and pages P-2 and P-3 of this pricing supplement and the terms appearing under the caption "General Terms of the Notes" in the product prospectus supplement dated September 10, 2018, as modified by this pricing

Master Note: supplement.

ADDITIONAL TERMS OF YOUR NOTES

You should read this pricing supplement together with the prospectus dated September 7, 2018, as supplemented by the prospectus supplement dated September 7, 2018 and the product prospectus supplement dated September 10, 2018, relating to our Senior Global Medium Term Notes, Series H, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this pricing supplement will control. The Notes vary from the terms described in the product prospectus supplement in several important ways. You should read this pricing supplement carefully.

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the prospectus supplement dated September 7, 2018 and in the product prospectus supplement dated September 10, 2018, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the Securities and Exchange Commission (the "SEC") website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus dated September 7, 2018:
https://www.sec.gov/Archives/edgar/data/1000275/000121465918005973/l96181424b3.htm
Prospectus Supplement dated September 7, 2018:
https://www.sec.gov/Archives/edgar/data/1000275/000121465918005975/f97180424b3.htm
Product Prospectus Supplement dated September 10, 2018:
https://www.sec.gov/Archives/edgar/data/1000275/000114036118038091/form424b5.htm

Our Central Index Key, or CIK, on the SEC website is 1000275. As used in this pricing supplement, "we," "us," or "our" refers to Royal Bank of Canada.

HYPOTHETICAL EXAMPLES

The table set out below is included for illustration purposes only. The table illustrates the Payment at Maturity of the Notes (including the final Contingent Coupon, if payable) for a hypothetical range of performance for the Reference Stock, assuming the following terms and that the Notes are not automatically called prior to maturity:

Hypothetical Initial Stock Price:	$100.00*
Hypothetical Trigger Price and Coupon Barrier:	$75.00, which is 75.00% of the hypothetical Initial Stock Price
Contingent Coupon Rate:	8.45% per annum (or 2.1125% per quarter)
Contingent Coupon Amount:	$21.125 per quarter
Observation Dates:	Quarterly
Principal Amount:	$1,000 per Note

* The hypothetical Initial Stock Price of $100 used in the examples below has been chosen for illustrative purposes only and does not represent the actual Initial Stock Price. The actual Initial Stock Price is set forth on the cover page of this pricing supplement.

Hypothetical Final Stock Prices are shown in the first column on the left. The second column shows the Payment at Maturity for a range of Final Stock Prices on the Valuation Date. The third column shows the amount of cash to be paid on the Notes per $1,000 in principal amount. If the Notes are called prior to maturity, the hypothetical examples below will not be relevant, and you will receive on the applicable Coupon Payment Date, for each $1,000 principal amount, $1,000 plus the Contingent Coupon otherwise due on the Notes.

Hypothetical Final Stock Price of the Reference Stock	Payment at Maturity as Percentage of Principal Amount	Payment at Maturity (assuming that the Notes were not previously called)
$150.00	102.1125%*	$1,021.125*
$140.00	102.1125%*	$1,021.125*
$125.00	102.1125%*	$1,021.125*
$120.00	102.1125%*	$1,021.125*
$110.00	102.1125%*	$1,021.125*
$100.00	102.1125%*	$1,021.125*
$90.00	102.1125%*	$1,021.125*
$80.00	102.1125%*	$1,021.125*
$75.00	102.1125%*	$1,021.125*
$74.99	74.99%	$749.90
$70.00	70.00%	$700.00
$60.00	60.00%	$600.00
$50.00	50.00%	$500.00
$40.00	40.00%	$400.00
$30.00	30.00%	$300.00
$20.00	20.00%	$200.00
$10.00	10.00%	$100.00
$0.00	0%	$0.00

*Including the final Contingent Coupon, if payable.

Hypothetical Examples of Amounts Payable at Maturity

The following hypothetical examples illustrate how the payments at maturity set forth in the table above are calculated, assuming the Notes have not been called.

Example 1: The price of the Reference Stock increases by 25% from the Initial Stock Price of $100.00 to the Final Stock Price of $125.00. Because the Final Stock Price is greater than the Trigger Price and its Coupon Barrier, the investor receives at maturity, in addition to the final Contingent Coupon otherwise due on the Notes, a cash payment of $1,000 per Note, despite the 25% appreciation in the price of the Reference Stock.

Example 2: The price of the Reference Stock decreases by 10% from the Initial Stock Price of $100.00 to the Final Stock Price of $90.00. Because the Final Stock Price is greater than the Trigger Price and its Coupon Barrier, the investor receives at maturity, in addition to the final Contingent Coupon otherwise due on the Notes, a cash payment of $1,000 per Note, despite the 10% decline in the price of the Reference Stock.

Example 3: The price of the Reference Stock decreases by 60% from the Initial Stock Price of $100.00 to the Final Stock Price of $40.00. Because the Final Stock Price is less than the Trigger Price and its Coupon Barrier, the final Contingent Coupon will not be payable on the Maturity Date, and we will pay only $400.00 for each $1,000 in the principal amount of the Notes, calculated as follows:

Principal Amount + (Principal Amount x Reference Stock Return)

= $1,000 + ($1,000 x -60.00%) = $1,000 - $600.00 = $400.00

* * *

The Payments at Maturity shown above are entirely hypothetical; they are based on theoretical prices of the Reference Stock that may not be achieved on the Valuation Date and on assumptions that may prove to be erroneous. The actual market value of your Notes on the Maturity Date or at any other time, including any time you may wish to sell your Notes, may bear little relation to the hypothetical Payments at Maturity shown above, and those amounts should not be viewed as an indication of the financial return on an investment in the Notes.

Auto-Callable Contingent Coupon Barrier Notes

SELECTED RISK CONSIDERATIONS

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Reference Stock. These risks are explained in more detail in the section “Risk Factors,” in the product prospectus supplement. In addition to the risks described in the prospectus supplement and the product prospectus supplement, you should consider the following:

- Principal at Risk — Investors in the Notes could lose all or a substantial portion of their principal amount if there is a decline in the trading price of the Reference Stock between the Trade Date and the Valuation Date. If the Notes are not automatically called and the Final Stock Price on the Valuation Date is less than the Trigger Price, the amount of cash that you receive at maturity will represent a loss of your principal that is proportionate to the decline in the closing price of the Reference Stock from the Trade Date to the Valuation Date. Any Contingent Coupons received on the Notes prior to the Maturity Date may not be sufficient to compensate for any such loss.
- The Notes Are Subject to an Automatic Call — If on any Observation Date, beginning in May 2019, the closing price of the Reference Stock is greater than or equal to the Call Stock Price, then the Notes will be automatically called. If the Notes are automatically called, then, on the applicable Call Settlement Date, for each $1,000 in principal amount, you will receive $1,000 plus the Contingent Coupon otherwise due on the applicable Call Settlement Date. You will not receive any Contingent Coupons after the Call Settlement Date. You may be unable to reinvest your proceeds from the automatic call in an investment with a return that is as high as the return on the Notes would have been if they had not been called.
- You May Not Receive Any Contingent Coupons — We will not necessarily make any coupon payments on the Notes. If the closing price of the Reference Stock on an Observation Date is less than the Coupon Barrier, we will not pay you the Contingent Coupon applicable to that Observation Date. If the closing price of the Reference Stock is less than the Coupon Barrier on each of the Observation Dates and on the Valuation Date, we will not pay you any Contingent Coupons during the term of, and you will not receive a positive return on, your Notes. Generally, this non-payment of the Contingent Coupon coincides with a period of greater risk of principal loss on your Notes. Accordingly, if we do not pay the Contingent Coupon on the Maturity Date, you will also incur a loss of principal, because the Final Stock Price will be less than the Trigger Price.
- The Call Feature and the Contingent Coupon Feature Limit Your Potential Return — The return potential of the Notes is limited to the pre-specified Contingent Coupon Rate, regardless of the appreciation of the Reference Stock. In addition, the total return on the Notes will vary based on the number of Observation Dates on which the Contingent Coupon becomes payable prior to maturity or an automatic call. Further, if the Notes are called due to the Call Feature, you will not receive any Contingent Coupons or any other payment in respect of any Observation Dates after the applicable Call Settlement Date. Since the Notes could be called as early as May 2019, the total return on the Notes could be minimal. If the Notes are not called, you may be subject to the full downside performance of the Reference Stock even though your potential return is limited to the Contingent Coupon Rate. As a result, the return on an investment in the Notes could be less than the return on a direct investment in the Reference Stock.
- Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity — The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of Royal Bank.
- Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes — The Notes are our senior unsecured debt securities. As a result, your receipt of any Contingent Coupons, if payable, and the amount due on any relevant payment date is dependent upon our ability to repay its obligations on the applicable payment dates. This will be the case even if the price of the Reference Stock increases after the Trade Date. No assurance can be given as to what our financial condition will be during the term of the Notes.

