
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended September 29, 2007

OR

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

For the transition period from _____ to _____

Commission File Number 1-14225

HNI Corporation

(Exact name of Registrant as specified in its charter)

Iowa

(State or other jurisdiction of incorporation or organization)

42-0617510

(I.R.S. Employer Identification Number)

P. O. Box 1109, 408 East Second Street, Muscatine, Iowa
(Address of principal executive offices)

52761-0071
(Zip Code)

Registrant's telephone number, including area code: 563/272-7400

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

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Outstanding at September 29, 2007
<u>Common Shares, \$1 Par Value</u>	<u>46,004,806</u>

HNI Corporation and SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

HNI Corporation and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sep. 29, 2007 (Unaudited)	Dec. 30, 2006
ASSETS	(In thousands)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,343	\$ 28,077
Short-term investments	8,669	9,174
Receivables	318,263	316,568
Inventories (Note C)	100,983	105,765
Deferred income taxes	18,907	15,440
Prepaid expenses and other current assets	24,372	29,150
Total Current Assets	<u>498,537</u>	<u>504,174</u>
PROPERTY, PLANT, AND EQUIPMENT, at cost		
Land and land improvements	23,706	27,700
Buildings	267,572	266,801
Machinery and equipment	496,281	550,979
Construction in progress	25,571	12,936
	<u>813,130</u>	<u>858,416</u>
Less accumulated depreciation	<u>511,234</u>	<u>548,464</u>
Net Property, Plant, and Equipment	301,896	309,952
GOODWILL	252,912	251,761
OTHER ASSETS	<u>158,834</u>	<u>160,472</u>
Total Assets	<u>\$ 1,212,179</u>	<u>\$ 1,226,359</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sep. 29, 2007 (Unaudited)	Dec. 30, 2006
(In thousands, except share data)		
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 364,328	\$ 328,882
Note payable and current maturities of long-term debt and capital lease obligations	14,427	26,135
Current maturities of other long-term obligations	1,670	3,525
Total Current Liabilities	380,425	358,542
LONG-TERM DEBT	277,800	285,300
CAPITAL LEASE OBLIGATIONS	569	674
OTHER LONG-TERM LIABILITIES	58,629	56,103
DEFERRED INCOME TAXES	23,325	29,321
MINORITY INTEREST IN SUBSIDIARY	238	500
SHAREHOLDERS' EQUITY		
Capital Stock:		
Preferred, \$1 par value, authorized 2,000,000 shares, no shares outstanding	-	-
Common, \$1 par value, authorized 200,000,000 shares, outstanding - Sep. 29, 2007 – 46,004,806 shares; Dec. 30, 2006 – 47,905,351 shares	46,005	47,906
Paid-in capital	3,398	2,807
Retained earnings	423,494	448,268
Accumulated other comprehensive income	(1,704)	(3,062)
Total Shareholders' Equity	471,193	495,919
Total Liabilities and Shareholders' Equity	\$ 1,212,179	\$ 1,226,359

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended	
	Sep. 29, 2007	Sep. 30, 2006
(In thousands, except share and per share data)		
Net sales	\$ 674,628	\$ 684,317
Cost of sales	434,385	447,587
Gross profit	240,243	236,730
Selling and administrative expenses	176,904	176,134
Restructuring and impairment	4,264	(27)
Operating income	59,075	60,623
Interest income	326	339
Interest expense	4,815	4,450
Earnings from continuing operations before income taxes and minority interest	54,586	56,512
Income taxes	19,342	20,627
Earnings from continuing operations before minority interest	35,244	35,885
Minority interest in earnings of subsidiary	(63)	(24)
Income from continuing operations	35,307	35,909
Discontinued operations, less applicable taxes	-	(147)
Net income	\$ 35,307	\$ 35,762
Net income from continuing operations – basic	\$ 0.76	\$ 0.73
Net income from discontinued operations – basic	-	\$ (0.00)
Net income per common share – basic	\$ 0.76	\$ 0.73
Average number of common shares outstanding – basic	46,256,366	49,323,698
Net income from continuing operations – diluted	\$ 0.76	\$ 0.72
Net income from discontinued operations – diluted	-	\$ (0.00)
Net income per common share – diluted	\$ 0.76	\$ 0.72
Average number of common shares outstanding – diluted	46,486,724	49,591,889
Cash dividends per common share	\$ 0.195	\$ 0.18

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006
	(In thousands, except share and per share data)	
Net sales	\$ 1,901,988	\$ 1,997,588
Cost of sales	1,239,408	1,298,257
Gross profit	662,580	699,331
Selling and administrative expenses	517,277	542,128
Restructuring and impairment	4,856	1,920
Operating income	140,447	155,283
Interest income	774	810
Interest expense	13,877	9,454
Earnings from continuing operations before income taxes and minority interest	127,344	146,639
Income taxes	45,109	53,523
Earnings from continuing operations before minority interest	82,235	93,116
Minority interest in earnings of subsidiary	(116)	(85)
Income from continuing operations	82,351	93,201
Discontinued operations, less applicable taxes	514	(317)
Net income	\$ 82,865	\$ 92,884
Net income from continuing operations – basic	\$ 1.75	\$ 1.84
Net income from discontinued operations – basic	\$ 0.01	\$ (0.01)
Net income per common share – basic	\$ 1.76	\$ 1.83
Average number of common shares outstanding – basic	47,062,887	50,722,997
Net income from continuing operations – diluted	\$ 1.74	\$ 1.83
Net income from discontinued operations – diluted	\$ 0.01	\$ (0.01)
Net income per common share – diluted	\$ 1.75	\$ 1.82
Average number of common shares outstanding – diluted	47,298,590	51,051,237
Cash dividends per common share	\$ 0.585	\$ 0.54

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006
	(In thousands)	
Net Cash Flows From (To) Operating Activities:		
Net income	\$ 82,865	\$ 92,884
Noncash items included in net income:		
Depreciation and amortization	50,796	52,044
Other postretirement and post employment benefits	1,599	1,582
Stock-based compensation	2,784	2,412
Excess tax benefits from stock compensation	(816)	(742)
Deferred income taxes	(7,711)	(4,725)
(Gain)/Loss on sale, retirement and impairment of long-lived assets and intangibles	(2,027)	(2,878)
Stock issued to retirement plan	6,611	7,948
Other – net	209	2,248
Net increase (decrease) in non-cash operating assets and liabilities	44,770	(76,530)
Increase (decrease) in other liabilities	(821)	(3,094)
Net cash flows from (to) operating activities	<u>178,259</u>	<u>71,149</u>
Net Cash Flows From (To) Investing Activities:		
Capital expenditures	(41,699)	(47,443)
Proceeds from sale of property, plant and equipment	11,957	5,266
Capitalized software	(48)	(903)
Acquisition spending, net of cash acquired	(4,266)	(78,292)
Short-term investments – net	-	926
Purchase of long-term investments	(20,517)	(9,600)
Sales or maturities of long-term investments	17,467	6,100
Other – net	294	-
Net cash flows from (to) investing activities	<u>(36,812)</u>	<u>(123,946)</u>
Net Cash Flows From (To) Financing Activities:		
Proceeds from sales of HNI Corporation common stock	8,396	4,291
Purchase of HNI Corporation common stock	(102,045)	(170,309)
Excess tax benefits from stock compensation	816	742
Proceeds from long-term debt	174,569	497,531
Payments of note and long-term debt and other financing	(196,394)	(293,605)
Dividends paid	(27,523)	(27,409)
Net cash flows from (to) financing activities	<u>(142,181)</u>	<u>11,241</u>
Net increase (decrease) in cash and cash equivalents	(734)	(41,556)
Cash and cash equivalents at beginning of period	28,077	75,707
Cash and cash equivalents at end of period	<u>\$ 27,343</u>	<u>\$ 34,151</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
September 29, 2007

Note A. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. The December 30, 2006 consolidated balance sheet included in this Form 10-Q was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 29, 2007 are not necessarily indicative of the results that may be expected for the year ending December 29, 2007. For further information, refer to the audited consolidated financial statements and footnotes included in HNI Corporation's (the "Corporation") annual report on Form 10-K for the year ended December 30, 2006.

Note B. Stock-Based Compensation

Effective January 1, 2006, the Corporation adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment." Accordingly, stock-based compensation expense is measured at grant date, based on the fair value of the award and is recognized as expense over the employee requisite service period. For the three and nine months ended September 29, 2007, and September 30, 2006, the Corporation recognized \$0.9 million and \$2.8 million, and \$0.8 million and \$2.4 million, respectively, of stock-based compensation for the cost of stock options and shares issued under the HNI Corporation 2002 Members' Stock Purchase Plan.

At September 29, 2007, the Corporation had \$4.9 million of unrecognized compensation cost related to nonvested awards, which the Corporation expects to recognize over a weighted-average period of 1.4 years.

Note C. Inventories

The Corporation values its inventory at the lower of cost or market with approximately 84% valued by the last-in, first-out (LIFO) method.

(In thousands)	Sep. 29, 2007 (Unaudited)	Dec. 30, 2006
Finished products	\$ 68,848	\$ 66,238
Materials and work in process	51,381	58,789
LIFO allowance	(19,246)	(19,262)
	\$ 100,983	\$ 105,765

Note D. Comprehensive Income and Shareholders' Equity

The Corporation's comprehensive income for the three-month period ended September 29, 2007 consisted of net income, adjustments to net periodic benefit costs of \$0.1 million, and foreign currency adjustments of \$0.2 million.

The Corporation's comprehensive income for the nine-month period ended September 29, 2007 consisted of net income, adjustments to net periodic benefit costs of \$0.4 million, and foreign currency adjustments of \$1.0 million.

For the nine-month period ended September 29, 2007, the Corporation repurchased 2,370,748 shares of its common stock at a cost of approximately \$102.0 million. As of September 29, 2007, \$37.8 million of the Corporation's Board of Directors' current repurchase authorization remained unspent.

Note E. Earnings Per Share

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

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
Numerators:				
Numerator for both basic and diluted EPS net income	\$ 35,307	\$ 35,762	\$ 82,865	\$ 92,884
Denominators:				
Denominator for basic EPS weighted-average common shares outstanding	46,256	49,324	47,063	50,723
Potentially dilutive shares from stock option plans	231	268	236	328
Denominator for diluted EPS	46,487	49,592	47,299	51,051
Earnings per share – basic	\$ 0.76	\$ 0.73	\$ 1.76	\$ 1.83
Earnings per share – diluted	\$ 0.76	\$ 0.72	\$ 1.75	\$ 1.82

Certain exercisable and non-exercisable stock options were not included in the computation of diluted EPS at September 29, 2007, and September 30, 2006, because their inclusion would have been anti-dilutive. The number of stock options outstanding, which met this anti-dilutive criterion for the three and nine months ended September 29, 2007, was 424,584 and 419,584, respectively. The number of stock options outstanding, which met this anti-dilutive criterion for the three and nine months ended September 30, 2006, was 300,466 and 290,366, respectively.

Note F. Restructuring Reserve and Plant Shutdowns

As a result of the Corporation's ongoing business simplification and cost reduction strategies, management made the decision to close an office furniture facility in Richmond, Virginia and consolidate production into other manufacturing locations. In connection with the shutdown of the Richmond facility, the Corporation recorded \$3.5 million of severance costs for approximately 370 members during the quarter ended September 29, 2007. The closure and consolidation will be substantially completed during the first half of 2008.

The Corporation also recorded \$0.8 million of current period charges during the quarter ended September 29, 2007 in connection with a previously announced office furniture facility shutdown substantially completed during the quarter.

The following is a summary of changes in restructuring accruals during the nine months ended September 29, 2007:

(In thousands)	Severance	Facility Exit Costs & Other	Total
Balance as of December 30, 2006	\$ 841	\$ -	\$ 841
Restructuring charges	3,097	1,759	4,856
Cash payments	(487)	(1,759)	(2,246)
Balance as of September 29, 2007	\$ 3,451	\$ -	\$ 3,451

Note G. Business Combinations

The Corporation completed the acquisition of two small office furniture dealers during the first nine months of 2007 for a combined purchase price of approximately \$4.0 million. The Corporation acquired the entire interest for one of the acquisitions and a controlling interest and the ability to call the remaining interest on or after fiscal year-end 2012 for the other acquisition. The Corporation must exercise its call right on or before the end of fiscal 2017. SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," requires a mandatorily redeemable financial instrument to be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. It also requires that mandatorily redeemable financial instruments be measured at fair value. Therefore, the Corporation has recorded a liability for the remaining interest in the dealer at fair value as of the acquisition date. The Corporation is in the process of finalizing the allocation of the purchase price of these acquisitions.

Note H. Discontinued Operations

The Corporation completed the sale of a previously announced small, non-core component of its office furniture segment. Revenues and expenses associated with this component are presented as discontinued operations for the periods presented.