- There May Not Be an Active Trading Market for the Notes-Sales in the Secondary Market May Result in Significant Losses — There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and our other affiliates may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of ours may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.
- Owning the Notes Is Not the Same as Owning the Reference Stock — The return on your Notes is unlikely to reflect the return you would realize if you actually owned the Reference Stock. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on the Reference Stock during the term of your Notes. As an owner of the Notes, you will not have voting rights or any other rights that holders of the Reference Stock may have. Furthermore, the Reference Stock may appreciate substantially during the term of the Notes, while your potential return will be limited to the applicable Contingent Coupon payments.

Auto-Callable Contingent Coupon Barrier Notes

- There Is No Affiliation Between the Reference Stock Issuer and RBCCM, and RBCCM Is Not Responsible for any Disclosure by the Reference Stock Issuer — We are not affiliated with the Reference Stock Issuer. However, we and our affiliates may currently, or from time to time in the future, engage in business with the Reference Stock Issuer. Nevertheless, neither we nor our affiliates assume any responsibilities for the accuracy or the completeness of any information that any other company prepares. You, as an investor in the Notes, should make your own investigation into the Reference Stock. The Reference Stock Issuer is not involved in this offering and has no obligation of any sort with respect to your Notes. The Reference Stock Issuer has no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of your Notes.
- Our Business Activities May Create Conflicts of Interest — We and our affiliates expect to engage in trading activities related to the Reference Stock that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders' interests in the Notes and the interests we and our affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the prices of the Reference Stock, could be adverse to the interests of the holders of the Notes. We and one or more of our affiliates may, at present or in the future, engage in business with Reference Stock Issuer, including making loans to or providing advisory services. These services could include investment banking and merger and acquisition advisory services. These activities may present a conflict between our or one or more of our affiliates' obligations and your interests as a holder of the Notes. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Stock. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by us or one or more of our affiliates may affect the price of the Reference Stock, and, therefore, the market value of the Notes.
- The Initial Estimated Value of the Notes Is Less than the Price to the Public — The initial estimated value set forth on the cover page of this pricing supplement does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the price of the Reference Stock, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the estimated costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the underwriting discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined by RBCCM for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.
- The Initial Estimated Value of the Notes on the Cover Page of this Pricing Supplement Is an Estimate Only, Calculated as of the Time the Terms of the Notes Were Set — The initial estimated value of the Notes is based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See "Structuring the Notes" below. Our estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

The value of the Notes at any time after the Trade Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

- Market Disruption Events and Adjustments — The payment at maturity, each Observation Date and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "General Terms of the Notes — Market Disruption Events" in the product prospectus supplement.

	(41.7)	
Cash Flows from Financing Activities:		
Net short-term debt borrowings	1.0	
Net short-term debt repayments	(1.0)	(1.2)
Net long-term debt repayments		(0.9)
Net long-term debt borrowings		200.0
Dividends paid	(14.5)	(16.3)
Common stock issued	2.9	5.7
Common stock repurchased and retired	(0.1)	(266.7)
Other, net	(0.3)	0.2
Net Cash Used for Financing Activities	**(12.0)**	**(79.2)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(14.6)	2.7
Net Increase in Cash and Cash Equivalents	17.0	5.0
Cash and Cash Equivalents, Beginning of Period	155.4	76.4
Cash and Cash Equivalents, End of Period	**$ 172.4**	**$ 81.4**

See accompanying notes to condensed consolidated financial statements.

HERMAN MILLER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared by Herman Miller, Inc. (the company), without audit, in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Management believes the disclosures made in this document are adequate so as not to make the information presented misleading.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements, taken as a whole, contain all adjustments which are of a normal recurring nature necessary to present fairly the financial position of the company as of February 28, 2009, and the results of its operations and cash flows for the interim periods presented. Operating results for the nine-month period ended February 28, 2009, are not necessarily indicative of the results that may be expected for the year ending May 30, 2009. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the company s Form 10-K filing for the year ended May 31, 2008.

2. FISCAL YEAR

The company s fiscal year ends on the Saturday closest to May 31. Fiscal 2009, the year ending May 30, 2009, and fiscal 2008, the year ended May 31, 2008, each contain 52 weeks. The first nine months of fiscal 2009 and fiscal 2008 each contained 39 weeks. The three-month periods ended February 28, 2009, and March 1, 2008, each contained 13 weeks.

3. 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 period-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 Condensed Consolidated Balance Sheets. The financial statement impact resulting from remeasuring all foreign currency transactions into the appropriate functional currency, which was included in Other Expenses (Income) in the Condensed Consolidated Statements of Operations, was a net loss of $0.4 million for the three and nine-month periods ending February 28, 2009. For the three and nine-month periods ending March 1, 2008, the financial statement impact was a net loss of $0.3 million and $0.1 million, respectively.

4. COMPREHENSIVE INCOME (LOSS)

Comprehensive income consists of net earnings, foreign currency translation adjustments, pension and post-retirement liability adjustments and unrealized holding gain (loss) on available-for-sale securities. Comprehensive loss was $10.7 million and comprehensive income was $37.5 million for the three months ended February 28, 2009, and March 1, 2008, respectively. For the nine months ended February 28, 2009, and March 1, 2008, comprehensive income was $36.7 million and $116.9 million, respectively. The following table presents the components of accumulated other comprehensive loss for the period indicated.

(In Millions)	Foreign Currency Translation Adjustments	Pension and Post-Retirement Liability Adjustments (net of tax)	Unrealized Holding Period (Loss) (net of tax)	Total Accumulated Other Comprehensive Loss
Balance, May 31, 2008	$ 4.6	$ (64.5)	$ (0.2)	$ (60.1)
Other comprehensive income (loss) for the nine months ended February 28, 2009	(23.3)		(0.8)	(24.1)
Balance, February 28, 2009	$ (18.7)	$ (64.5)	$ (1.0)	$ (84.2)

5. COMMON STOCK AND EARNINGS PER SHARE

The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share (EPS).

	Three Months Ended		Nine Months Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
Numerators:				
Numerator for both basic and diluted EPS, net earnings (loss) (In Millions)	$ (5.2)	$ 38.3	$ 60.8	$ 112.8
Denominators:				
Denominator for basic EPS, weighted-average common shares outstanding	53,579,262	58,053,044	54,294,851	60,231,369
Potentially dilutive shares resulting from stock plans [1]	--	537,717	437,399	507,180
Denominator for diluted EPS	53,579,262	58,590,761	54,732,250	60,738,549

(1) The net loss for the three month period ended February 28, 2009 resulted in the restricted share awards and restricted share units to be antidilutive. As a result, the basic and diluted shares for this period are the same.

Options to purchase 3,609,663 and 1,063,284 shares of common stock for the three months ended February 28, 2009 and March 1, 2008, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive. Options to purchase 3,006,944 and 1,257,319 shares of common stock for the nine months ended February 28, 2009 and March 1, 2008, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

On January 3, 2008, Herman Miller, Inc. entered into two agreements to purchase shares of its common stock from Morgan Stanley & Co. Inc., for an aggregate purchase price of $200 million, plus fees of $0.6 million, under an Accelerated Share Repurchase (ASR) program. The company entered into these agreements as part of a repurchase program approved by its Board of Directors. The amount paid was reflected in the company s Condensed Consolidated Balance Sheet at March 1, 2008 as a reduction to Shareholders Equity.

On January 4, 2008, the company received an initial delivery of 4.4 million shares, representing 70 percent of the shares that could have been purchased, based on the closing price of its common stock on January 3, 2008. An additional 0.6 million shares were delivered on February 4, 2008, in accordance with the terms of the agreement. The ASR program was completed in September 2008, with a total of 7.5 million shares retired.

6. STOCK-BASED COMPENSATION

The company accounts for stock-based compensation in accordance with the fair value recognition provisions of SFAS No. 123(R) Share Based Payment (SFAS 123(R)). The company s stock-based compensation plans resulted in compensation income of $0.5 million and related income tax expense of $0.2 million for the three months ended February 28, 2009. The recognition of income during the quarter was driven by the reversal of expense for 2007 performance stock awards based on the company s recent financial performance. Compensation expense of $1.4 million and related income tax benefits of $0.5 million resulted from the company s stock-based compensation plans for the three months ended March 1, 2008. For the nine months ended February 28, 2009 and March 1, 2008, compensation expense was $2.9 million and $4.8 million, respectively. The related income tax benefits for the respective nine-month periods were $1.0 million and $1.7 million.

Stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations for the three months ended February 28, 2009 and March 1, 2008 has been reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. SFAS 123(R) 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.

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. The options are subject to graded vesting with the related compensation expense recognized on a straight-line basis over the requisite service period.

The company estimated the fair value of 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 periods indicated.

	Three Months Ended		Nine Months Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
Risk-free interest rates [(1)]	2.0%	3.1%	2.0-3.6%	3.1-4.8%
Expected term of options [(2)]	6 years	6 years	6 years	2-6 years
Expected volatility [(3)]	33%	28%	33%	28%
Dividend yield [(4)]	1.4%	1.0%	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	$ 3.56	$ 8.22	$ 7.25	$ 9.55
Granted with exercise prices greater than the fair market value of the stock on the date of grant	$	$	$	$

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

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

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

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

Restricted Stock Grants

From time to time, the company 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 risk of forfeiture. The grants are subject to either cliff-based or graded vesting over a period not to exceed five years, and 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.