Summarized financial information for discontinued operations is as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
Discontinued operations:				
Operating income/(loss) before tax	\$ -	\$ (232)	\$ 796	\$ (500)
Tax impact	-	85	(282)	183
Income/(loss) from discontinued operations, net of income tax	\$ -	\$ (147)	\$ 514	\$ (317)

Note I. Goodwill and Other Intangible Assets

The table below summarizes amortizable definite-lived intangible assets as of September 29, 2007 and December 30, 2006, which are reflected in the "Other Assets" line item in the Corporation's condensed consolidated balance sheets:

(In thousands)	Sep. 29, 2007	Dec. 30, 2006
Patents	\$ 18,780	\$ 18,780
Customer relationships and other	104,677	103,492
Less: accumulated amortization	45,556	39,796
Balance at end of period	\$ 77,901	\$ 82,476

Aggregate amortization expense for the three and nine month periods ended September 29, 2007 and September 30, 2006 was \$2.4 million and \$7.1 million, and \$2.9 million and \$8.1 million, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the following five fiscal years is as follows:

(In millions)	2007	2008	2009	2010	2011
Amortization Expense	\$ 9.4	\$ 8.6	\$ 7.3	\$ 6.9	\$ 5.9

As events such as potential acquisitions, dispositions or impairments occur in the future, these amounts may change.

The Corporation also owns trademarks and trade names with a net carrying amount of \$43.4 million. The trademarks are deemed to have indefinite useful lives because they are expected to generate cash flows indefinitely.

The changes in the carrying amount of goodwill since December 30, 2006, are as follows by reporting segment:

(In thousands)	Office Furniture	Hearth Products	Total
Balance as of December 30, 2006	\$ 84,815	\$ 166,946	\$ 251,761
Goodwill change during period	1,540	(389)	1,151
Balance as of September 29, 2007	\$ 86,355	\$ 166,557	\$ 252,912

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the Corporation evaluates its goodwill for impairment on an annual basis during the fourth quarter, or whenever indicators of impairment exist. The Corporation has previously evaluated its goodwill for impairment and has determined that the fair value of the reporting unit exceed their

carrying value so no impairment of goodwill was recognized. The increase in the office furniture segment goodwill relates to the acquisitions completed during the first and third quarters and final purchase price adjustments related to prior acquisitions. The decrease in the hearth products segment relates to the sale of a few small retail locations.

Note J. Product Warranties

The Corporation issues certain warranty policies on its furniture and hearth products that provide for repair or replacement of any covered product or component that fails during normal use because of a defect in design or workmanship.

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

(In thousands)	Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006
Balance at beginning of period	\$ 10,624	\$ 10,157
Accrual assumed for acquisition	-	125
Accruals for warranties issued during period	10,424	8,642
Adjustments related to pre-existing warranties	-	366
Settlements made during the period	(10,295)	(9,242)
Balance at end of period	\$ 10,753	\$ 10,048

Note K. Postretirement Health Care

In accordance with the interim disclosure requirements of revised SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," the following table sets forth the components of net periodic benefit cost included in the Corporation's income statement for:

(In thousands)	Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006
Service cost	\$ 360	\$ 245
Interest cost	800	789
Expected return on plan assets	(180)	(131)
Amortization of transition obligation	436	436
Amortization of prior service cost	173	173
Amortization of (gain)/loss	10	70
Net periodic benefit cost	\$ 1,599	\$ 1,582

Note L. Income Taxes

In June 2006, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Corporation may recognize the

tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures.

The Corporation adopted the provisions of FIN 48 on December 31, 2006, the beginning of fiscal 2007. As a result of the implementation of FIN 48, the Corporation recognized a \$1.7 million increase in the liability for unrecognized benefits. This increase in liability resulted in a decrease to the December 31, 2006 retained earnings balance in the amount of \$0.5 million and a reduction in deferred tax liabilities of \$1.2 million. The amount of unrecognized tax benefits at December 31, 2006 was \$3.9 million of which \$2.7 million would impact the Corporation's effective tax rate, if recognized.

The Corporation recognized interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses which is consistent with the recognition of these items in prior reporting. As of December 31, 2006, the Corporation had recorded a liability for interest and penalties related to unrecognized tax benefits of \$0.5 million and \$0.4 million, respectively.

The Internal Revenue Service (the "IRS") has completed the examination of all federal income tax returns through 2003 with no issues pending or unresolved. The years 2004 through 2006 remain open for examination by the IRS. The years 2002 through 2006 are currently under examination or remain open to examination by several states.

As of December 31, 2006 it is reasonably possible that the amounts of several of the unrecognized tax benefits may increase or decrease within the twelve months following the reporting date. It is not expected that any of the changes will be significant individually or in total to the results or financial position of the Corporation. As of September 29, 2007 there have been no material changes to the information included in this footnote.

Note M. Commitments and Contingencies

The Corporation utilizes letters of credit in the amount of \$28.1 million to back certain financing instruments, insurance policies and payment obligations. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to competitively determined fees.

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

Note N. New Accounting Standards

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS 157") which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 also expands the amount of disclosure regarding the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Corporation does not anticipate any material impact to its financial statements from the adoption of this standard.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is effective as of the beginning of any fiscal year beginning after November 15, 2007. The Corporation is currently reviewing the impact, if any, that SFAS 159 will have on its consolidated financial statements.

Note O. Business Segment Information

Management views the Corporation as operating in two business segments: office furniture and hearth products, with the former being the principal business segment.

The office furniture segment manufactures and markets a broad line of metal and wood commercial and home office furniture which includes file cabinets, desks, credenzas, chairs, storage cabinets, tables, bookcases, freestanding office partitions and panel systems, and other related products. The hearth product segment manufactures and markets a broad line of manufactured gas-, pellet- and wood-burning fireplaces and stoves, fireplace inserts, and direct vent chimney systems principally for the home.

For purposes of segment reporting, intercompany sales transfers between segments are not material and operating profit is income before income taxes exclusive of certain unallocated corporate expenses. These unallocated corporate expenses include the net cost of the Corporation's corporate operations, interest income, and interest expense. The increase in unallocated corporate expenses as compared to the same period in the prior year is due to increased interest expense and group medical costs. Management views interest income and expense as corporate financing costs rather than a business segment cost. In addition, management applies one effective tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis.

The Corporation's primary markets and capital investments are concentrated in the United States.

Reportable segment data reconciled to the consolidated financial statements for the three and nine month periods ended September 29, 2007 and September 30, 2006, is as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
Net Sales:				
Office Furniture	\$ 558,787	\$ 536,045	\$ 1,560,225	\$ 1,534,392
Hearth Products	115,841	148,272	341,763	463,196
	<u>\$ 674,628</u>	<u>\$ 684,317</u>	<u>\$ 1,901,988</u>	<u>\$ 1,997,588</u>
Operating Profit:				
Office furniture (1)				
Operations before restructuring charges	\$ 62,366	\$ 50,401	\$ 146,609	\$ 131,348
Restructuring and impairment charges	(4,264)	27	(4,856)	(1,920)
Office Furniture – net	58,102	50,428	141,753	129,428
Hearth products	8,650	18,524	26,094	48,463
Total operating profit	66,752	68,952	167,847	177,891
Unallocated corporate expense	(12,068)	(12,402)	(40,323)	(31,119)
Income before income taxes	<u>\$ 54,684</u>	<u>\$ 56,550</u>	<u>\$ 127,524</u>	<u>\$ 146,772</u>
Depreciation & Amortization Expense:				
Office furniture	\$ 12,131	\$ 12,149	\$ 36,408	\$ 36,276
Hearth products	3,829	3,992	11,046	12,689
General corporate	1,106	1,045	3,342	3,079
	<u>\$ 17,066</u>	<u>\$ 17,186</u>	<u>\$ 50,796</u>	<u>\$ 52,044</u>
Capital Expenditures:				
Office furniture	\$ 11,396	\$ 11,478	\$ 33,489	\$ 33,337
Hearth products	913	3,047	7,292	8,491
General corporate	290	648	966	6,518
	<u>\$ 12,599</u>	<u>\$ 15,173</u>	<u>\$ 41,747</u>	<u>\$ 48,346</u>
			As of	As of
			Sep. 29,	Sep. 30,
			2007	2006
Identifiable Assets:				
Office furniture			\$ 745,025	\$ 746,007
Hearth products			355,845	396,733
General corporate			111,309	114,872
			<u>\$ 1,212,179</u>	<u>\$ 1,257,612</u>

(1) Includes minority interest.

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

Overview

The Corporation has two reportable core operating segments: office furniture and hearth products. The Corporation is the second largest office furniture manufacturer in the world and the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. The Corporation utilizes its split and focus, decentralized business model to deliver value to its customers with its various brands and selling models. The Corporation is focused on growing its existing businesses while seeking out and developing new opportunities for growth.

Net sales for the third quarter of 2007 decreased 1.4 percent to \$674.6 million. The decrease was driven primarily by the decline in the hearth business. Gross margins for the quarter increased from prior year levels due primarily to increased cost control and better price realization offset partially by lower volume. Selling and administrative expenses increased primarily due to restructuring expenses.

The Corporation recently announced the decision to shutdown an office furniture facility as a result of its ongoing business simplification and cost reduction strategies. The Corporation recorded \$3.5 million of severance costs in connection with the shutdown in the third quarter and an additional \$0.8 million of expense associated with a previously announced facility shutdown which was substantially completed in the quarter.

Critical Accounting Policies

The preparation of the financial statements requires the Corporation to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Corporation continually evaluates its accounting policies and estimates. The Corporation bases its estimates on historical experience and on a variety of other assumptions believed to be reasonable in order to make judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006. As of December 31, 2006, the Corporation adopted FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." During the first nine months of 2007, there were no material changes in the accounting policies and assumptions previously disclosed, except for the Corporation's adoption of FIN 48.

Results of Operations

The following table presents certain key highlights from the results of operations for the periods indicated:

(In thousands)	Three Months Ended			Nine Months Ended		
	Sep. 29, 2007	Sep. 30, 2006	Percent Change	Sep. 29, 2007	Sep. 30, 2006	Percent Change
Net sales	\$ 674,628	\$ 684,317	-1.4%	\$ 1,901,988	\$ 1,997,588	-4.8%
Cost of sales	434,385	447,587	-2.9	1,239,408	1,298,257	-4.5
Gross profit	240,243	236,730	1.5	662,580	699,331	-5.3
Selling & administrative expenses	176,904	176,134	0.4	517,277	542,128	-4.6
Restructuring & impairment charges	4,264	(27)	N/M	4,856	1,920	152.9
Operating income	59,075	60,623	-2.6	140,447	155,283	-9.6
Interest expense, net	(4,489)	(4,111)	9.2	(13,103)	(8,644)	51.6
Earnings from continuing operations before income taxes and minority interest	54,586	56,512	-3.4	127,344	146,639	-13.2
Income taxes	19,342	20,627	-6.2	45,109	53,523	-15.7
Minority interest in earnings of a subsidiary	(63)	(24)	162.5	(116)	(85)	36.5
Income from continuing operations	\$ 35,307	\$ 35,909	-1.7%	\$ 82,351	\$ 93,201	-11.6%

Consolidated net sales for the third quarter decreased 1.4 percent or \$9.7 million compared to the same quarter last year. Acquisitions contributed \$9.3 million or 1.4 percentage points of sales. Organic sales growth was down due primarily to the decline in the hearth business.

Gross margins for the third quarter increased to 35.6 percent compared to 34.6 percent for the same quarter last year. The increase was primarily due to increased cost control and better price realization offset partially by lower volume.

The Corporation continues to implement its business simplification and cost reduction strategies. As a result, the Corporation made the decision to close its office furniture facility in Richmond, Virginia and consolidate production into other locations. The Corporation's third quarter 2007 results include \$3.5 million of severance costs in connection with the Richmond shutdown and an additional \$0.8 million of current period charges associated with a previously announced facility shutdown substantially completed in the quarter. The Corporation anticipates additional restructuring charges related to the Richmond shutdown of \$2.5 - \$3.5 million during the fourth quarter of 2007 and \$8 - \$9 million in 2008.

Total selling and administrative expenses for the quarter increased by \$5.1 million compared to the same quarter last year. Included in third quarter 2007 are \$4.3 million of restructuring charges as described above and an additional \$3.2 million associated with new acquisitions. These costs were offset by gains on the sale of a vacant office furniture facility and a corporate aircraft totaling \$5.0 million. Third quarter 2006 included a gain on the sale of a vacant office furniture facility of \$3.4 million.

Income from continuing operations decreased 1.7 percent while income from continuing operations per diluted share increased 5.6 percent compared to the same quarter in 2006 due to a \$0.05 per share positive impact of the Corporation's share repurchase program. Interest expense increased \$0.4 million during the quarter on moderate debt levels, consistent with the Corporation's capital structure strategy.

The annualized effective tax rate for third quarter 2007 decreased to 35.4 percent compared to 36.5 percent in third quarter 2006 due to additional benefits from the U.S. manufacturing deduction and the reinstatement of the research tax credit partially offset by higher state taxes.