Restricted Stock Units

The company has previously granted restricted stock units to certain key employees. This program provided that the actual number of restricted stock units awarded was tied in part to the company s annual financial performance for the year on which the grant was based. The awards generally cliff-vest after a five 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.

Performance Share Units

The company grants performance share units to certain key employees. The number of units initially awarded is 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.

Employee Stock Purchase Program

Under the terms of the company s Employee Stock Purchase Plan, 4 million shares of authorized common stock have been reserved for purchase by plan participants at 85.0 percent of the market price. The company recognizes pre-tax compensation expense related to the market value discount.

7. SUPPLEMENTAL CASH FLOW INFORMATION

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. All cash equivalents are high-credit quality financial instruments and the amount of credit exposure to any one financial institution or instrument is limited.

Cash payments for income taxes and interest were as follows.

(In Millions)	**Three Months Ended**		**Nine Months Ended**	
	February 28, 2009	**March 1, 2008**	**February 28, 2009**	**March 1, 2008**
Income taxes paid, net	$ 3.4	$ 22.4	$ 41.6	$ 57.0
Interest paid	$ 6.3	$	$ 18.5	$ 7.2

8. SHORT-TERM INVESTMENTS

The company maintains a portfolio of short-term investments 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 SFAS No. 115, Accounting for Certain Investments in 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 Condensed Consolidated Balance Sheets (see Note 4).

Net investment income recognized in the Condensed Consolidated Statements of Operations resulting from these investments totaled approximately $0.2 million for the three-month periods ended February 28, 2009, and March 1, 2008. Net investment income totaled approximately $0.3 million and $0.5 million for the nine-month periods ending February 28, 2009 and March 1, 2008, respectively.

The following is a summary of the carrying and market values of the company s short-term investments as of the respective dates.

	February 28, 2009			
(In Millions)	Cost	Unrealized Gain	Unrealized Loss	Market Value [1]
U.S. Government & Agency Debt	$ 4.6	$ 0.3	$	$ 4.9
Corporate Investments	5.4		(0.9)	4.5
Mortgage-Backed	4.0		(0.5)	3.5
Other Debt	0.5		(0.1)	0.4
Total	$ 14.5	$ 0.3	$ (1.5)	$ 13.3

	May 31, 2008			
(In Millions)	Cost	Unrealized Gain	Unrealized Loss	Market Value
U.S. Government & Agency Debt	$ 4.8	$ 0.2	$	$ 5.0
Corporate Investments	6.0		(0.2)	5.8
Mortgage-Backed	4.2		(0.1)	4.1
Other Debt	0.9		(0.1)	0.8
Total	$ 15.9	$ 0.2	$ (0.4)	$ 15.7

(1) Further information on the market value of short term investments can be found in Note 11.

9. OPERATING SEGMENTS

The company is comprised of two primary reportable operating segments as defined in SFAS 131, Disclosures about Segments of an Enterprise and Related Information (SFAS 131); 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 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 residential furniture business as well as other business activities, and certain unallocated corporate expenses, if any. The North American residential furniture business includes the operations associated with the design, manufacture and sale of furniture products for residential settings in the United States, Canada and Mexico. The company s other business activities are discrete operations, such as Convia, Inc., or activities aimed at developing innovative products to serve current and new markets.

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 periods indicated.

(In Millions)	Three Months Ended February 28, 2009	Three Months Ended March 1, 2008	Nine Months Ended February 28, 2009	Nine Months Ended March 1, 2008
Net Sales:				
North American Furniture Solutions	$ 296.0	$ 409.1	$ 1,081.2	$ 1,223.0
Non-North American Furniture Solutions	51.8	71.9	194.3	228.9
Other	6.6	14.4	34.6	41.1
Total	$ 354.4	$ 495.4	$ 1,310.1	$ 1,493.0
Depreciation and Amortization:				
North American Furniture Solutions	$ 9.0	$ 8.9	$ 27.5	$ 27.6
Non-North American Furniture Solutions	1.0	1.3	3.7	3.7
Other	0.4	0.5	1.2	1.5
Total	$ 10.4	$ 10.7	$ 32.4	$ 32.8
Operating Earnings (Loss):				
North American Furniture Solutions	$ 17.4	$ 49.5	$ 113.2	$ 145.2
Non-North American Furniture Solutions	3.0	10.2	15.0	33.6
Other	(23.2)	2.0	(19.8)	1.8
Total	$ (2.8)	$ 61.7	$ 108.4	$ 180.6
Capital Expenditures:				
North American Furniture Solutions	$ 3.8	$ 8.0	$ 17.5	$ 23.1
Non-North American Furniture Solutions	0.7	0.9	2.7	3.8
Other	--	0.3	0.1	1.3
Total	$ 4.5	$ 9.2	$ 20.3	$ 28.2

(In Millions)	February 28, 2009	May 31, 2008
Total Assets:		
North American Furniture Solutions	$ 599.1	$ 594.9
Non-North American Furniture Solutions	118.3	159.2
Other	26.9	29.1
Total	$ 744.3	$ 783.2

The accounting policies of the reportable operating segments are the same as those of the company. 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 charges of $ 23.4 million in the third quarter of fiscal 2009 and $5.2 million in the second quarter of fiscal year 2008 were allocated to the Other category. Further information regarding the restructuring charges can be found in Note 18.

10. NEW ACCOUNTING STANDARDS

For the third quarter of fiscal 2009, the company adopted the provisions of SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). See Note 19 for more information pertaining to the adoption of SFAS 161 and its effect on the company s consolidated financial statements.

At the beginning of fiscal 2009, the company adopted the provisions of SFAS No. 157, Fair Value Measurements, (SFAS 157) and the provisions of SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). See Note 11 for more information pertaining to the adoption of these Standards and their effect on the company s consolidated financial statements.

In February 2008, the FASB issued FSP No. FAS 157-2, Effective Date of FASB Statement No. 157, that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP No. FAS 157-2 does not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. The company does not expect that the adoption of this standard will have a material impact on our consolidated financial statements.

In December 2007, the FASB issued a revised version of SFAS No. 141 Business Combinations (revised 2007) (SFAS 141(R)). The revision is intended to simplify existing guidance, and partially converge reporting under U.S. Generally Accepted Accounting Principles (GAAP) with international accounting rules.

The FASB also issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements-An Amendment of ARB No. 51 (SFAS 160) at the same time it issued SFAS 141(R). SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements, except as required under FIN 46 (required consolidation with respect to Variable Interest Entities). Its intention is to eliminate the diversity in practice regarding the accounting for transactions between an entity and noncontrolling interests.

The company is required to adopt the provisions of both SFAS 141(R) and SFAS 160 simultaneously at the beginning of fiscal 2010. Earlier adoption is prohibited. The company is currently evaluating the provisions of these pronouncements and the potential impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company does not expect that the adoption of SFAS 162 will have a material impact on our financial position or results of operations.

11. FAIR VALUE

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS 157) which establishes a comprehensive framework for measuring the fair value of assets and liabilities and expands disclosures about fair value measurements. Specifically, SFAS 157 sets forth a definition of fair value, and establishes a hierarchy prioritizing the use of inputs in valuation techniques. SFAS 157 defines levels within the hierarchy as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2 either direct or indirect inputs, other than quoted prices included within Level 1, which are observable for similar assets or liabilities.
Level 3 - inputs are unobservable.

The company adopted the provisions of SFAS 157 for financial assets and liabilities as of June 1, 2008. There was no impact to the company s consolidated financial statements related to the adoption of SFAS 157. The following table sets 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 February 28, 2009.

(In Millions)	**Fair Value Measurements as of February 28, 2009**		
Financial Assets	**Total**	**Quoted Prices In Active Markets (Level 1)**	**Quoted Prices With Other Observable Inputs (Level 2)**
Available-for-sale securities	$ 13.3	$ 5.8	$ 7.5
Interest rate swap agreements	2.4	--	2.4
Deferred compensation plan	1.1	1.1	--
Foreign currency forward contracts	0.1	--	0.1
Total	$ 16.9	$ 6.9	$ 10.0
Financial Liabilities			
Foreign currency forward contracts	$ 0.1	$ --	$ 0.1
Total	$ 0.1	$ --	$ 0.1

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 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 SFAS 159 at the beginning of fiscal 2009 and elected not to expand the use of fair value accounting beyond those assets and liabilities currently required to use this basis of measurement.

12. OTHER INTANGIBLE ASSETS

Other intangible assets are comprised of patents, trademarks and intellectual property rights. As of February 28, 2009, the combined gross carrying value and accumulated amortization was $23.8 million and $9.0 million, respectively. As of May 31, 2008, these amounts totaled $25.7 million and $7.6 million, respectively. The company amortizes its intangible assets over periods ranging from 5 to 17 years.

Amortization expense related to intangible assets totaled approximately $0.6 million and $0.5 million for the three-month periods ended February 28, 2009, and March 1, 2008, respectively. For the nine months ended February 28, 2009, and March 1, 2008, amortization expense related to intangible assets totaled approximately $1.7 million and $1.4 million, respectively.

Estimated amortization expense for intangible assets as of February 28, 2009, for each of the succeeding fiscal years is as follows:

(In Millions)	Remaining	2009	$0.4
		2010	$1.4
		2011	$1.4
		2012	$1.3
		2013	$0.6

13. LONG TERM DEBT

On January 3, 2008, the company issued a total of $200 million in senior unsecured private placement notes; $150 million of these notes 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.

The company has available, a senior unsecured revolving credit facility that provides for $250 million of borrowings and expires in December 2012. This variable interest credit facility includes an option to increase the available line of credit by an additional $100 million subject to customary conditions. Outstanding borrowings under the credit agreement bear interest at rates based on the prime rate, Federal Funds rate, LIBOR, or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period a borrowing is outstanding. As of February 28, 2009, and May 31, 2008, total usage against this facility was $13.1 million, all of which related to outstanding letters of credit.

On March 6, 2001, the company sold publicly registered debt securities totaling $175.0 million. These notes mature on March 15, 2011 and bear an annual interest rate of 7.125 percent, with interest payments due semi-annually.

The company previously entered into a fixed-to-floating interest rate swap agreement, which expires on March 15, 2011, and effectively converts $50 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 $2.4 million as of February 28, 2009, and is reflected as an addition to long-term debt and an offsetting addition to other long-term assets in the Condensed Consolidated Balance Sheet. As of May 31, 2008, the fair value of approximately $0.5 million is reflected as an addition to long-term debt and an offsetting addition to other long-term 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, which is estimated to be 4.0 percent at February 28, 2009 and 5.6 percent at May 31, 2008. Subsequent to the end of the third quarter, in March 2009, the interest rate was reset to 4.5 percent.

As of February 28, 2009, 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 SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). 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. This 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 counterparty to this 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. The impact of the swap arrangement on interest expense was a reduction of $0.4 million and $0.2 million in the three-month periods ended February 28, 2009, and March 1, 2008, respectively. The impact on interest expense due to the swap arrangements for the nine months ended February 28, 2009 and March 1, 2008, was a reduction of $.9 million and a negligible decrease, respectively.

14. 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 the various costs associated with the company s warranty program and are included in the Condensed Consolidated Balance Sheets under Other accrued liabilities. General warranty reserves are based on historical claims experience and other currently available information. These reserves are adjusted once an issue is identified and the actual cost of correction becomes known or can be estimated.

(In Millions)	**Three Months Ended**		**Nine Months Ended**	
	February 28, 2009	**March 1, 2008**	**February 28, 2009**	**March 1, 2008**
Accrual Balance - beginning	$ 15.0	$ 14.9	$ 14.9	$ 14.6
Accrual for warranty matters	3.9	3.5	10.1	10.7
Settlements and adjustments	(3.8)	(3.8)	(9.9)	(10.7)
Accrual Balance - ending	$ 15.1	$ 14.6	$ 15.1	$ 14.6

Other Guarantees

The company is periodically required to provide performance bonds in order to do 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 bonds are provided by various bonding agencies, however, the company is ultimately liable for claims that may occur against them. As of February 28, 2009, the company had a maximum financial exposure related to performance bonds totaling approximately $9.7 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. The company also 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 February 28, 2009 and May 31, 2008.

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 February 28, 2009, the company had a maximum financial exposure from these standby letters of credit totaling approximately $13.1 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 February 28, 2009, and May 31, 2008.

Contingencies

The company currently leases a facility in the UK, which, 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. 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. As a result, the estimated liability of $1.0 million has been recorded as a liability reflected under the caption Other Liabilities in the Condensed Consolidated Balance Sheets at February 28, 2009, and May 31, 2008.

The company has a lease obligation in the UK until May 2014 for a facility that it previously exited. The estimated liability of $2.1 million and $2.0 million is reflected under the caption Other Liabilities in the Condensed Consolidated Balance Sheets at February 28, 2009 and May 31, 2008, 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 GSA) 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.

15. INCOME TAXES

The effective tax rates for the three months ended February 28, 2009 and March 1, 2008, were 39.4 percent and 33.0 percent, respectively. The current rate of 39.4 percent was above the federal statutory rate of 35 percent due to the current quarter loss and tax benefits related to Research & Development Credits. For the nine months ended February 28, 2009 and March 1, 2008, the effective tax rates were 33.8 percent and 33.5 percent, respectively. The company s United States federal statutory rate is 35.0 percent. The current year effective rate was below the statutory rate primarily due to the manufacturing deduction under the American Jobs Creation Act of 2004 and increased Research & Development Credit arising from the retro-active extension of the credit back to January 1, 2008. The effective rate in the prior year was below the statutory rate primarily due to the manufacturing deduction under the American Jobs Creation Act of 2004, an increase in foreign tax credits relating to dividends declared and the release of federal tax reserves for a period for which the statue had expired. The full-year effective tax rate for fiscal 2009 is expected to be between 32 percent and 34 percent.

The company adopted the provisions of FIN 48 on June 3, 2007. Prior to the adoption of FIN 48, the company had income tax accruals of $6.6 million associated with tax benefits taken in tax returns but not recognized for financial statement purposes (unrecognized tax benefits). As a result of the adoption of FIN 48, the company recorded an increase in liabilities for unrecognized tax benefits of $0.8 million, which was recorded as a reduction to beginning retained earnings in fiscal 2008. Including this cumulative effect adjustment, the company had income tax accruals associated with unrecognized tax benefits totaling $7.4 million and $7.2 million as of February 28, 2009 and May 31, 2008, respectively. The company s effective tax rate would have been affected by this amount had the unrecognized tax benefits 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. The company has reserved approximately $0.2 million for interest and penalties related to the adoption of FIN 48, which is also recorded as a reduction to beginning retained earnings in fiscal 2008. Interest and penalties recognized in the company s Condensed Consolidated Statements of Operations during the quarterly and nine-month periods ended February 28, 2009 and March 1, 2008 were negligible. As of February 28, 2009 and May 31, 2008, the company s recorded liability for interest and penalties related to unrecognized tax benefits totaled $1.0 million and $0.9 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 the audits, however, tax payments related to these audits, if any, are not expected to be material to the company s Condensed Consolidated Statements of Operations.

For the majority of tax jurisdictions, the company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2005.

16. EMPLOYEE BENEFIT PLANS

The following tables summarize the costs of the company s employee pension and other post-retirement plans for the periods indicated.

(In Millions)	**Three Months Ended**			
	Pension Benefits		**Other Post-Retirement Benefits**	
	February 28, 2009	**March 1, 2008**	**February 28, 2009**	**March 1, 2008**
Domestic:				
Service cost	$ 2.1	$ 2.0	$	$
Interest cost	4.6	4.0	0.2	0.2
Expected return on plan assets	(5.5)	(5.4)		
Net amortization loss	0.6	0.8	0.1	0.1
Net periodic benefit cost	$ 1.8	$ 1.4	$ 0.3	$ 0.3
International:				
Service cost	$ 0.5	$ 0.6		
Interest cost	1.0	1.1		
Expected return on plan assets	(1.0)	(1.3)		
Net amortization loss	0.2	0.1		
Net periodic benefit cost	$ 0.7	$ 0.5		

(In Millions)	**Nine Months Ended**			
	Pension Benefits		**Other Post-Retirement Benefits**	
	February 28, 2009	**March 1, 2008**	**February 28, 2009**	**March 1, 2008**
Domestic:				
Service cost	$ 6.3	$ 6.0	$	$
Interest cost	13.7	12.0	0.6	0.7
Expected return on plan assets	(16.6)	(16.2)		
Net amortization loss	1.8	2.4	0.2	0.3
Net periodic benefit cost	$ 5.2	$ 4.2	$ 0.8	$ 1.0
International:				
Service cost	$ 1.6	$ 1.8		
Interest cost	3.5	3.3		
Expected return on plan assets	(3.5)	(3.9)		
Net amortization loss	0.7	0.3		
Net periodic benefit cost	$ 2.3	$ 1.5		

The company is currently evaluating what voluntary contributions, if any, will be made to its various employee retirement plans in fiscal 2009. Actual contributions will be dependent upon investment returns, changes in pension obligations and other economic and regulatory factors.

Subsequent to February 28, 2009, the company announced that the 50 percent match of employee contributions to their 401(k) accounts would be suspended indefinitely. It is the company s intention to resume the matching contribution when business conditions have improved. The cost of the company s matching program was $4.7 million for the nine-months ended February 28, 2009 and was $6.8 million for fiscal year 2008.