For the first nine months of 2007, consolidated net sales decreased \$95.6 million, or 4.8 percent, to \$1.9 billion compared to \$2.0 billion in 2006. Acquisitions added \$30.9 million, or 1.5 percentage points of sales. Gross margins decreased to 34.8 percent compared to 35.0 percent last year. Income from continuing operations was \$82.4 million compared to \$93.2 million in 2006, a decrease of 11.6 percent. Earnings per share from continuing operations decreased 4.9 percent to \$1.74 per diluted share compared to \$1.83 per diluted share last year. Earnings per share was positively impacted \$0.13 as a result of the Corporation's share repurchase program.

The Corporation completed the sale of a previously announced small, non-core component of the office furniture segment during the second quarter of 2007. Revenues and expenses associated with the business operations are presented as discontinued operations for all periods presented in the financial statements.

Office Furniture

Third quarter net sales for the office furniture segment increased 4.2 percent or \$22.7 million to \$558.8 million from \$536.0 million for the same quarter last year including \$6.1 million of incremental sales from acquisitions. The Corporation continued to experience softness in the supplies driven channel and solid demand in its contract businesses. Operating profit prior to unallocated corporate expenses increased 15.2 percent or \$7.7 million to \$58.1 million compared to third quarter 2006 primarily as a result of price increases and cost improvement initiatives. Operating profit was negatively impacted during the quarter by \$4.3 million in incremental restructuring related costs. Operating profit for third quarter 2007 included a \$2.0 million gain on the sale of a vacated facility while third quarter 2006 included a \$3.4 million gain on the sale of a vacated facility.

Net sales for the first nine months of 2007 increased 1.7 percent or \$25.8 million to \$1.6 billion compared to \$1.5 billion in 2006. Operating profit increased 9.5 percent or \$12.3 million to \$141.8 million compared to 2006 as a result of price increases and cost improvement initiatives.

Hearth Products

Third quarter net sales for the hearth products segment decreased 21.9 percent or \$32.4 million to \$115.8 million from \$148.3 million for the same quarter last year. The Corporation continued to be negatively impacted by housing market conditions. Operating profit prior to unallocated corporate expenses decreased 53.3 percent or \$9.9 million to \$8.7 million compared to third quarter 2006 due to lower volume offset partially by cost reduction initiatives.

Net sales for the first nine months of 2007 decreased 26.2 percent to \$341.8 million compared to \$463.2 million in 2006. Operating profit decreased 46.2 percent or \$22.4 million to \$26.1 million compared to 2006 due to the same factors as described for the third quarter.

Liquidity and Capital Resources

As of September 29, 2007, cash and short-term investments were \$36.0 million compared to \$37.3 million at year-end 2006. Cash flow from operations for the first nine months of 2007 was \$178.3 million compared to \$71.1 million for the first nine months of 2006 due to broad-based improvements in working capital. Management is focused on cash flow and working capital management. The Corporation has sufficient liquidity to manage its operations and as of September 29, 2007 maintained additional borrowing capacity of \$146 million, net of amounts designated for letters of credit, through a \$300 million revolving credit facility.

Capital expenditures for the first nine months of 2007 were \$41.7 million compared to \$48.3 million for the first nine months of 2006 and were primarily for tooling and equipment for new products and efficiency initiatives. For the full year 2007, capital expenditures are expected to be \$55 to \$60 million due to new product development and related tooling and other infrastructure efficiencies.

The Corporation completed the acquisition of two small office furniture dealers during the first nine months of 2007 for a combined purchase price of approximately \$4.0 million. During the first nine months of 2007, net borrowings under the Corporation's revolving credit facility decreased \$18.5 million as excess cash was utilized to pay down the revolver borrowings. As of September 29, 2007, \$125.5 million of the revolving credit facility was outstanding with the entire portion classified as long-term as the Corporation does not expect to repay any of the remaining outstanding amount within the next twelve months.

The Corporation's Board of Directors (the "Board") declared a regular quarterly cash dividend of \$0.195 per share on the Corporation's common stock on August 7, 2007, to shareholders of record at the close of business on August 17, 2007. It was paid on August 31, 2007. This was the 210th consecutive quarterly dividend paid by the Corporation.

For the nine months ended September 29, 2007, the Corporation repurchased 2,370,748 shares of its common stock at a cost of approximately \$102.0 million, or an average price of \$43.04 per share. As of September 29, 2007, approximately \$37.8 million of the Board's current repurchase authorization remained unspent.

Off-Balance Sheet Arrangements

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

Contractual Obligations

Contractual obligations associated with 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 Corporation's Annual Report on Form 10-K for the year ended December 30, 2006. During the first nine months of fiscal 2007 there were no material changes outside the ordinary course of business in the Corporation's contractual obligations or the estimated timing of the future cash payments.

Commitments and Contingencies

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

Looking Ahead

The office furniture industry continued to show moderate growth in the third quarter. The Corporation has experienced softness in the supplies driven channel. Management anticipates similar market conditions for the remainder of 2007. Management is actively identifying and implementing structural and operating cost reductions in response to the market conditions while continuing to focus on accelerating growth.

The hearth business continues to decline with the general housing market. Management believes the timing of any housing market recovery remains uncertain. The Corporation will continue to reduce structural costs and properly align expenses with anticipated demand levels.

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

Forward-Looking Statements

Statements in this report that are not strictly historical, including statements as to plans, outlook, objectives, and future financial performance, are "forward-looking" statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words, such as "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," and variations of such words and similar expressions identify forward-looking statements. Forward-looking statements involve known and unknown risks, which may cause the Corporation's actual results in the future to differ materially from expected results. These risks include, without limitation: the Corporation's ability to realize financial benefits from its (a) price increases, (b) cost containment and business simplification initiatives for the entire Corporation, (c) investments in strategic acquisitions, new products and brand building, (d) investments in distribution and rapid continuous improvement, (e) repurchases of common stock, (f) ability to maintain its effective tax rate, and (g) consolidation and logistical realignment initiatives; uncertainty related to the availability of cash to fund future growth; lower than expected demand for the Corporation's products due to uncertain political and economic conditions, including, with respect to the Corporation's hearth products, the protracted decline in the housing market; lower industry growth than expected; major disruptions at our key facilities or in the supply of

any key raw materials, components or finished goods; uncertainty related to disruptions of business by terrorism, military action, acts of God or other force majeure events; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials (including steel and petroleum based materials); higher than expected costs for energy and fuel; changes in the mix of products sold and of customers purchasing; restrictions imposed by the terms of the Corporation's revolving credit facility and note purchase agreement; currency fluctuations and other factors described in the Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q. The Corporation undertakes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 29, 2007, there were no material changes to the financial market risks that affect the quantitative and qualitative disclosures presented in item 7A of the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, the chief executive officer and chief financial officer of the Corporation have evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of September 29, 2007, and, based on their evaluation, the chief executive officer and chief financial officer have concluded that these controls and procedures are effective.

Furthermore, there have been no changes in the Corporation's internal control over financial reporting during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no new legal proceedings or material developments to report from the proceedings discussed in the "Legal Proceedings" section of the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of the Corporation's Annual Report on Form 10-K for the year ended December 30, 2006.

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

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the third quarter ended September 29, 2007.

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
7/1/07 – 7/28/07	-	-	-	\$ 54,840,239
7/29/07 – 8/25/07	149,653	\$ 39.78	149,653	\$ 48,887,066
8/26/07 – 9/29/07	287,200	\$ 38.62	287,200	\$ 37,795,326
Total	436,853	\$ 39.02	436,853	\$ 37,795,326

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

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

- Plan announced August 8, 2006, providing share repurchase authorization of \$200,000,000 with no specific expiration date.
- No repurchase plans expired or were terminated during the third quarter of 2007, nor do any plans exist under which the Corporation does not intend to make further purchases.

Item 6. Exhibits

See Exhibit Index.

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 thereunto duly authorized.

HNI Corporation

Dated: November 1, 2007

By: /s/ Jerald K. Dittmer

Jerald K. Dittmer

Vice President and Chief Financial Officer

EXHIBIT INDEX

- (10.1) HNI Corporation 2007 Stock-Based Compensation Plan
- (10.2) 2007 Equity Plan for Non-Employee Directors of HNI Corporation
- (10.3) HNI Corporation ERISA Supplemental Retirement Plan
- (10.4) HNI Corporation Executive Bonus Plan
- (10.5) HNI Corporation Executive Deferred Compensation Plan
- (10.6) HNI Corporation Long-Term Performance Plan
- (10.7) HNI Corporation Directors Deferred Compensation Plan
- (31.1) Certification of the CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (31.2) Certification of the CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (32.1) Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**HNI CORPORATION
2007 STOCK-BASED COMPENSATION PLAN**

HNI Corporation, an Iowa corporation (the "Corporation"), first adopted the HNI Corporation 2007 Stock-Based Compensation Plan (the "Plan") on May 8, 2007. The Plan was amended and restated effective May 8, 2007 to comply with Section 409A of the Internal Revenue Code.

I. PURPOSES; EFFECT ON PRIOR PLANS

1.1 Purpose. The purpose of the Plan is to aid the Corporation in recruiting and retaining employees capable of assuring the future success of the Corporation through the grant of Awards of stock-based compensation. The Corporation expects that the Awards and opportunities for stock ownership in the Corporation will provide incentives to Plan participants to exert their best efforts for the success of the Corporation's business and thereby align the interests of Plan participants with those of the Corporation's stockholders. For purposes of the Plan, references to employment by the Corporation shall also mean employment by a Subsidiary.

1.2 Effect on Prior Plans. From and after the date of stockholder approval of the Plan, no awards shall be granted under the Corporation's 1995 Stock-Based Compensation Plan, as amended, but all outstanding awards previously granted under that plan shall remain outstanding in accordance with their terms.

II. DEFINITIONS

In addition to other terms that may be defined elsewhere herein, wherever the following terms are used in this Plan with initial capital letters, they shall have the meanings specified below, unless the context clearly indicates otherwise.

- (a) "**Award**" means an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Deferred Share Unit, Performance Share, Bonus Stock, or Dividend Equivalent Award granted under the Plan.
 - (b) "**Award Agreement**" means any written agreement, contract or other instrument or document evidencing an Award granted under the Plan. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.
 - (c) "**Board**" means the Board of Directors of the Corporation.
 - (d) "**Bonus Stock Award**" means any right granted under Section 7.4 of the Plan.
 - (e) "**Change in Control**" has the meaning set forth in Section 10.2 of the Plan.
 - (f) "**Code**" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.
 - (g) "**Committee**" means the Committee designated by the Board, consisting of three or more members of the Board, each of whom shall be: (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act; and (ii) an "outside director" within the meaning of Section 162(m) of the Code.
 - (h) "**Corporation**" means HNI Corporation, an Iowa corporation.
 - (i) "**Deferred Share Unit**" means a unit evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.
 - (j) "**Deferred Share Unit Award**" means a right to receive Deferred Share Units granted under Section 7.2 of the Plan.
-

- (k) **"Dividend Equivalent"** means a right granted under Section 7.5 of the Plan with respect to Restricted Stock, Restricted Stock Unit, Performance Share, Deferred Share Unit and Bonus Stock Awards to receive payment equivalent to the amount of any cash dividends paid by the Corporation to holders of Shares.
- (l) **"Eligible Employee"** means any employee (including an officer) of the Corporation or a Subsidiary whom the Committee determines to be an Eligible Employee.
- (m) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.
- (n) **"Fair Market Value,"** of a Share, means the average of the high and low transaction prices of the Share as reported on the New York Stock Exchange on the date as of which such value is being determined, or, if there are no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem reasonable and within the meaning of Code Section 409A and the regulations thereunder.

Notwithstanding the foregoing, in the case of any Option or Stock Appreciation Right granted under the Plan, "Fair Market Value" means the closing price of a Share as reported on the New York Stock Exchange on the date as of which such value is being determined, or, if there are no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem reasonable and within the meaning of Code Section 409A and the regulations thereunder.

- (o) **"Option"** means an option to purchase Shares granted under Section 6.1 of the Plan. All Options granted under the Plan shall be "non-statutory stock options," meaning that they are not intended to satisfy the requirements set forth in Section 422 of the Code to be "incentive stock options."
- (p) **"Participant"** means an Eligible Employee who is designated by the Committee to be granted an Award under the Plan.
- (q) **"Performance Measure"** means the criteria and objectives established by the Committee, which shall be satisfied or met as a condition to the exercisability, vesting or receipt of all or a portion of an Award. Such criteria and objectives may include, but are not limited to, the attainment by a Share of a specified Fair Market Value for a specified period of time, earnings per share, return to stockholders (including dividends), return on equity, earnings of the Corporation, revenues, market share, cash flow or cost reduction goals, or any combination of the foregoing and any other criteria and objectives established by the Committee. In the sole discretion of the Committee, the Committee may amend or adjust the Performance Measures or other terms and conditions of an outstanding Award in recognition of unusual or nonrecurring events affecting the Corporation or its financial statements or changes in law or accounting principles.
- (r) **"Performance Share Award"** means a right granted under Section 7.3 of the Plan to receive Shares contingent upon the attainment of specified Performance Measures.
- (s) **"Restricted Stock"** means Shares subject to forfeiture restrictions established by the Committee.
- (t) **"Restricted Stock Award"** means a grant of Restricted Stock under Section 7.1 of the Plan.
- (u) **"Restricted Stock Unit"** means a unit evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date subject to forfeiture restrictions established by the Committee.
- (v) **"Restricted Stock Unit Award"** means a grant of Restricted Stock Units under Section 7.1 of the Plan.