17. ACQUISITIONS AND DIVESTITURES

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 purchase, Brandrud focuses on seating products for patient rooms, patient treatment areas, and public spaces such as lobbies and waiting areas. The initial purchase price related to this transaction was $12.0 million, which included $0.3 million of acquired cash. The contractual terms of this acquisition provide for additional purchase consideration from the company in the third fiscal quarter of 2009 contingent upon the achievement of specific earnings targets of Brandrud as a wholly-owned subsidiary. The company recognized a liability for this additional purchase consideration of $27 million in the third quarter of fiscal 2009 with a resulting increase to goodwill of the same amount. The payment for the additional purchase consideration will be paid in the fourth quarter of fiscal 2009 and will complete the purchase accounting on this transaction.

During the first quarter of fiscal 2009, the company completed the sale of a wholly owned contract furniture dealership. The sale of this dealership corresponds with the company s strategy to transition its owned dealerships to independent owners when possible. The company ceased consolidation of the dealership s balance sheet and results of operations at the beginning of the first quarter of fiscal 2009.

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 with no acquired cash.

18. RESTRUCTURING PLAN

During the second quarter, we announced a cost reduction action plan (the Plan) designed to reduce expenses and improve profitability. The cost reduction actions, which took place in the third quarter, included the elimination of approximately 1,400 positions. These eliminations included salaried, hourly and temporary workers. The positions that were eliminated represented a variety of functional areas. A number of employees affected were offered one-time termination benefits, including severance and outplacement services. Additionally, we consolidated our office space in West Michigan by exiting a leased facility. In connection with these actions, we recognized $23.4 million of pre-tax charges during the quarter for employee severance and outplacement costs as well as costs associated with exiting the leased building.

The following is a summary of changes in restructuring accruals during the third quarter of fiscal 2009.

(In Millions)	**Total Plan Costs**	**Severance and Outplacement Costs**	**Leased Building Exit Costs**
Balance as of November 29, 2008	$ 0.4	$ 0.4	$
Restructuring expenses	23.4	20.3	3.1
Cash payments	(9.2)	(9.1)	(0.1)
Balance as of February 28, 2009	$ 14.6	$ 11.6	$ 3.0

The charges above have been reflected separately as restructuring expenses in the Condensed Consolidated Statements of Operations. Refer to Note 9 for a discussion relative to the impact of the Plan on the company s reportable business segments.

19. DERIVATIVE FINANCIAL INSTRUMENTS

On November 30, 2008, the company adopted FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133 (SFAS 161). The adoption of SFAS 161 had no financial impact on our consolidated financial statements and only required additional financial statement disclosures. The requirements of SFAS 161 have been applied on a prospective basis. Accordingly, disclosures related to interim 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 matches interest expense with our business cycle. As of February 28, 2009, 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 February 28, 2009, 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 SFAS 133. 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 SFAS 133. 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 our consolidated statement of operations. The balance sheet classification for the fair values of these forward contracts is other current assets for unrealized gains and to other current liabilities for unrealized losses. The 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 February 28, 2009, the notional amounts of the forward contracts held to purchase and sell U.S. Dollars in exchange for other major international currencies were $3.5 million and the notional amounts of the foreign currency forward contracts held to sell European Euros in exchange for other major international currencies were 4 million.

The effects of derivative instruments on the condensed consolidated financial statements were as follows as of February 28, 2009 and for the three months then ended (amounts presented exclude any income tax effects) are shown below. The effect of derivative instruments on the condensed consolidated statement of operations for the period ended February 28, 2009 is negligible.

Fair Value of Derivative Instruments in Condensed Consolidated Balance Sheet

(In Millions)	**February 28, 2009** **Balance Sheet Location**	**Fair Value**
Interest rate swap agreement - fair market value	Other noncurrent assets	$2.4
Foreign currency forward contracts not designated as hedges	Other current assets	0.1
Foreign currency forward contracts not designated as hedges	Other current liabilities	0.1

Effects of Derivative Instruments of Income

(In Millions)	**February 28, 2009** **Recognized Income on Derivative** **Gain (Loss) Location**	**Amount**
Foreign currency forward contracts	Other Expense (Income), Other, net	$

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management s discussion and analysis of certain significant factors that affected the company s financial condition, earnings and cash flow during the periods included in the accompanying condensed consolidated financial statements. References to Notes are to the footnote disclosures included in the condensed consolidated financial statements.

Discussion of Current Business Conditions

The global economic decline, the effects of which we began seeing in the second quarter, continued to negatively impact our financial results. The credit crisis and general pull-back in capital spending by our customers continued through the third quarter. Order rates declined rapidly through the majority of the quarter but the level in the latter part increased slightly and appears to have stabilized. As the economy slowed last quarter we announced several actions to reduce our expense base. During the third quarter, the majority of our announced cost reduction initiatives were completed and charges recognized. The uncertainty of the economic outlook continues to be the dominant issue we are facing. The unpredictability of the depth and duration of this downturn continues to be our major focus. Due to the lack of general market clarity across all fronts of our business we took further cost reduction steps at the end of the quarter. We added a temporary change to our compensation and benefit structure to increase the variability of our costs for the near term. The combination of our recent actions coupled with this latest step will reduce our operating expenses by approximately 26 percent compared to fiscal 2008. Our management teams are experienced in adapting during economic cycles and we have built our business model to adjust quickly. While we remain confident in our strategic direction and continue to aggressively pursue revenue opportunities in this tough market, we are determined to maintain our financial strength and flexibility.

Our top line of $354.4 million for the quarter was down 28.5 percent from the same period last year, when we reported net sales of $495.4 million. The sales decline was driven by a challenging economic environment and affected most areas across the globe. North American net sales were down 27.7 percent while our non-North American business continued to experience a significant reduction in project business resulting in a decline of 28.0 percent.

Orders of $279.4, declined in the third quarter by $174.8 million or 38.5 percent from the same period in fiscal 2008. Orders were negatively affected during the quarter by the slowing global economy and by foreign currency translation as the US dollar strengthened. North American orders declined by 35.5 percent and non-North American orders declined by 49.8 percent compared to the third quarter of the prior year.

Operating expenses totaled $108.7 million, which includes restructure charges of $23.4 million. This expense level is essentially flat with the same period last year despite the restructuring charge. Operating loss for the quarter was $2.8 million, or 0.8 percent of revenue, with the restructuring expenses of $23.4 million, or 6.6 percent of revenue, contributing significantly to that result.

For the quarter, our consolidated earnings resulted in a loss of $0.10 per share. We were, however, able to generate operating cash of $18.7 million for the quarter and added to our cash balance, bringing it to $172.4 million.

The Business Institutional Furniture Manufacturers Association (BIFMA) issued its most recent domestic industry forecast in January 2009. In its report, BIFMA anticipates the growth in orders and shipments will continue to be negative for the balance of calendar 2009 with a slight decline expected to continue in 2010. This negative growth is primarily due to a weakening job market, falling home prices, and tighter credit. BIFMA also revised its outlook downward for corporate profits in 2009 which will again challenge the U.S. furniture market.

Analysis of Third Quarter Results

The quarters ended February 28, 2009 and March 1, 2008 each included 13 weeks of operations. The following table presents certain key highlights from the results of operations for the periods indicated.

In Millions, except per share data	Three Months Ended			Nine Months Ended		
	February 28, 2009	March 1, 2008	Percent Change	February 28, 2009	March 1, 2008	Percent Change
Net Sales	$ 354.4	$ 495.4	(28.5)%	$ 1,310.1	$ 1,493.0	(12.3)%
Gross Margin	105.9	170.0	(37.7)	423.7	517.7	(18.2)
Operating Expenses	85.3	108.3	(21.2)	291.5	331.9	(12.2)
Restructuring	23.4	-	-	23.8	5.2	357.7
Operating Earnings (Loss)	(2.8)	61.7	(104.5)	108.4	180.6	(40.0)
Net Earnings (Loss)	$ (5.2)	$ 38.3	(113.6)	$ 60.8	$ 112.8	(46.1)
Earnings (Loss) per share - diluted	(0.10)	0.65	(115.4)	1.11	1.86	(40.3)
Orders	279.4	454.2	(38.5)	1,240.6	1,510.5	(17.9)%
Backlog	206.8	307.2	(32.7)%			

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

	Three Months Ended		Nine Months Ended	
	February 28, 2009[(1)]	March 1, 2008[(1)]	February 28, 2009[(1)]	March 1, 2008[(1)]
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	70.1	65.7	67.7	65.3
Gross Margin	29.9	34.3	32.3	34.7
Operating Expenses	24.1	21.9	22.3	22.2
Restructuring	6.6	0.0	1.8	0.3
Operating Margin	(0.8)	12.5	8.3	12.1
Other Expense, net	1.7	0.9	1.3	0.7
Earnings Before Income Taxes	(2.5)	11.5	7.0	11.4
Income Tax Expense	(1.0)	3.8	2.4	3.8
Net Earnings	(1.5)%	7.7%	4.6%	7.6%

(1) Percentages do not foot due to rounding

Consolidated Sales, Orders, and Backlog

Net sales in the third quarter of fiscal 2009 were $354.4 million which represents a decline of 28.5 percent from the same period last year. This level of sales decline was steeper than expected, as orders fell rapidly during the first half of the quarter. The global economic downturn cancelled or placed many projects on hold, which reduced normal activity within our customer base. Additionally, the U.S. dollar continued to strengthen against most foreign currencies which negatively impacted net sales compared to the same period last year by approximately $10.4 million.