- (w) **"Stock Appreciation Right"** means a right to receive the appreciation in the value of a Share granted under Section 6.2 of the Plan.
- (x) **"Share"** means a share of common stock, par value of \$1.00, of the Corporation or any other securities or property as may become subject to an Award pursuant to an adjustment made under Section 5.3 of the Plan.
- (y) **"Subsidiary"** means: (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Corporation; and (ii) any entity in which the Corporation has a significant equity interest, in each case as determined by the Committee. Notwithstanding the foregoing, for purposes of granting to any Participant an Option or a Stock Appreciation Right, "Subsidiary" shall mean a corporation, company or other entity that is (1) a member of the Corporation's controlled group of corporations, within the meaning of Code Section 1563(a)(1) (except that 20% shall be substituted for 80% in applying such section) or (2) an unincorporated trade or business with which the Corporation would be treated as a single employer under Code Section 414(c) (except that 20% shall be substituted for 80% in applying such section and the regulations issued thereunder).

III. ADMINISTRATION

3.1 Power and Authority of the Committee. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (a) designate Participants; (b) determine the type or types of Awards to be granted to each Participant; (c) determine the number of Shares to be covered by (or the method by which payments or other rights are to be calculated in connection with) each Award; (d) determine the terms and conditions of any Award or Award Agreement; (e) amend the terms and conditions of any Award or Award Agreement, provided, however, that, except as otherwise provided in Section 5.3 hereof, the Committee shall not reprice, adjust or amend the exercise price of Options or the grant price of Stock Appreciation Rights previously awarded to any Participant, whether through amendment, cancellation and replacement grant, or any other means; (f) accelerate the exercisability of any Award or the lapse of restrictions relating to any Award; (g) determine whether, to what extent, and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended; (h) determine whether, to what extent and under what circumstances cash or Shares payable to a Participant with respect to an Award shall be deferred either automatically or at the election of the holder of the Award or the Committee; (i) interpret and administer the Plan and any instrument or agreement, including any Award Agreement, relating to the Plan; (j) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (k) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award or Award Agreement, and any employee of the Corporation or any Subsidiary. A majority of the Committee shall constitute a quorum. The acts of the Committee shall be either: (a) acts of a majority of the members of the Committee present at any meeting at which a quorum is present; or (b) acts approved in writing by a majority of the members of the Committee without a meeting.

3.2 Delegation. The Committee may delegate some or all of its power and authority hereunder to the President and Chief Executive Officer or other executive officer of the Corporation as the Committee deems appropriate; provided, however, that the Committee may not delegate its power and authority with regard to: (a) the grant of an Award to any person who is a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period an Award hereunder to such employee would be outstanding; or (b) the selection for participation in the Plan of an officer or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an Award to such an officer or other person.

3.3 Power and Authority of the Board. Notwithstanding anything to the contrary contained herein, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan, unless the exercise of such powers and duties by the Board would cause the Plan to fail to comply with the requirements of Section 162(m) of the Code.

3.4 Liability and Indemnification of Plan Administrators. No member of the Board or Committee, and neither the President and Chief Executive Officer nor any other executive officer to whom the Committee delegates any of its power and authority hereunder, shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Board and the Committee and the President and Chief Executive Officer or other executive officer shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including attorneys' fees) arising therefrom to the full extent permitted by law, except as otherwise may be provided in the Corporation's Articles of Incorporation, Bylaws, and under any directors' and officers' liability insurance that may be in effect from time to time.

IV. ELIGIBILITY

Participants in the Plan shall consist of such Eligible Employees as the Committee in its sole discretion may select from time to time. The Committee's selection of an Eligible Employee to be a Participant with respect to any Award shall not require the Committee to select such Eligible Employee to receive any other Award at any time.

V. SHARES AVAILABLE FOR AWARDS

5.1 Shares Available. Subject to adjustment as provided in Section 5.3, the total number of Shares available for all grants of Awards under the Plan shall be five million Shares. Shares to be issued under the Plan will be authorized but unissued Shares or Shares that have been reacquired by the Corporation and designated as treasury shares. Shares that are subject to Awards that terminate, lapse or are cancelled or forfeited shall be available again for grant under the Plan. Shares that are tendered by a Participant or withheld by the Corporation as full or partial payment to the Corporation of the purchase or exercise price relating to an Award or to satisfy tax withholding obligations relating to an Award shall not be available for future grants under the Plan. In addition, if Stock Appreciation Rights are settled in Shares upon exercise, the aggregate number of Shares subject to the Award rather than the number of Shares actually issued upon exercise shall be counted against the number of Shares authorized under the Plan.

5.2 Accounting for Awards. For purposes of this Article 5, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards.

5.3 Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Corporation, issuance of warrants or other rights to purchase Shares or other securities of the Corporation or other similar corporate transaction or event affects the Shares such that an adjustment is required to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of: (a) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards; (b) the number and type of Shares (or other securities or other property) subject to outstanding Awards; and (c) the purchase or exercise price with respect to any Award, provided such change is made in accordance with the requirements of Treas. Reg. § 1.409A-1(a)(5)(iii)(E)(4).

5.4 Award Limitations.

(a) **Plan Limitation on Restricted Stock, Restricted Stock Unit, Performance Share, Dividend Equivalent, Deferred Share Unit and Bonus Stock Awards.** No more than one million Shares (subject to adjustment as provided in Section 5.3 of the Plan) shall be available under the Plan for issuance pursuant to Restricted Stock, Restricted Stock Unit, Performance Share, Dividend Equivalent, Deferred Share Unit and Bonus Stock Awards; provided, however, that Shares subject to any such Awards that terminate, lapse or are cancelled or forfeited shall again be available for grants of Restricted Stock, Restricted Stock Units, Performance Share Awards, Dividend Equivalents, Deferred Share Unit Awards and Bonus Awards for purposes of this limitation on grants of such Awards.

(b) **Section 162(m) Limitation for Certain Types of Awards.** No Participant may be granted an Award or Awards under the Plan for more than 250,000 Shares (subject to adjustment as provided in Section 5.3 of the Plan) in the aggregate in any calendar year.

VI. OPTIONS AND STOCK APPRECIATION RIGHTS

6.1 Options. The Committee may grant Options with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(a) **Exercise Price.** The purchase price per Share purchasable under an Option shall be determined by the Committee and shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option; provided, however, that the Committee may designate a per share exercise price below Fair Market Value on the date of grant if the Option is granted in substitution for a stock option previously granted by an entity that is acquired by or merged with the Corporation or a Subsidiary and provided further than such substitution is made in accordance with the requirements of Treas. Reg. § 1.409A-1(a)(5)(iii)(E)(4).

(b) **Option Term.** The term of each Option shall be fixed by the Committee, but shall not be longer than ten years.

(c) **Time, Method and Conditions of Exercise.** The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the method or methods by which, and the form or forms (including, without limitation, cash or Shares having a Fair Market Value on the exercise date equal to the applicable exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

6.2 Stock Appreciation Rights. The Committee may grant Stock Appreciation Rights subject to the terms of the Plan and such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of: (a) the Fair Market Value of one Share on the date of exercise; over (b) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of the Share on the date of grant of the Stock Appreciation Right; provided, however, that the Committee may designate a per share grant price below Fair Market Value on the date of grant if the Stock Appreciation Right is granted in substitution for a stock appreciation right previously granted by an entity that is acquired by or merged with the Corporation or a Subsidiary and provided further than such substitution is made in accordance with the requirements of Treas. Reg. § 1.409A-1(a)(5)(iii)(E)(4). The term of the Stock Appreciation Right shall be fixed by the Committee, but shall not be longer than ten years.

VII. STOCK AWARDS

7.1 Restricted Stock and Restricted Stock Units. The Committee may grant Awards of Restricted Stock and Restricted Stock Units with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(a) **Restrictions.** Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, satisfaction of Performance Measures or a performance period and a restriction on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. The minimum vesting period of such Awards shall be one year from the date of grant.

(b) **Forfeiture.** Subject to Sections 8.5 and 10.1, upon a Participant's termination of employment (in either case, as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units held by the Participant at such time shall be forfeited and reacquired by the Corporation.

(c) **Issuance and Delivery of Shares.** Any Restricted Stock granted under the Plan shall be issued at the time the Restricted Stock Award is granted and may be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Corporation. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock. Shares representing Restricted Stock that are no longer subject to restrictions shall be delivered to the Participant promptly after the applicable restrictions lapse or are waived.

No Shares shall be issued at the time an Award of Restricted Stock Units is granted. Rather, the Shares shall be issued and delivered to the holder of the Restricted Stock Units upon the lapse or waiver of the restrictions applicable to the Restricted Stock Units.

7.2 Deferred Share Units. The Committee may grant Awards of Deferred Share Units subject to such terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine. All Deferred Share Units shall be subject to a deferral period of not less than one year, and may, in addition, be subject to such restrictions as the Committee may impose (including, without limitation, satisfaction of Performance Measures or a performance period), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. Deferred Share Units may be granted without additional consideration or in consideration of a payment by the Participant that is less than the Fair Market Value per Share at the date of grant. No Shares shall be issued at the time Deferred Share Units are granted. Rather, the Shares (or cash, as the case may be) shall be issued and delivered upon expiration of the deferral period relating to the Deferred Share Units (subject to the satisfaction of any applicable restrictions).

7.3 Performance Share Awards. The Committee may grant Performance Share Awards denominated in Shares that may be settled or payable in Shares (including, without limitation, Restricted Stock or Restricted Stock Units) or cash. Performance Share Awards shall be conditioned solely on the achievement of one or more Performance Measures specified by the Committee during such performance period as the Committee shall specify. Settlement or payment of a Performance Share Award shall be made upon satisfaction of the specified Performance Measures during the specified performance period.

7.4 Bonus Stock Awards. The Committee may grant Shares without restrictions thereon. Subject to the terms of the Plan, Bonus Stock Awards may have such terms and conditions as the Committee shall determine.

7.5 Dividend Equivalents. The Committee may grant Dividend Equivalents under which a Participant granted a Restricted Stock, Restricted Stock Unit, Performance Share, Deferred Share Unit or Bonus Stock Award under this Article 7 shall be entitled to receive payment (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of any cash dividends paid by the Corporation to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan, such Dividend Equivalents may have such terms and conditions as the Committee shall determine.

VIII. GENERAL PROVISIONS GOVERNING AWARDS

8.1 Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as may be determined by the Committee or required by applicable law.

8.2 Awards Subject to Performance Measures. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant or exercisability of an Award or portion thereof. Subject to the terms of the Plan and any applicable Award Agreement, the Performance Measures to be achieved during any performance period, the length of any performance period, the amount of any Award granted, the amount of any payment or transfer to be made pursuant to any such Award, and any other terms and conditions applicable thereto shall be determined by the Committee.

8.3 Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any other plan of the Corporation or any Subsidiary. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any other plan of the Corporation or any Subsidiary may be granted either at the same time as, or at a different time from, the grant of such other Awards or awards.

8.4 Forms of Payment under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Corporation or a Subsidiary upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and

procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

8.5 Termination of Employment. Except as otherwise provided in this Section 8.5 and Section 10.1, all of the terms relating to the exercise, cancellation, forfeiture or other disposition of an Award granted under the Plan upon a termination of employment with the Corporation of the holder of an Award, whether by reason of retirement or otherwise, shall be determined by the Committee. Such determination shall be made at the time of the grant of such Award and shall be specified in the Award Agreement relating to the Award. Notwithstanding the foregoing, each Award granted under the Plan shall become fully exercisable and vested upon the death or disability (as defined below) of the Participant, provided such Award had not otherwise expired prior to the Participant's death or disability and the Participant is employed by the Corporation on the date of death or disability. For purposes hereof, "disability" of a Participant means the inability of the Participant to perform substantially his or her duties and responsibilities for a continuous period of at least six months, as determined in the Committee's sole discretion.

8.6 Limits on Transfer of Awards. Except as otherwise provided by the Committee or the terms of the Plan, no Award and no right under any Award shall be transferable by a Participant other than by will or by the laws of descent and distribution. The Committee may establish procedures as it deems appropriate for a Participant to designate an individual, trust or other entity as beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award in the event of the Participant's death. The Committee, in its discretion and subject to such additional terms and conditions as it determines, may permit a Participant to transfer an Option to any "family member" (as such term is defined in the General Instructions to Form S-8 (or any successor to such Instructions or such Form) under the Securities Act of 1933, as amended) at any time that such Participant holds such Option, provided that: (a) such transfer may not be for value (*i.e.*, the transferor may not receive any consideration therefor) and the family member may not make any subsequent transfer other than by will or by the laws of descent and distribution; (b) no such transfer shall be effective unless reasonable prior notice thereof has been delivered to the Corporation and such transfer is thereafter effected subject to the specific authorization of, and in accordance with any terms and conditions made applicable to by, the Committee or the Board; and (c) the transferee is subject to the same terms and conditions hereunder as the Participant. Each Award or right under an Award shall be exercisable during the Participant's lifetime only by the Participant (except as provided herein or in an Award Agreement or amendment thereto) or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award or right under any Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Corporation or any Subsidiary.

8.7 Restrictions; Securities Exchange Listing. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may cause appropriate entries to be made or legends to be placed on the certificates for such Shares or other securities to reflect such restrictions. If the Shares or other securities are traded on a securities exchange, the Corporation shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

8.8 Tax Withholding. The Corporation may take such action as it deems appropriate to withhold or collect from a Participant the applicable federal, state, local or foreign payroll, withholding, income or other taxes that are required to be withheld or collected by the Corporation upon the grant, exercise, vesting or payment of an Award. The Committee may require the Corporation to withhold Shares having a Fair Market Value equal to the amount necessary to satisfy the Corporation's minimum statutory withholding requirements upon the grant, exercise, vesting or payment of an Award from Shares that otherwise would have been delivered to a Participant. The Committee may, subject to any terms and conditions that the Committee may adopt, permit a Participant to elect to pay all or a portion of the minimum statutory withholding taxes by: (a) having the Corporation withhold Shares otherwise to be delivered upon the grant, exercise, vesting or payment of an Award with a Fair Market Value equal to the amount of such taxes; (b) delivering to the Corporation Shares other than Shares issuable upon the grant, exercise, vesting or payment of an Award with a Fair Market Value equal to the amount of such taxes; or (c) paying cash. Any such election must be made on or before the date that the amount of tax to be withheld is determined.

IX. AMENDMENT AND TERMINATION; CORRECTIONS

9.1 Amendments to the Plan. The Board may amend, alter, suspend, discontinue or terminate the Plan; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, prior approval of the stockholders of the Corporation shall be required for any amendment to the Plan that:

- (a) requires stockholder approval under the rules or regulations of the Securities and Exchange Commission, the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Corporation;
- (b) increases the number of Shares authorized under the Plan as specified in Section 5.1 the Plan;
- (c) increases the number of Shares subject to the limitations contained in Section 5.4 of the Plan;
- (d) permits repricing of Options or Stock Appreciation Rights which is prohibited by Section 3.1(e) of the Plan;
- (e) permits the award of Options or Stock Appreciation Rights at a price less than 100% of the Fair Market Value of a Share on the date of grant of such Option or Stock Appreciation Right, contrary to the provisions of Sections 6.1(a) and 6.2 of the Plan; or
- (f) would cause an exemption to Section 162(m) of the Code to become inapplicable with respect to the Plan.

9.2 Amendments to Awards. Subject to the provisions of the Plan, the Committee may waive any conditions of or rights of the Corporation under any outstanding Award, prospectively or retroactively. Except as otherwise provided in the Plan, the Committee may amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, but no such action may adversely affect the rights of the holder of such Award without the consent of the holder.

9.3 Correction of Defects, Omissions and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Plan.

X. CHANGE IN CONTROL

10.1 Consequences of Change in Control. Notwithstanding any provision in the Plan or any Award Agreement to the contrary:

- (a) In the event of a Change in Control described in Section 10.2(c) or the approval by the holders of Shares of a plan of complete liquidation or dissolution of the Corporation, in connection with which the holders of Shares receive shares of common stock that are registered under Section 12 of the Exchange Act: (i) all outstanding Awards shall become immediately vested and all Options and Stock Appreciation Rights exercisable in full, with any applicable Performance Measures deemed satisfied at the maximum level; and (ii) there shall be substituted for each Share available under the Plan, whether or not then subject to an outstanding Award, the number and class of shares into which each outstanding Share shall be converted pursuant to such Change in Control. In the event of any such substitution, the purchase price per share in the case of an Option and the base price in the case of a Stock Appreciation Right shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Options and Stock Appreciation Rights without an increase in the aggregate purchase price or base price.
- (b) In the event of a Change in Control described in Section 10.2(a) or (b), or in the event of a Change in Control pursuant to Section 10.2(c) or the approval by the holders of Shares of a plan of complete liquidation or dissolution of the Corporation, in connection with which the holders of Shares receive consideration other than shares of common stock that are registered under Section 12 of the Exchange Act, the Committee in its discretion may require that each outstanding Award shall be surrendered to the Corporation by the holder thereof, and each such Award shall immediately be cancelled by the Corporation, and the holder shall receive, within ten days of the occurrence of a Change

in Control pursuant to Section 10.2(a) or (b), below, or within ten days of the approval of the holders of Shares contemplated by Section 10.2(c) or complete liquidation or dissolution of the Corporation, a cash payment from the Corporation in an amount equal to: (i) in the case of an Option, the number of Shares subject to the Option, multiplied by the excess, if any, of the Fair Market Value of a Share on the date of the Change in Control, over the purchase price per Share subject to the Option; (ii) in the case of a Stock Appreciation Right, the number of Shares then subject to the Stock Appreciation Right, multiplied by the excess, if any, of the Fair Market Value of a Share on the date of the Change in Control, over the base price of the Stock Appreciation Right; (iii) in the case of a Restricted Stock Award, Restricted Stock Unit Award, Performance Share Award or Deferred Share Award, the number of Shares then subject to such Award, multiplied by the Fair Market Value of a Share on the date of the Change in Control. In the event of a Change in Control, each tandem Stock Appreciation Right shall be surrendered by the holder thereof and shall be cancelled simultaneously with the cancellation of the related Option. The Corporation may, but is not required to, cooperate with any person who is subject to Section 16 of the Exchange Act to assure that any cash payment in accordance with the foregoing to such person is made in compliance with Section 16 and the rules and regulations thereunder.

(c) Notwithstanding any provision of this Plan to the contrary, if an amount becomes payable with respect to an Award upon a Change in Control pursuant to Section 10.1(b), the amount is subject to Section 409A of the Code, and the Change in Control does not constitute a "change in the ownership or effective control" or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A(a)(2)(A)(v) of the Code, then the amount shall not be paid upon the Change in Control, but shall instead be paid at the earliest to occur of: (i) the Participant's "separation from service" with the Company (determined in accordance with Section 409A of the Code), provided, that if the Participant is a "specified employee" (within the meaning of Section 409A of the Code), the payment date shall be the date that is six months after the date of the Participant's separation from service with the Company; (ii) the date payment otherwise would have been made in the absence of any provisions in this Plan to the contrary (provided such date is permissible under Section 409A of the Code); or (iii) the Participant's death.

10.2 Definition of Change in Control. "Change in Control" shall mean:

(a) the acquisition by any individual, entity or group (with the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either: (i) the then outstanding Shares (the "Outstanding Corporation Common Stock"); or (ii) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation, or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 10.2; or

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their

ownership immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; (ii) no person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

XI. GENERAL PROVISIONS GOVERNING PLAN

11.1 No Rights to Awards. No Eligible Employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Employees, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

11.2 Rights as Stockholder. No person shall have any right as a stockholder of the Corporation with respect to any Shares or other equity security of the Corporation which is subject to an Award hereunder unless and until such person becomes a stockholder of record with respect to such Shares or equity security.

11.3 Governing Law. The Plan, each Award hereunder and the related Award Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Iowa and construed in accordance therewith without giving effect to principles of conflicts of laws.

11.4 Award Agreements. No Participant shall have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Corporation and, if requested by the Corporation, signed by the Participant.

11.5 No Limit on Other Compensation Plans or Arrangements. Nothing contained in the Plan shall prevent the Corporation or any Subsidiary from adopting or continuing in effect other or additional compensation plans or arrangements.

11.6 No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained as an employee of the Corporation or any Subsidiary, nor will it affect in any way the right of the Corporation or a Subsidiary to terminate a Participant's employment at any time, with or without cause. In addition, the Corporation or a Subsidiary may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement.

11.7 Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

11.8 No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation or any Subsidiary and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Corporation or a Subsidiary pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Corporation or the Subsidiary.

11.9 Securities Matters. The Corporation shall not be required to deliver any Shares until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Corporation to be applicable are satisfied.

11.10 **No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Share or whether such fractional Share or any rights thereto shall be canceled, terminated or otherwise eliminated.

11.11 **Headings.** Headings are given to the Articles, Sections and Subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

XII. EFFECTIVE DATE AND TERM OF PLAN

The Plan became effective on May 8, 2007, the date it was approved by the stockholders of the Corporation at the Corporation's annual meeting of stockholders.

The Plan shall terminate at midnight on May 7, 2017, unless terminated before then by the Board. Awards may be granted under the Plan until the Plan terminates or until all Shares available for Awards under the Plan have been purchased or acquired. Notwithstanding the preceding sentence, the Plan shall remain in effect for purposes of administering outstanding Awards as long as the Awards are outstanding.

**2007 EQUITY PLAN
FOR NON-EMPLOYEE DIRECTORS OF
HNI CORPORATION**

HNI Corporation, an Iowa corporation (the "Corporation"), first adopted the 2007 Equity Plan for Non-Employee Directors of HNI Corporation (the "Plan") on May 8, 2007. The Plan was amended and restated effective May 8, 2007 to comply with Section 409A of the Internal Revenue Code.

I. PURPOSES; EFFECT ON PRIOR PLANS

1.1 Purpose. The purpose of the Plan is to aid the Corporation in recruiting and retaining non-employee directors ("Outside Directors") capable of assuring the future success of the Corporation through the grant of Awards of stock-based compensation and the opportunity to receive fees in the form of stock of the Corporation. The Corporation expects that the Awards and opportunities for stock ownership in the Corporation will provide incentives to Outside Directors to exert their best efforts for the success of the Corporation's business and thereby align the interests of Outside Directors with those of the Corporation's stockholders.

1.2 Effect on Prior Plans. From and after the date of stockholder approval of the Plan, no awards shall be granted under the 1997 Equity Plan for Non-Employee Directors of HNI Corporation, as amended, but all outstanding awards previously granted under that plan shall remain outstanding in accordance with their terms.

II. DEFINITIONS

In addition to other terms that may be defined elsewhere herein, wherever the following terms are used in this Plan with initial capital letters, they shall have the meanings specified below, unless the context clearly indicates otherwise.

- (a) "**Award**" means an Option, Restricted Stock, or Stock Grant Award granted under the Plan. The term "Award" shall also mean Shares issued to a Participant pursuant to a Participation Agreement under Article 9 of the Plan.
 - (b) "**Award Agreement**" means any written agreement, contract or other instrument or document evidencing an Award granted under the Plan. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Board.
 - (c) "**Board**" means the Board of Directors of the Corporation.
 - (d) "**Code**" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.
 - (e) "**Corporation**" means HNI Corporation, an Iowa corporation.
 - (f) "**Director**" means a member of the Board.
 - (g) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.
 - (h) "**Fair Market Value**," of a Share, means the average of the high and low transaction prices of the Share as reported on the New York Stock Exchange on the date as of which such value is being determined, or, if there are no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Board by whatever means or method as the Board, in the good faith exercise of its discretion, shall at such time deem reasonable and within the meaning of Code Section 409A and the regulations thereunder.
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Notwithstanding the foregoing, in the case of any Option granted under the Plan, "Fair Market Value" means the closing price of a Share as reported on the New York Stock Exchange on the date as of which such value is being determined, or, if there are no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Board by whatever means or method as the Board, in the good faith exercise of its discretion, shall at such time deem reasonable and within the meaning of Code Section 409A and the regulations thereunder.