For the nine-month period ended February 28, 2009, net sales were $1,310.1 million. This represents a decrease of 12.3 percent from the prior year period. Currency exchange rate fluctuations drove an estimated $20.2 million decrease in consolidated net sales relative to the prior year nine-month period.

Orders in the third quarter were $279.4 million, a decrease of $174.8 million or 38.5 percent from the same period last year. The strengthening U.S. dollar relative to certain foreign currencies negatively impacted orders by approximately $10.1 million. Sequentially, orders declined $146.6 million or 34.4 percent from prior quarter levels as business activity stagnated.

Through the first nine months of fiscal 2009, orders of $1,240.6 million were down $269.9 million, or 17.9 percent versus the prior year.

Our backlog of unfilled orders at February 28, 2009 was $206.8 million, which represents a decrease of $100.4 million or 32.7 percent from the balances at the end of the third quarter last year.

Performance versus the Domestic Contract Furniture Industry

BIFMA is the trade association for the U.S. domestic office furniture industry. We monitor the trade statistics reported by BIFMA and consider them an indicator of industry-wide sales and order performance. BIFMA publishes statistical data for the contract segment and the office supply segment within the U.S. furniture market. The U.S. contract segment is primarily with large to mid-size corporations installed via a network of dealers. The office supply segment is primarily to smaller customers via wholesalers and retailers. We primarily participate, and are a leader in, the contract segment. While comparisons to BIFMA are important, we continue to pursue a strategy of revenue diversification that makes us less reliant on the drivers that impact BIFMA and lessens our dependence on the U.S. office furniture market.

We analyze BIFMA statistical information as a benchmark comparison against the performance of our domestic U.S. business and also to that of our competitors. The timing of large project-based business may impact short term comparisons to this data, therefore, we remain cautious about reaching conclusions regarding changes in market share based on analysis of short term data. Instead, we believe such conclusions should only be reached by analyzing comparative data over several quarters.

BIFMA comparable net sales and orders decreased 24.2 percent and 30.6 percent respectively during the third quarter of fiscal 2009 compared to the same quarter last year. By comparison, BIFMA reported an estimated year-over-year decrease in U.S. office furniture shipments of 21.3 percent for the three-months ended February 2009. Industry orders for the quarter as reported by BIFMA declined 24.8 percent from the same period last year.

Consolidated Gross Margin

Consolidated gross margin in the third quarter declined 440 basis points to 29.9 percent of net sales compared to the third quarter last year. As a percentage of sales, we experienced a large increase in the cost of direct materials. Direct labor was up on a year-over-year basis but relatively stable considering the significant decrease in production volume. These increases in cost relative to sales were partially offset by reductions in overhead and favorable impact from price increases put in place last August. Details relative to the major components of consolidated gross margin follow.

Direct materials increased 310 basis points from the third quarter last year primarily due to the increase in commodity costs. This increase was expected, as most of our fixed-price contracts for raw inputs expired during the fourth quarter of last year. We estimate commodity costs increased $6 million for the quarter compared to the third quarter of fiscal 2008. The general price increase announced at the beginning of August 2008, net of higher discounts, offset a portion of material cost increases. Based on commodity contracts, we expect the commodity impact to begin to reverse in the fourth quarter and provide some margin relief against significantly lower volumes. Our product pricing strategy, combined with our commitment to lean manufacturing principles under the Herman Miller Production System (HMPS), continue to be our primary means of addressing the financial impact of these volatile input costs.

Direct labor at 6.9 percent of net sales was up 60 basis points from the same period last year. Based on the expected decline in production levels, our realignment of costs addressed both direct and indirect labor. However, the rapid nature of the decline and the delay caused by the holiday season resulted in only a partial realization of benefits during the quarter.

Manufacturing overhead increased 120 basis points as a percentage of sales when compared to the third quarter last year. This increase is primarily the result of lower volume but was partially offset by a 100 basis point favorable impact related to incentive compensation. Incentive compensation accruals are based upon a measure of economic profitability relative to the prior year period as opposed to an absolute measure of profitability in any one period.

Freight and product distribution costs were favorable by 40 basis points in the third quarter of fiscal 2009 as compared to the same period last year. Lower fuel prices and continued efficiency gains accounted for this improvement.

Gross margin in the first nine months of fiscal 2009 was 32.3 percent compared to 34.7 percent in the prior year. The decrease was driven mainly by increases in prices for raw material and production declines. On a year-to-date basis, we estimate the raw materials cost was approximately $27 million higher than the same period last year.

Cost Reduction Actions

During the second quarter we announced a cost reduction plan designed to reduce expenses and improve profitability. The cost reduction actions, which took place during the third quarter, eliminated approximately 1,400 positions. These work force reductions included salaried, hourly and temporary workers. The positions eliminated were across a variety of functional areas. Many of the employees were offered one-time termination benefits, including severance and outplacement services. Additionally we consolidated our office space in West Michigan by exiting a leased facility. In connection with these actions we recognized charges of $23.4 million, see Note 18.

Operating Expenses and Operating Earnings

The third quarter operating expenses were $108.7 million, or 30.7 percent of net sales, which includes restructuring charges of $23.4 million, or 6.6 percent of net sales. In addition, we did not recognize a full quarter of benefits related to the recent restructuring actions. At the end of the quarter we implemented additional cost changes including temporary compensation and benefit reductions. The supplemental cost reductions take effect during the fourth quarter and are expected to reduce operating expenses by $20 million on an annualized basis. We remain committed to reducing costs as we navigate our business through a difficult and unpredictable economic environment.

Through the first nine months of fiscal 2009, operating expenses totaled $315.3 million or 24.1 percent of sales. This compares to $337.1 million or 22.6 percent of sales in the same period last year and represents an expense decrease in the current year-to-date period of $21.8 million. After considering the impact of all the realignment actions announced and implemented we are targeting an annualized operating expense run-rate of $110 to $115 million lower than fiscal 2008 levels.

Our investment in R&D, excluding royalties, totaled $8.8 million and $9.4 million for the quarterly periods ended February 28, 2009 and March 1, 2008, respectively. Through the first nine months of fiscal 2009, R&D expenses were $27.3 million. This compares to $28.5 million in the same period last fiscal year. Operating earnings in the third quarter were a loss of $2.8 million compared to a profit of $61.7 million in the same period last year. On a year-to-date basis, operating earnings totaled $108.4 million, or 40.0 percent below last year.

Other Income/Expense and Income Taxes

Net other expenses in the quarter and the nine months ended February 28, 2009 totaled $6.0 million and $16.8 million respectively. This compares to $4.6 million and $11.1 million respectively, in the same periods last year. The increase in expense over both comparative periods was driven primarily by higher interest expense due to the long-term debt issued in the third quarter of fiscal 2008. We incurred a net foreign currency transaction loss of $0.4 million in the current quarter compared to a loss of $0.3 million last year. The effective tax rates for the three months ended February 28, 2008 and March 1, 2008, were 39.4 percent and 33.0 percent, respectively. The current rate of 39.4 percent was above the federal statutory rate of 35 percent due to the current quarter loss and tax benefits related to Research & Development Credits. The effective tax rates were 33.8 percent and 33.5 percent for the nine months ended February 28, 2009, and March 1, 2008, respectively. The current quarter and year-to-date effective rates varied from the United States federal statutory rate of 35 percent primarily due to the manufacturing deduction under the American Jobs Creation Act of 2004 (AJCA), the loss during the quarter, and the tax benefits recognized related to Research and Development credits. We expect our full-year effective tax rate for fiscal 2009 to be between 32 percent and 34 percent. In the first quarter of fiscal 2008, we adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48). Upon adoption, we recognized an increase in accrued liabilities associated with unrecognized tax benefits. We also recognized an increase in accruals for estimated interest and penalties associated with those unrecognized tax benefits. These accrual adjustments totaled $1.0 million, and were recorded net of tax within beginning retained earnings. This adjustment, which did not impact net earnings, is considered a Cumulative Effect of a Change in Accounting Principle as required by FIN 48. Additionally, in the first quarter of fiscal 2008, we reclassified $8.7 million from current accrued income taxes payable into non-current liabilities. This reclassification was made to match the anticipated timing of future income tax payments.

Further information regarding our income taxes can be found in Note 15

Reportable Operating Segments

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

- *North American Furniture Solutions* Includes the business associated with the design, manufacture and sale of furniture products for office, healthcare and educational environments, throughout the United States, Canada and Mexico.
- *Non-North American Furniture Solution* Includes the business associated with the design, manufacture and sale of furniture products, primarily for work-related settings, outside North America.
- *Other* includes our North American residential furniture business as well as other business activities and certain unallocated corporate expenses. Our North American residential furniture business includes the operations associated with the design, manufacture and sale of furniture products for residential settings in the United States, Canada, and Mexico. Our other business activities are discrete operations, such as Convia, or activities aimed at developing innovative products to serve current and new markets.