- (i) "**Fees,**" of an Outside Director, means the Outside Director's annual retainer, meeting fees, and any other amounts payable to the Outside Director by the Corporation for services performed as an Outside Director, excluding any amounts distributable under the Plan.
- (j) "**Option**" means an option granted under Article 6 of the Plan to purchase Shares. All Options granted under the Plan shall be "non-statutory stock options," meaning that they are not intended to satisfy the requirements set forth in Section 422 of the Code to be "incentive stock options."
- (k) "**Outside Director**" means a member of the Board who is not an employee of the Company or a Subsidiary.
- (l) "**Participant**" means an Outside Director who receives an Award under the Plan, including an Outside Director who enters into a Participation Agreement pursuant to Section 9.2 of the Plan.
- (m) "**Participation Agreement**" means the agreement entered into by an Outside Director pursuant to Section 9.2 of the Plan under which the Outside Director elects to receive Fees in the form of Shares rather than cash.
- (n) "**Performance Measure**" mean the criteria and objectives established by the Board, which shall be satisfied or met as a condition to the exercisability, vesting or receipt of all or a portion of an Award. Such criteria and objectives may include, but are not limited to, the attainment by a Share of a specified Fair Market Value for a specified period of time, earnings per Share, return to stockholders (including dividends), return on equity, earnings of the Corporation, revenues, market share, cash flow or cost reduction goals, or any combination of the foregoing and any other criteria and objectives established by the Board. In the sole discretion of the Board, the Board may amend or adjust the Performance Measures or other terms and conditions of an outstanding Award in recognition of unusual or nonrecurring events affecting the Corporation or its financial statements or changes in law or accounting principles.
- (o) "**Plan**" means the "2007 Equity Plan for Non-Employee Directors of HNI Corporation," as set forth herein and as may be amended or restated from time to time.
- (p) "**Restricted Stock**" means Shares subject to forfeiture restrictions established by the Board.
- (q) "**Restricted Stock Award**" means a grant of Restricted Stock under Section 7.1 of the Plan.
- (r) "**Separation from Service,**" of a Participant, means the Participant's cessation of services for the Corporation as an Outside Director.
- (s) "**Share**" means a Share of common stock, par value pf \$1.00, of the Corporation or any other securities or property as may become subject to an Award pursuant to an adjustment made under Section 5.3 of the Plan.
- (t) "**Stock Grant Award**" means any right granted under Section 7.2 of the Plan.
- (u) "**Subsidiary**" means: (i) any entity that, directly or indirectly through one of more intermediaries, is controlled by the Corporation; and (ii) any entity in which the Corporation has a significant equity interest, in each case as determined by the Board.

Notwithstanding the foregoing, for purposes of granting to any Participant an Option, "Subsidiary" shall mean a corporation, company or other entity that is (1) a member of the Corporation's controlled group of corporations, within the meaning of Code Section 1563(a)(1) (except that 20% shall be substituted for 80% in applying such section) or (2) an unincorporated trade or business with which the Corporation would be treated as a single employer under Code Section 414(c) (except that 20% shall be substituted for 80% in applying such section and the regulations issued thereunder).

III. ADMINISTRATION

3.1 Administration by the Board; Delegation. The Plan shall be administered by the Board, which may from time to time delegate all or any part of its authority under the Plan to a committee or subcommittee of not less than two Directors appointed by the Board who are "non-employee directors" within the meaning of that term as defined in Rule 16b-3 under the Exchange Act. To the extent of any delegation by the Board under the Plan, references in the Plan to the Board shall also refer to the applicable committee or subcommittee. The majority of any such committee or subcommittee shall constitute a quorum, and the action of a majority of its members present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of such committee or subcommittee.

3.2 Administrative Powers. The Board shall have the power and authority to interpret the Plan and any Award or Award Agreement entered into under the Plan, to establish, amend, waive and rescind any rules and regulations relating to the administration of the Plan (including without limitation, the manner in which Participants shall make elections pursuant to Section 9.2 of the Plan and the terms of a Participation Agreement), to determine the terms and provisions of the Award Agreements (not inconsistent with the terms of the Plan), and to make all other determinations necessary or advisable for the administration of the Plan. The determinations of the Board in the administration of the Plan, as described in the Plan, shall be final, binding and conclusive.

3.3 Professional Assistance; Good Faith Actions. All expenses and liabilities that members of the Board incur in connection with the administration of the Plan shall be borne by the Corporation. The Board may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Board, the Corporation and the Corporation's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons.

3.4 Liability and Indemnification of Board Members. No member of the Board shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Board shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including attorneys' fees) arising therefrom to the full extent permitted by law, except as otherwise may be provided in the Corporation's Articles of Incorporation, By-laws, and under any directors' and officers' liability insurance that may be in effect from time to time.

IV. ELIGIBILITY

Participation in the Plan shall be limited to Outside Directors.

V. SHARES AVAILABLE FOR AWARDS

5.1 Shares Available. Subject to adjustment as provided in Section 5.3, the total number of Shares available for all grants of Awards under the Plan shall be 300,000 Shares. Shares to be issued under the Plan will be authorized but unissued Shares or Shares that have been reacquired by the Corporation and designated as treasury shares. Shares that are subject to Awards that terminate, lapse or are cancelled or forfeited shall be available again for grant under the Plan. Shares that are tendered by a Participant or withheld by the Corporation as full or partial payment to the Corporation of the purchase or exercise price relating to an Award shall not be available for future grants under the Plan.

5.2 Accounting for Awards. For purposes of this Article 5, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards. For purposes hereof, an Award of Shares pursuant to a Participation Agreement under Article 9 shall be deemed to be granted on the date the Shares are issued to the Participant.

5.3 **Adjustments.** In the event that that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Corporation, issuance of warrants or other rights to purchase Shares or other securities of the Corporation or other similar corporate transaction or event affects the Shares such that an adjustment is required in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Board shall, in such manner as it may deem equitable, adjust any or all of: (i) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards; (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards; (iii) the purchase or exercise price with respect to any Award; and (iv) the number and type of Shares (or other securities or other property) payable under a Participation Agreement pursuant to Article 9, provided such change is made in accordance with the requirements of Treas. Reg. § 1.409A-1(a)(5)(iii)(E)(4).

VI. OPTIONS

6.1 **Options.** The Board may grant Options with the terms and conditions set forth in this Article 6 and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Board shall determine.

6.2 **Exercise Price.** The purchase price per Share purchasable under an Option shall be determined by the Board and shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

6.3 **Option Term.** The term of each Option shall be fixed by the Board, but shall not be longer than ten years.

6.4 **Time, Method and Conditions of Exercise.** The Board shall determine the time or times at which an Option may be exercised in whole or in part, the method or methods by which, and the form or forms (including, without limitation, cash or Shares having a Fair Market Value on the exercise date equal to the applicable exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

VII. STOCK AWARDS

7.1 **Restricted Stock.** The Board may grant Awards of Restricted Stock with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Board shall determine:

(a) **Restrictions.** Shares of Restricted Stock shall be subject to such restrictions as the Board may impose (including, without limitation, satisfaction of Performance Measures or a performance period and a restriction on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Board may deem appropriate. The minimum vesting period of such Awards shall be one year from the date of grant.

(b) **Forfeiture.** Subject to Sections 8.5, upon a Participant's Separation from Service during the applicable restriction period, all Shares of Restricted Stock held by the Participant at such time shall be forfeited and reacquired by the Corporation.

(c) **Issuance and Delivery of Shares.** Any Restricted Stock granted under the Plan shall be issued at the time the Restricted Stock Award is granted and may be evidenced in such manner as the Board may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Corporation. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock. Shares representing Restricted Stock that are no longer subject to restrictions shall be delivered to the Participant promptly after the applicable restrictions lapse or are waived.

(d) **Restrictions on Dividends.** Any Award of Restricted Stock may require that any or all dividends or other distributions paid on the Shares during the period of restriction be automatically sequestered and reinvested on an immediate or deferred basis in additional Shares, in which case such additional Shares shall be subject to the same restrictions as the underlying Restricted Stock or such other restrictions as the Board may determine.

7.2 Stock Grant Awards. The Board may grant Shares without restrictions thereon. Subject to the terms of the Plan, Stock Grant Awards may have such terms and conditions as the Board shall determine.

7.3 Additional Cash Award to Offset Tax. The Board may provide, at or after the time of grant of a Restricted Stock Award or Stock Grant Award, for the payment of a cash award to the Participant intended to offset the amount of tax that the Participant may incur in connection with such Award, including, without limitation, tax on the receipt of such cash award; provided, however, that any such payment shall be made no later than by the end of the Participant's taxable year next following the Participant's taxable year in which the related taxes are remitted to the taxing authority.

VIII. GENERAL PROVISIONS GOVERNING AWARDS

8.1 Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as may be determined by the Board or required by applicable law.

8.2 Awards Subject to Performance Measures. The Board may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant or exercisability of an Award or portion thereof. Subject to the terms of the Plan and any applicable Award Agreement, the Performance Measures to be achieved during any performance period, the length of any performance period, the amount of any Award granted, the amount of any payment or transfer to be made pursuant to any such Award, and any other terms and conditions applicable thereto shall be determined by the Board.

8.3 Awards May Be Granted Separately or Together. Awards may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award or any award granted under any other plan of the Corporation or any Subsidiary. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any other plan of the Corporation or any Subsidiary may be granted either at the same time as, or at a different time from, the grant of such other Awards or awards.

8.4 Forms of Payment under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Corporation upon the grant, exercise or payment of an Award may be made in such form or forms as the Board shall determine (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Board. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments.

8.5 Separation from Service. All of the terms relating to the exercise, cancellation, forfeiture or other disposition of an Award upon a Separation from Service of a Participant, whether by reason of retirement or otherwise, shall be determined by the Board. Such determination shall be made at the time of the grant of such Award and shall be specified in the Award Agreement relating to the Award. Notwithstanding the foregoing or any other provision of the Plan to the contrary:

(a) If a Participant becomes an employee of the Corporation or a Subsidiary while continuing to serve as a Director, that fact alone shall not result in a Separation from Service or otherwise impair the rights such Director may have under the Plan, including, without limitation, the rights such Director may have under any Award outstanding under the Plan, but such Director shall no longer be eligible to receive any further Awards under the Plan.

(b) In the event of a Participant's Separation from Service by reason of death or disability, or in the event of hardship or other special circumstances of a Participant who holds an Option Award that is not immediately exercisable or a Restricted Stock Award then subject to the restrictions set forth in Section 7.1(a) or a Stock Grant Award subject to the transfer restrictions set forth Section 8.6, the Board may in its sole discretion take any action that it deems to be equitable under the circumstances or in the best interests of the Corporation, including, without limitation, waiving or modifying any limitation, restriction or requirement with respect to such Award.

(c) The Board may provide in any Award Agreement that the Corporation shall have the right to repurchase from the Participant Restricted Stock granted under Section 7.1 then subject to the restrictions set forth in Section 7.1(a) immediately upon a Separation from Service for any reason at a cash price per Share equal to the cash price paid by the Participant for the Shares. In the discretion of the Board, provision may be made that no such right of repurchase shall exist in the event of a Separation from Service without cause or because of the Participant's retirement, death or disability.

(d) For purposes of this Section 8.5, the Board shall determine whether a Participant's Separation from Service is due to cause, retirement, death or disability, or whether the Participant has incurred a hardship, and any such determination shall be final, binding and conclusive.

8.6 Limits on Transfer of Awards. Except as otherwise provided by the Board or the terms of the Plan, no Award (and no right thereunder) shall be transferable by a Participant other than by will or by the laws of descent and distribution. An Award of Restricted Stock shall provide that during the period that the Award is subject to restrictions pursuant to Section 7.1(a), and any Stock Grant Award may provide, that the transferability of the Shares subject to such Award shall be prohibited or restricted in the manner and to the extent prescribed by the Board at the time the Award is granted. Such restrictions may include, without limitation, a right of repurchase or first refusal in the Corporation or provisions subjecting Restricted Stock to continuing restrictions in the hand of the transferee. In addition, any Award may provide that all or any part of the Shares that are to be issued or transferred by the Corporation upon the exercise of an Option, or are no longer subject to forfeiture and restrictions on transfer referred to herein, shall be subject to further restrictions upon transfer.

The Board may establish procedures as it deems appropriate for a Participant to designate an individual, trust or other entity as beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award in the event of the Participant's death.

The Board, in its discretion and subject to such additional terms and conditions as it determines, may permit a Participant to transfer an Option to any "family member" (as such term is defined in the General Instructions to Form S-8 (or any successor to such Instructions or such Form) under the Securities Act of 1933, as amended) at any time that such Participant holds such Option, provided that: (a) such transfer may not be for value (*i.e.*, the transferor may not receive any consideration therefor) and the family member may not make any subsequent transfer other than by will or by the laws of descent and distribution; (b) no such transfer shall be effective unless reasonable prior notice thereof has been delivered to the Corporation and such transfer is thereafter effected subject to the specific authorization of, and in accordance with any terms and conditions made applicable to by, the Board; and (c) the transferee is subject to the same terms and conditions hereunder as the Participant.

Each Option Award (or right under such Award) shall be exercisable during the Participant's lifetime only by the Participant (except as provided herein or in an Award Agreement or amendment thereto) or, if permissible under applicable law, by the Participant's guardian or legal representative. No Option Award or Restricted Stock Award (or right under any such Award) may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Corporation or any Subsidiary.

IX. ELECTION TO RECEIVE FEES IN SHARES

9.1 Election to Receive Fees in Shares. Each Outside Director shall be eligible to elect to receive Shares in lieu of his or her Fees according to the following provisions of this Article 9.

9.2 Participation Agreement. For each calendar year, the Board shall specify an election period (which shall end no later than the last day of the calendar year immediately preceding such calendar year) during which an Outside Director may enter into an election to receive up to 100% of the Fees otherwise payable to him or her for the calendar year in the form of Shares rather than cash. The election shall be made pursuant to a Participation Agreement entered into by the Outside Director and filed with the Secretary of the Corporation no later than the expiration of the election period. A separate Participation Agreement must be entered into for each calendar year. Except as the Board may otherwise provide, the Participation Agreement in effect for a calendar year shall be irrevocable after the expiration of the election period for the calendar year.

9.3 Issuance of Shares. The Corporation shall issue Shares to the Outside Director for each calendar quarter during which the Outside Director has a Participation Agreement in effect. The Shares shall be issued on the date on which the quarterly meeting of the Board is held. The number of Shares so issued shall be equal to: (i) the dollar amount of the Fees that the Outside Director has elected to receive as Shares for the calendar quarter pursuant to his or her Participation Agreement; divided by (ii) the Fair Market Value per Share on the date on which the Outside Director would have been paid the Fees in cash but for the Participation Agreement.

9.4 Holding Period. To the extent required to satisfy any condition to exemption available pursuant to Rule 16b-3 of the Exchange Act, Shares acquired by an Outside Director pursuant to this Article 9 shall be held by the Outside Director for a period of at least six months following the date of acquisition.

X. AMENDMENT AND TERMINATION; CORRECTIONS

10.1 Amendments to the Plan. The Board may amend, alter, suspend, discontinue or terminate the Plan; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, prior approval of the stockholders of the Corporation shall be required for any amendment to the Plan that:

- (a) requires stockholder approval under the rules or regulations of the Securities and Exchange Commission, the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Corporation;
- (b) increases the number of Shares authorized under the Plan as specified in Section 5.1(a) of the Plan (except as otherwise provided in Section 5.3);
- (c) permits the repricing of Options; or
- (d) permits the award of Options at a price less than 100% of the Fair Market Value of a Share on the date of grant of such Option contrary to the provisions of Sections 6.2 of the Plan.

10.2 Amendments to Awards. Subject to the provisions of the Plan, the Board may waive any conditions of or rights of the Corporation under any outstanding Award, prospectively or retroactively. Except as otherwise provided in the Plan, the Board may amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, but no such action may adversely affect the rights of the holder of such Award without the consent of the holder thereof.

10.3 Correction of Defects, Omissions and Inconsistencies. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award, Award Agreement or Participation Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Plan.

XI. GENERAL PROVISIONS GOVERNING PLAN

11.1 No Rights to Awards. No Outside Director or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Outside Directors, Participants, holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

11.2 Rights as Stockholder. No person shall have any right as a stockholder of the Corporation with respect to any Shares or other equity security of the Corporation which is subject to an Award hereunder unless and until such person becomes a stockholder of record with respect to such Shares or equity security.

11.3 Governing Law. The Plan, each Award hereunder (and the related Award Agreement), each Participation Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Iowa and construed in accordance therewith without giving effect to principles of conflicts of laws.

11.4 Award Agreements. No Participant shall have rights under an Option or Restricted Stock award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Corporation and, if requested by the Corporation, signed by the Participant.

11.5 No Limit on Other Compensation Plans or Arrangements. Nothing contained in the Plan shall prevent the Corporation or any Subsidiary from adopting or continuing in effect other or additional compensation plans or arrangements.

11.6 No Right to Remain a Director. The grant of an Award shall not be construed as giving a Participant the right to be retained as a Director of the Corporation, nor will it affect in any way the right of the Corporation to terminate a Participant's position as a Director, with or without cause. In addition, the Corporation may at any time remove or dismiss a Participant from his or her position as a Director free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement.

11.7 Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

11.8 No Trust or Fund Created. Neither the Plan, any Award or any Participation Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation or any Subsidiary and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Corporation or a Subsidiary pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Corporation or the Subsidiary.

11.9 Securities Matters. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof, including Shares received pursuant to an election entered into by a Participant pursuant to Article 9, shall be subject to such restrictions as the Board may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Board may cause appropriate entries to be made or legends to be placed on the certificates for such Shares or other securities to reflect such restrictions. The Corporation shall not be required to deliver any Shares until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Corporation to be applicable are satisfied, and if the Shares or other securities are traded on a securities exchange, until such Shares or other securities have been admitted for trading on such securities exchange.

11.10 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Board shall determine whether cash shall be paid in lieu of any fractional Share or whether such fractional Share or any rights thereto shall be canceled, terminated or otherwise eliminated.

11.11 Headings. Headings are given to the Articles, Sections and Subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

11.12 Tax Withholding. To the extent applicable, the Corporation may take such action as it deems appropriate to withhold or collect from a Participant the applicable federal, state, local or foreign payroll, withholding, income or other taxes that are required to be withheld or collected by the Corporation upon the grant, exercise, vesting or payment of an Award, including the delivery of Shares pursuant to a Participation Agreement entered into by a Participant pursuant to Article 9. The Board may require the Corporation to withhold Shares having a Fair Market Value equal to the amount necessary to satisfy the Corporation's minimum statutory withholding requirements upon the grant, exercise, vesting or payment of an Award from Shares that otherwise would have been delivered to a Participant.

XII. EFFECTIVE DATE AND TERM OF PLAN

The Plan became effective on May 8, 2007, the date it was approved by the stockholders of the Corporation at the Corporation's annual meeting of stockholders.

The Plan shall terminate at midnight on May 7, 2017, unless terminated before then by the Board. Awards may be granted, and Participation Agreements may be entered into, under the Plan until the Plan terminates or until all Shares available for Awards under the Plan have been purchased or acquired. Notwithstanding the preceding sentence, the Plan shall remain in effect for purposes of administering outstanding Awards and Participation Agreements as long as they are outstanding.

HNI CORPORATION ERISA SUPPLEMENTAL RETIREMENT PLAN

HNI Corporation, an Iowa corporation (the "Corporation"), hereby amends and restates, effective January 1, 2005, the HNI Corporation ERISA Supplemental Retirement Plan (the "Plan") to comply with Section 409A of the Internal Revenue Code. The Plan first became effective on May 8, 1995.

1. Purposes of the Plan. The purpose of the Plan is to provide to selected executives benefits equal to the amounts which, but for limitations imposed by the Internal Revenue Code of 1986, as amended (the "Code") or plan provisions, would have been provided by the HNI Corporation Profit-Sharing Retirement Plan (the "Profit-Sharing Retirement Plan") and the HNI Corporation Cash Profit-Sharing Plan (the "Cash Profit-Sharing Plan").

2. Definitions. Except as otherwise defined in the Plan, capitalized terms used herein shall have the respective meanings assigned to such terms in the Profit-Sharing Retirement Plan.

3. Participation. Each Member of an Employer whose Compensation for any calendar year, determined under the Profit-Sharing Retirement Plan, exceeds \$170,000 (or such other amount as may be in effect under Section 401(a)(17) of the Code for such year) and who has been selected for participation by the Corporation's Board of Directors (the "Board") shall be a Participant in the Plan. For this purpose, Compensation shall be determined without regard to (a) any election by the Participant to defer any compensation earned for such year, (b) any payments made pursuant to the HNI Corporation Long-Term Performance Plan or other similar incentive plan for such year, or (c) any awards made under the HNI Corporation Stock-Based Compensation Plan (the "Stock Based Compensation Plan") for such year. The Plan is intended to be unfunded and maintained by the Corporation primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of ERISA.

4. Benefits.

(a) Benefits in Respect of the Profit-Sharing Retirement Plan. As soon as practicable after the last day of each calendar year, the Corporation shall determine the amount of Employer Contributions that would have been credited for such year to the Participant's Account under the Profit-Sharing Retirement Plan for such calendar year but for the annual limitation on compensation that may be taken into account pursuant to Code Section 401(a)(17) and the annual limitation on benefits pursuant to Code Section 415, as set forth in the Profit-Sharing Retirement Plan.

(b) Benefits in Respect of Cash Profit-Sharing Plan. As soon as practicable after the last day of each calendar year, the Corporation shall determine an amount equal to the payments such Participant would have received under the Cash Profit-Sharing Plan in such year in respect of the Participant's Compensation, as described in Section 2, but for the limitations imposed under the terms of the Cash Profit-Sharing Plan on eligible earnings at the level specified in Code Section 401(a)(17) with respect to a qualified defined contribution plan.

(c) Distributions. On the 15th day of the Corporation's February fiscal month following the end of the Corporation's fiscal year for which a benefit is determined under Paragraphs 4(a) or (b) above, the benefit determined for each Participant shall be paid in shares of Bonus Stock issued under the Stock-Based Compensation Plan. The number of shares of Bonus Stock to be paid shall be determined by dividing the amounts determined under Paragraphs 4(a) and (b) above by the average of the high and low prices of a share of the Corporation's common stock on the date the award is paid, with cash paid in lieu of any fractional share. Such shares shall not be transferable, whether by sale, pledge, gift, or otherwise, while the Participant is employed by the Corporation or any of its subsidiaries. Provision for all income tax withholding and other employment taxes shall be made pursuant to Section 5.5 of the Stock-Based Compensation Plan.

5. Administration. The Human Resources and Compensation Committee of the Board shall be charged with the administration of the Plan, shall have the same powers and duties, and shall be subject to the same limitations, with respect to the Plan as the Administrative Committee under the Profit-Sharing Retirement Plan. Decisions of such Committee shall be conclusive and binding upon all persons claiming benefits under the Plan.

Notwithstanding anything contained herein or in any other plan maintained by the Corporation to the contrary, it shall be a condition of the payment of benefits under the Plan that neither such benefits nor any portion hereof shall be assigned, alienated, or transferred to any person voluntarily or by operation of any law, including any assignment, division, or awarding of property under state domestic relations law (including community property law). If any person shall endeavor to purport to make any such assignment, alienation, or transfer, the amount otherwise provided hereunder which is the subject of such assignment, alienation, or transfer shall cease to be payable to any person.

6. No Guaranty of Employment. Nothing contained in the Plan shall be construed as a contract of employment between any employee and his or her Employer or as conferring a right on any employee to be continued in the employment of an Employer.

7. Amendment and Termination.

(a) The Board reserves the right at any time to amend or terminate the Plan. The Fund Committee may amend the Plan from time to time as it deems necessary or advisable except that any amendment which would terminate the Plan or modify its formula for contributions shall require advance approval of the Board. (b) Notwithstanding the foregoing, no amendment shall operate directly or indirectly to deprive any Participant of his or her vested interest in the Plan immediately prior to the effective date of the amendment. (c) Each amendment (including any termination of the Plan) shall be adopted by the Fund Committee, pursuant to the authority granted to it by the Board.

8. Miscellaneous.

(a) Certain Profit-Sharing Retirement Plan Provisions. Except as otherwise provided herein, the provisions contained in Sections 1.2 (relating to applicable law), 1.3 (relating to severability), and Article 15 (relating to Adoption by Affiliated Employers) of the Profit-Sharing Retirement Plan are hereby incorporated herein by reference, and shall be applicable as if such provisions were set forth herein.

(b) Successors and Assigns. The provisions of the Plan shall bind and inure to the benefit of each Employer and its successors and assigns, as well as each Participant and his or her beneficiaries and successors.

**HNI CORPORATION
EXECUTIVE BONUS PLAN**

HNI Corporation, an Iowa corporation (the "Corporation"), hereby amends and restates, effective January 1, 2005, the HNI Corporation Executive Bonus Plan (the "Plan") to comply with Section 409A of the Internal Revenue Code. The Plan first became effective on May 1, 1974.

1. Purpose. The purpose of the Plan is to encourage a consistently high standard of excellence and continued employment by officers and selected other executives of the Corporation and any subsidiary, which elects to participate in the Plan (an "Electing Subsidiary"). The Plan shall be operated at all times in conformance with applicable government regulations.

2. Participants. For any fiscal year, each person who is an officer as of the end of such fiscal year of HNI Corporation (the "Corporation") or any Electing Subsidiary, and each other executive of the Corporation or any Electing Subsidiary as is selected by the Board of Directors of the Corporation ("Board"), or by the Chief Executive Officer of the Corporation if the Board delegates such authority to Chief Executive Officer, as of the end of such fiscal year, shall be eligible to be Participants in the Plan.