Further information regarding our reportable operating segments can be found in Note 9.

Net sales within our North American Furniture Solutions segment were down 27.7 percent to $295.9 million from $409.1 million reported in the third quarter last year. Orders within the North American segment declined by 35.5 percent, reflecting the sharp pull back in demand and project business in the U.S. Through the first nine months sales and orders were down 11.6 percent and 16.3 percent, respectively.

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Operating earnings in the third quarter within the North American segment were $17.4 million, down from $49.5 million in the third quarter last year. This decrease in operating earnings performance is primarily a result of the significant decline in volume, offset in part by realignment cost reductions and variable expenses such as incentive accruals. Through the first nine months operating income decreased $32.0 million when compared to the same period last year.

Net sales within our non-North American Furniture Solutions segment were $51.8 million in the third quarter. This represents a decrease of 28.0 percent from the third quarter of fiscal 2008 when we reported net sales of $71.9 million. The third quarter decline of $20.1 million from the prior year affected all global regions with the exception of South America. Sales for the nine month period ending February 28, 2009 were down 15.1 percent over the same period last year.

Operating earnings in the quarter for our non-North American segment decreased $7.2 million to $3.0 million from the third quarter of fiscal 2008 operating earnings of $10.2 million. On a year-to-date basis operating earnings were $15.0 million, a decrease of 55.4 percent from last year. This decline is directly related to lower sales levels.

Net sales within the Other category were $6.6 million, down 54.2 percent from the prior year level of $14.4 million. The reduction in revenues is primarily from the severe decline in consumer spending. Herman Miller for the Home sales were down 15.8 percent year-to-date from the same period last year, despite the addition of a large retailer to its retail products distribution network.

Operating earnings in the third quarter for the Other category were a loss of $23.2 million compared to a profit of $2.0 million last year. The majority of this loss relates to the $23.4 million of restructuring charges recorded during the quarter.

Changes in currency exchange rates from the prior year affected the U.S. dollar value of net sales within both primary operating segments. We estimate these changes effectively decreased third quarter net sales within the North American segment by approximately $8.1 million. This was largely driven by the strengthening U.S. dollar compared to the Canadian dollar and the Mexican Peso during the period. Within the non-North American segment, exchange rate changes decreased third quarter net sales by an estimated $2.3 million. This decrease was mainly driven by movement in the U.S. dollar to British Pound Sterling and U.S. dollar to Euro exchange rates as compared to last year. It is important to note that period-to-period changes in exchange rates have a directionally similar impact on our international expenses as measured in U.S. dollars.

Financial Condition, Liquidity, and Capital Resources

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

(In Millions)	**Nine Months Ended February 28, 2009**	**Nine Months Ended March 1, 2008**
Cash and cash equivalents, end of period	$ 172.4	$ 81.4
Short-term investments, end of period	13.3	18.3
Cash generated from operating activities	64.4	123.2
Cash used for investing activities	(20.8)	(41.7)
Cash used for financing activities	(12.0)	(79.2)
Capital expenditures	(20.3)	(28.2)
Stock repurchased and retired	(0.1)	(266.7)
Interest-bearing debt, end of period [(1)]	377.4	380.5
Available unsecured credit facility, end of period [(2)]	236.9	236.9

(1) Amounts shown include the fair market values of the company s interest rate swap arrangements. The net fair value of these arrangements totaled approximately $2.4 million and $2.5 million at February 28, 2009 and March 1, 2008, respectively.

(2) Amounts shown are net of outstanding letters of credit, which are applied against the company s unsecured credit facility.

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While our various employee retirement plans have ample funds to meet benefit payments, current market conditions have negatively impacted asset values. Funding requirements will depend upon the funded status of the various employee retirement plans on May 30, 2009 and will be partially mitigated by the temporary funding relief provided by the Worker, Retiree, and Employer Recovery Act of 2008, which was enacted into law in December 2008. We are not legally required to make any additional significant contributions to our various employee retirement plans through fiscal 2010. However, in order to improve the funded status of our pension plans we have the option to make additional voluntary contributions.

Cash Flow Operating Activities

Cash generated from operating activities in the third quarter was $18.7 million compared to $35.5 million in the prior year. Cash payments of approximately $9.2 million are included in the third quarter cash from operating activities amount and are related to the restructure actions made during the quarter. For the first nine months of fiscal 2009, cash generated from operations totaled $64.4 million. This compares to cash flows generated from operating activities of $123.2 million in the same period in fiscal 2008.

Quarter and Nine Months Ended February 28, 2009

Changes in working capital balances resulted in a net cash use of $0.5 million in the third quarter. The principal driver of this working capital investment is related to the reduction in incentive compensation and accounts payable, which offset reductions in the accounts receivable balance.

Through the first nine months of the year, changes in working capital balances accounted for a net $51.4 million use of cash. The majority of cash use was driven from the reduction of accrued compensation and benefits totaling $51.5 million. This reduction in the accrual relates to the payout of incentive compensation earned during fiscal 2008. Other items, such as accounts receivable, inventory, income taxes, and accounts payable, offset each other as revenue declines occurred through the period.

Quarter and Nine Months Ended March 1, 2008

Changes in working capital balances resulted in a net cash use of $8.9 million in the third quarter of fiscal 2008. Volume-driven increases in accounts receivable were more than offset by increased inventory balances related to project timing and accounts payable balances. Through the first nine months of last year, changes in working capital balances accounted for a net $31.8 million use of cash. Included in this amount were increases in accounts receivable and inventories totaling $36.7 million. We also experienced a net reduction of $16.7 million in compensation and benefit accruals in the nine-month period, due largely to the payout of incentive bonuses earned during fiscal 2007. Partially offsetting these working capital investments were volume-driven increases in accounts payable of $6.2 million and unearned revenue liabilities of $8.3 million. Accruals for income taxes also increased from the prior year-end, further offsetting the investment in working capital in the year-to-date period.

Cash Flow Investing Activities

Our most significant cash outflow related to investing activities continues to be investments in capital assets. We purchased $4.5 million in capital assets during the third quarter of fiscal 2009, and $20.3 million year-to-date. This compares $9.2 million and $28.2 million, respectively in the prior year. This fiscal year our investments in capital assets have declined 28.0 percent. We expect to continue this level of decline through the fiscal year.

At the end of the third quarter, we had outstanding commitments for capital purchases of $5.0 million. We continue to manage and prioritize capital investments. We expect our full-year capital purchases to be approximately $25 million to $30 million. This compares to full-year capital spending of $40.5 million in fiscal 2008. The year-to-date capital spending reflects the elimination or delay of certain projects that have been deemed non-essential. We do continue to target investment in capital expenditures for projects such as new product development and manufacturing improvements, among others, that are vital to our long term outlook. During the second quarter of this year, we acquired certain assets and liabilities of a specialty wood manufacturer and supplier in North Carolina. The cash outlay related to this transaction was $2.9 million. This purchase price is reflected as a net cash outflow within the Condensed Consolidated Statement of Cash Flows for the nine-month period ended February 28, 2009. Further information related to this transaction can be found in Note 17.

Partially offsetting these investments were cash proceeds of $1.3 million related to the owned dealership that we transitioned to independent status in the first quarter of this year. This amount is reflected as proceeds from the sale of a dealership in the Condensed Consolidated Statement of Cash Flows for the nine month period ended February 28, 2009.

During the third quarter of fiscal 2008, we completed the acquisition of Brandrud Furniture, Inc., (Brandrud) a Seattle-based manufacturer of healthcare furnishings. With annual net sales of approximately $20 million, Brandrud focuses on seating products for patient rooms, patient treatment areas, and public spaces such as lobbies and waiting areas. The initial purchase price related to this transaction was $11.7 million, net of cash acquired, with additional proceeds due in the third fiscal quarter of 2009 contingent on the achievement of specific earnings targets of Brandrud as a wholly-owned subsidiary. Based on terms of the agreement and favorable financial performance, we recognized a liability of $27 million related to the estimated final purchase price in the third quarter of this fiscal year. This amount was recognized as goodwill and final amounts will be determined and paid during the fourth quarter of this fiscal year. Further information related to this transaction can be found in Note 17.

Cash Flow Financing Activities

Dividend payments were $4.7 million in the third quarter and $14.5 million year-to-date through February. For the same period last year, dividend payments totaled $5.4 million and $16.3 million, respectively. The decrease is the result of fewer shares outstanding.

There were no open-market stock repurchases during the current quarter or year-to-date, however, last year in the same period, we repurchased $200.6 million and $266.7 million in common shares in the quarter and year-to-date, respectively. During the third quarter of fiscal 2008, we completed a debt financing transaction involving the issuance of $200 million in senior unsecured private placement notes. $50 million of these notes are due in January 2015, and bear interest at a fixed annual coupon rate of 5.94 percent. The remaining $150 million is due in January 2018 and bears interest at a fixed annual coupon rate of 6.42 percent. We used the $200 million proceeds from the notes for an accelerated share repurchase of our common stock. Refer to Note 5 for more information related to the ASR.

Also, during the third quarter of fiscal 2008 we completed a refinancing of our existing unsecured credit facility, increasing our borrowing capacity from $150 million to $250 million. The new credit facility includes a $100 million increase option, subject to customary conditions. The facility may be used to refinance existing debt, provide working capital or other general corporate purposes. We also paid off $2.1 million of debt on behalf of Brandrud. During the third quarter of fiscal 2008, we did not repurchase shares on the open market due to the implementation of our ASR.

New share issuances in connection with our various employee benefit programs were $1.0 million for the quarter and $2.9 million year-to-date. This compares to $2.5 million and $5.7 million received for issuances in the same periods in the prior year.

Interest-bearing debt at the end of the third quarter totaled $377.4 million, up $0.1 million from the balance at the end of the prior quarter and up $1.9 million from the end of fiscal 2008. These changes are due to the increase in the fair value of our interest rate swap agreement. Further disclosure regarding our interest rate swap arrangement is provided in Note 13.

Outstanding standby letters of credit totaling $13.1 million are considered as usage against our unsecured revolving credit facility. At the end of the third quarter, our availability under this credit facility was $236.9 million. The provisions of our private placement notes and unsecured credit facility require that we adhere to certain covenant restrictions and maintain certain performance ratios. We were in compliance with all such restrictions and performance ratios this quarter and expect to remain in compliance in the near future. In light of recent global economic conditions and the resulting impact on financial institutions, we reviewed the current financial stability of our bank group and believe that they have the ability to honor all existing agreements with the company.

We believe cash on-hand, cash generated from operations and our borrowing capacity will provide adequate liquidity to fund near term and future business operations and capital needs.

Contractual Obligations

Contractual obligations associated with our ongoing business and financing activities will result in cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments was provided in the company s Form 10-K filing for the year ended May 31, 2008.

Off-Balance Sheet Arrangements

Guarantees

We provide certain guarantees to third parties under various arrangements in the form of product warranties, loan guarantees, standby letters of credit, lease guarantees, performance bonds and indemnification provisions. These arrangements are accounted for and/or disclosed in accordance with FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Others as described in Note 14.

Variable Interest Entities

On occasion, we provide financial support to certain independent dealers in the form of term loans, lines of credit, and/or loan guarantees which may represent variable interests in such entities. As of February 28, 2009, we were not considered the primary beneficiary of any such dealer relationships under FASB Interpretation No. 46, Consolidation of Variable Interest Entities. Accordingly, we were not required to consolidate the financial statements of any of these entities during the first nine months of this fiscal year.

The risks and rewards associated with our interests in these dealerships are primarily limited to our outstanding loans and guarantee amounts. As of February 28, 2009, our maximum exposure to potential losses related to outstanding loans and guarantees to these other entities totaled $0.9 million.

Contingencies

See Note 14 to the condensed consolidated financial statements.

Critical Accounting Policies

We strive to report our financial results clearly and understandably. We follow accounting principles generally accepted in the United States in preparing our consolidated financial statements, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. A summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in our Form 10-K filing for the year ended May 31, 2008. During the first nine months of fiscal 2009, there were no material changes in the accounting policies and assumptions previously disclosed.

New Accounting Standards

See Note 10 to the condensed consolidated financial statements.

Safe Harbor Provisions

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

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Direct Material Costs
The company is exposed to risks arising from market price changes for certain direct materials used in its manufacturing processes. The largest direct material costs incurred by the company are for steel, plastic/textiles, wood particleboard, aluminum components and diesel for transportation. The market price of plastics and textiles are sensitive to the cost of oil and natural gas. The cost of wood particleboard has been impacted by continual downsizing of production capacity in the wood market. Aluminum component prices are sensitive to changes in energy costs associated with the conversion of raw materials to aluminum ingots.

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

In the normal course of business, the company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the company conducts its business are the British Pound Sterling, Euro, Canadian dollar, Japanese Yen, Mexican Peso, and Chinese Renminbi. As of February 28, 2009, the company had outstanding, six 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 to offset a 4.0 million Euro-denominated net asset exposure. One forward contract was placed to offset a 1.2 million U.S. dollar-denominated net asset exposure in Brazil. Two forward contracts were placed to offset a 3.0 million U.S. dollar-denominated net liability exposure in China. As of May 31, 2008, the company had outstanding, five 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 a 4.0 million Euro-denominated net asset exposure that is denominated in a non-functional currency. Two forward contracts were placed to offset a 6.0 million U.S. dollar-denominated net liability exposure in China.

Interest Rate Risk
Interest-bearing debt as of the end of the third quarter, excluding the fair market values of our interest rate swap arrangements, totaled $375.0 million. This amount includes obligations associated with the company s long-term debt securities and private placement notes, as well as any outstanding borrowings against its unsecured revolving credit facility. The company is subject to interest rate variability on $50.0 million of this debt. Accordingly, the cost of servicing this variable-rate debt may increase or decrease in the future as market interest rates change.

As of February 28, 2009, the weighted-average interest rate on the company s variable-rate debt was approximately 4.0 percent. Based on the level of variable-rate debt outstanding as of that date, a 1 percentage-point increase in the weighted-average interest rate would increase the company s estimated annual pre-tax interest expense by approximately $0.5 million.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, the company s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of February 28, 2009, and have concluded that as of that date, the company s disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the company s internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the quarterly period ended February 28, 2009, that have materially affected, or are reasonably likely to materially affect, the company s internal control over financial reporting.

HERMAN MILLER, INC.
PART II OTHER INFORMATION

Item 1: Legal Proceedings

Referred to in Note 14 of the condensed consolidated financial statements.

Item 1A: Risk Factors

Other than discussed below, there have been no material changes from the information provided in the Company s Annual Report on Form 10-K for the year ended May 31, 2008.

Our pension expenses are affected by factors outside our control, including the performance of planassets, interest rates, actuarial data and experience and changes in laws and regulations.
Our future funding obligations for our U.S. defined benefit pension plans depend upon changes in the level of benefits provided for by the plans, the future performance of assets set aside in trusts for these plans, the level of interest rates used to determine funding levels, actuarial data and experience and any changes in government laws and regulations. In addition, our employee benefit plans hold a significant amount of equity securities. If the market values of these securities decline significantly, our pension expenses and funding obligations could increase significantly. Decreases in interest rates that are not offset by contributions and asset returns could also increase our obligations under such plans. We may be legally required to make contributions to our U.S. pension plans in the future, and those contributions could be material. In addition, if local legal authorities increase the minimum funding requirements for our pension plan outside the United States, we could be required to contribute more funds, which would negatively affect our cash flow.

Sustained Downturn in the Economy Could Adversely Impact our Access to Capital
The recent global economic and financial market disruption has impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole. These conditions could persist for a prolonged period of time or worsen in the future. The timing and nature of any recovery in the financial and credit markets remains uncertain, and there can be no assurance that market conditions will improve in the near future. Our ability to access the capital markets may be restricted at a time when we would like, or need, to access those markets, which could have an impact on our flexibility to react to changing economic and business conditions. The resulting lack of available credit, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations, our ability to take advantage of market opportunities and our ability to obtain and manage our liquidity. In addition, the cost of debt financing and the proceeds of equity financing may be materially adversely impacted by these market conditions. The extent of any impact will depend on several factors, including our operating cash flows, the duration of tight credit conditions and volatile equity markets, our credit capacity, the cost of financing, and other general economic and business conditions. Our credit agreements contain performance covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation and amortization, and limits on subsidiary debt and incurrence of liens. Although we believe none of these covenants are presently restrictive to our operations, our ability to meet the financial covenants can be affected by events beyond our control.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

(C) Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the quarter ended February 28, 2009.

Period	**(a) Total Number of Shares (or Units) Purchased**[1]	**(b) Average price Paid per Share or Unit**	**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs**
11/30/08 - 12/27/08	580	$ 13.86	580	$ 171,241,306
12/28/08 - 1/24/09	6,044	$ 12.82	6,044	$ 171,163,851
1/25/09 - 2/28/09		$		$ 171,163,851
Total	6,624		6,624	

[1] No shares were purchased outside of a publicly announced plan or program.

The company repurchased shares under previously announced plans authorized by the Board of Directors as follows.

Plan announced on September 28, 2007, providing share repurchase authorization of $300,000,000 with no specified expiration date.

No repurchase plans expired or were terminated during the third quarter of fiscal 2009, nor do any plans exist under which the company does not intend to make further purchases.

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

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Item 6: Exhibits

The following exhibits (listed by number corresponding to the Exhibit table as Item 601 in Regulation S-K) are filed with this Report:

31.1 Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

	HERMAN MILLER, INC.
April 8, 2009	/s/ Brian C. Walker
	Brian C. Walker Chief Executive Officer
April 8, 2009	/s/ Gregory J. Bylsma
	Gregory J. Bylsma Chief Financial Officer