3. Payment. Upon final determination of bonus awards by the Board or, to the extent delegated by the Board for a fiscal year, the Human Resources and Compensation Committee of the Board ("Committee"), the bonus awards shall be paid in full in cash, subject to Section 3(c), as follows:

a. Any bonus award for a fiscal year ending prior to December 28, 1996, to the extent not already paid to the Participant, shall be paid to the Participant (or, as applicable, the Participant's estate) in a single sum payment not later than March 14, 1997, provided that (i) the Participant is employed by the Corporation or an Electing Subsidiary on the date of payment or (ii) the Participant's employment with the Corporation and each Electing Subsidiary terminated due to death, disability, retirement after age 55 pursuant to established retirement policies of the Corporation or for any other reason (except a termination for cause, as determined by the Committee) after a Change in Control (as defined below).

b. Effective for each fiscal year ending on or after December 28, 1996, each bonus award for such fiscal year shall be paid on the 15th day of the Corporation's February fiscal month following the end of the Corporation's fiscal year for which the bonus award is made (or as soon thereafter as is administratively reasonable), provided, subject to Section 4, that the Participant is employed by the Corporation or an Electing Subsidiary on the last day of the fiscal year for which a bonus, if any, is to be paid. For purposes hereof, a bonus award will be deemed to be paid as soon as administratively reasonable after the date specified above if it is paid within six months thereafter. Notwithstanding the foregoing, for each fiscal year ending after December 28, 2004, each bonus award for such fiscal year shall be paid on the 15th day of the Corporation's February fiscal month following the end of the Corporation's fiscal year for which the bonus award is made, provided, subject to Section 4, that the Participant is employed by the Corporation or an Electing Subsidiary on the last day of the fiscal year for which a bonus, if any, is to be paid.

c. The Committee may require payment of any bonus award (or portion thereof) for a fiscal year under Section 3(a) or 3(b) in the form of shares of Bonus Stock issued pursuant to (and as defined in) the Corporation's Stock-Based Compensation Plan (i) at the Participant's request, in the amount indicated by such Participant, subject to the Committee's approval, or (ii) in the amount of up to 50% of such bonus award in the event that the Committee determines, in its sole discretion, that the Participant's respective stock ownership level under the Executive Stock Ownership Policy does not reflect appropriate progress toward such Participant's five-year goal thereunder. The number of shares of Bonus Stock to be paid shall be determined by dividing the cash amount of the bonus award under the Plan (or, portion thereof, as elected by the Participant) for a fiscal year by the average of the high and low prices of a share of the Corporation's common stock on the date the award is paid.. All Federal, state and local income tax and other employment tax withholding shall be made pursuant to Section 5.5 of the Stock-Based Compensation Plan.

d. As used in the Plan, "Change in Control" means:

(i) the acquisition by any individual, entity or group (with the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either: (A) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock"); or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of Directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (I) any acquisition directly from the Corporation; (II) any acquisition by the Corporation; (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation; or (IV) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this paragraph; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

4. Termination of Employment. The following provisions shall apply for any fiscal year commencing after December 28, 1996:

a. If a Participant's employment with the Corporation and each Electing Subsidiary is terminated during a fiscal year by reason of death, Disability (as defined in the HNI Corporation Long-term Performance Plan), or Retirement, the Participant or the Participant's estate, shall receive a bonus award for such fiscal year, determined as if the Participant had remained employed for such entire fiscal year, prorated for the number of weeks during such fiscal year that have elapsed as of the Participant's termination, and subject to the first sentence of Section 4(b).

b. If a Participant's employment with the Corporation and each Electing Subsidiary is terminated during a fiscal year for any reason other than death, Disability (as defined in the HNI Corporation Long-term Performance Plan), or Retirement, the Participant's rights to any bonus award for such fiscal year will be forfeited. However, the Committee may, in its discretion, determine to pay a prorated bonus award for the portion of such fiscal year during which the Participant was employed by the Corporation or an Electing Subsidiary, except that in no event shall any such prorated bonus award be paid in the event of termination for cause, as determined by the Committee.

c. For purposes of this Section 4, "Retirement" means: (i) for bonus awards granted for fiscal years commencing on or after January 1, 2007, the Participant's termination of employment with the Corporation and all Electing Subsidiaries after the attainment of age 65, or age 55 with ten years of service with the Corporation or an Electing Subsidiary; provided, however, that the Chief Executive Officer of the Corporation, in his or her discretion, may waive or reduce the ten-year service requirement with respect a Participant; and (ii) for bonus awards granted for fiscal years commencing prior to January 1, 2007, the Participant's voluntary termination of employment with the Corporation and all Electing Subsidiaries on or after attainment of age 55.

5. Change in Control. For fiscal years commencing after December 28, 1996, in the event of a Change in Control (as defined above), the maximum bonus award for the fiscal year then in progress, prorated for the number of weeks in such fiscal year that have elapsed as of the date of the Change in Control, shall be paid immediately in cash, without regard to Section 3(c). Any adjustment or termination of a Participant's participation in the Plan that occurs at any time on or after the 90th day preceding a Change in Control shall be of no effect.

6. Administration. The Board shall have full power to interpret and administer this Plan from time to time in accordance with the By-laws of the Corporation, except to the extent provided in the Corporation's Stock-Based Compensation Plan or to the extent that the Board may have delegated its powers to the Committee. Decisions of the Board or the Committee shall be final, conclusive and binding upon all parties. The Committee shall consist of two or more "non-employee directors" within the meaning of Rule 16b-3 as promulgated pursuant to Section 16 of the Securities Exchange Act of 1934.

7. Cost. Each Electing Subsidiary shall reimburse the Corporation for the amount of such bonus awards, which shall be awarded and paid to Participants for services to such Electing Subsidiary, as determined by the Board.

8. Amount of Individual Bonus. For fiscal years beginning after December 28, 1996, the bonus award for each fiscal year for any Participant shall be determined by the Board, or, to the extent delegated by the Board for a fiscal year, by the Committee, no later than the first meeting of the Board that occurs during the fiscal year following the year for which the bonus award is made.

9. General Provisions.

a. The Corporation shall have the right to deduct any Federal, state or local taxes applicable to payments under the Plan. The Committee may permit Participants to satisfy withholding obligations by electing to have shares of Bonus Stock withheld.

b. Except as otherwise determined by the Committee, no right or interest of any Participant in this Plan shall be assignable or transferable except by will or the laws of descent and distribution, nor shall any such right or interest be subject to any lien, directly, by operation of law or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy.

c. Except as provided in Sections 4 and 5, the Board may terminate or amend the Plan at any time.

10. Special Provision for Qualifying Participants.

a. This Section 10 shall apply with respect to any bonus award made under the Plan with respect to the Chief Executive Officer of the Corporation and any other Participant designated by the Board from time to time (each a "Qualifying Participant"). Not later than the 90th day after the commencement of the fiscal year for which the bonus award is made, in addition to any other performance criteria established by the Committee, the Committee shall establish in writing Profit Achievement Factors and Personal Objective Achievement Factors (collectively, "Qualifying Factors") for each Qualifying Participant. The maximum bonus award payable to a Qualifying Participant for such fiscal year based on the degree of attainment of such Qualifying Factors shall not exceed \$2 million. Subject to Sections 4 and 5, the Committee may adjust any Qualifying Factor that has been established for any fiscal year, provided that no such adjustment shall be permitted if it would cause the Award based on such Qualifying Factor to fail to satisfy the requirements for performance-based compensation under Code Section 162(m). Subject to Sections 4 and 5, the Committee may adjust any other performance criteria established for any fiscal year, provided that no such adjustment may be based upon the failure, or the expected failure, to attain or exceed a Qualifying Factor. In no event shall any bonus award relating to performance criteria other than Qualifying Factors be dependent upon the attainment of, or failure to obtain, a bonus award based on Qualifying Factors.

b. The administration of all aspects of the Plan applicable to bonus awards relating to Qualifying Factors is intended to comply with the exception from Section 162(m) of the Internal Revenue Code of 1986, as amended, for qualified performance-based compensation and shall be construed, applied and administered accordingly.

c. For purposes of this Section, (i) "Profit Achievement Factors" shall mean an objective performance goal based on one or more of the following: operating expense ratios, total stockholder return, return on sales, operating income, operating profit, return on equity, return on capital, return on assets, return on investment, net income, operating income, earnings per share, improved asset management, improved gross margins, generation of free cash, revenues, market share, stock price, cash flow, retained earnings, aggregate product price and other product price measures, and (ii) "Personal Objective Achievement Factors" shall mean an objective performance goal based on one or more of the following: results of customer satisfaction surveys, results of employee surveys, employee turnover, safety record, management of acquisitions, increased inventory turns, product development and liability, research and development integration, proprietary protections, legal effectiveness, handling Federal securities law or environmental issues, manufacturing efficiencies, distribution efficiencies, member productivity, system review and improvement, service reliability, cost management.

d. This Section 10 shall become effective as of January 1, 2000; provided, however, that no bonus award relating to Qualifying Factors shall be paid under the Plan to any Qualifying Participant unless, prior to such payment, the provisions of this Section 10 are approved by the holders of a majority of the securities of the Corporation present, or represented, and entitled to vote at a meeting of stockholders duly held in accordance with the laws of the State of Iowa.

EXECUTIVE DEFERRED COMPENSATION PLAN

HNI Corporation

As Amended and Restated Effective January 1, 2005 to comply with Section 409A
of the Internal Revenue Code

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HNI Corporation
Executive Deferred Compensation Plan

1. Amendment and Restatement

1.1. Amendment and Restatement. HNI Corporation, an Iowa corporation (the "Corporation"), hereby amends and restates, effective as of January 1, 2005 (the "Restatement Date"), the HNI Corporation Executive Deferred Compensation Plan (the "Plan") to comply with Section 409A of the Internal Revenue Code and to effect certain other changes in its design and operation. The Plan first became effective on February 13, 1986.

1.2. Purpose. The purpose of the Plan is to give eligible executive employees of the Corporation and certain of its Subsidiaries the opportunity to defer the receipt of compensation to supplement their retirement savings and to achieve their personal financial planning goals.

1.3. Application of the Plan. The terms of the Plan, as amended and restated herein, apply to amounts deferred under the Plan on or after the Restatement Date. Amounts deferred under the Plan before the Restatement Date are subject to the terms of the Plan as in effect prior to the Restatement Date; provided, however, that Section 4.11 of the Plan (as in effect prior to the Restatement Date) is deleted in its entirety as of the Restatement Date, such that such section shall no longer apply to any amounts deferred under the Plan, whether before or after the Restatement Date.

2. Definitions

2.1. Definitions. Whenever used in the Plan, the following terms shall have the meaning set forth below and, when the defined meaning is intended, the term is capitalized:

- (a) "Account" means the device used to measure and determine the amount of benefits payable to a Participant or Beneficiary under the Plan. The Corporation shall establish a Cash Account and Stock Account for each Participant under the Plan, and the term "Account," as used in the Plan, may refer to either such Account or the aggregate of the two Accounts. In addition, the Corporation shall establish a separate Sub-Account under each of the Participant's Cash Account and Stock Account for each Deferral Election Agreement entered into by the Participant pursuant to Section 4.2.
- (b) "Annual Bonus," of a Participant for a Plan Year, means the bonus awarded by the Employer to a Participant in cash or Stock for services performed by the Participant during the Plan Year, as provided in the HNI Corporation Executive Bonus Plan, or any successor plan thereto.
- (c) "Base Salary," of a Participant for a Plan Year, means the base salary, including all regular basic wages before reduction for any amounts deferred on a tax-qualified or nonqualified basis, payable in cash to the Participant for services rendered to an Employer during the Plan Year. Base Salary shall exclude bonuses, incentive compensation, special fees or awards, allowances, or any other form of premium or incentive pay, or amounts designated by an Employer as payment toward or reimbursement of expenses.

- (d) "Beneficiary" means the persons or entities designated by a Participant in writing pursuant to Article 6 of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Participant, or, in the absence of such designation, the Participant's estate (pursuant to the rules specified in Article 6).
- (e) "Board of Directors" means the board of directors of the Corporation.
- (f) "Change in Control" means:

- (i) the acquisition by any individual, entity or group (with the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of Directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (I) any acquisition directly from the Corporation; (II) any acquisition by the Corporation; (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation; or (IV) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this paragraph; or

- (ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

- (g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.
- (h) "Committee" means the Human Resources and Compensation Committee of the Board of Directors or a delegate of such Committee.
- (i) "Compensation" means the remuneration paid or awarded to the Participant by an Employer as Base Salary, Annual Bonus, or LTP Award.
- (j) "Corporation" means HNI Corporation, an Iowa corporation.
- (k) "Deferral Election Agreement" means the agreement described in Section 4.2 in which the Participant designates the amount of his or her Compensation, if any, that he or she wishes to contribute to the Plan and acknowledges and agrees to the terms of the Plan.

- (l) "Elective Deferral" means a contribution to the Plan made by a Participant pursuant to a Deferral Election Agreement that the Participant enters into with the Corporation. Elective Deferrals shall be made according to the terms of the Plan set forth in Section 4.2.
- (m) "Employer" means the Corporation, any Subsidiary that adopts the Plan, and any entity that continues the Plan as a successor under Section 10.3.
- (n) "Enrollment Period" means the period designated by the Corporation during which a Deferral Election Agreement may be entered into with respect to an eligible employee's future Compensation as described in Section 4.2. Generally, the Enrollment Period must end no later than the end of the calendar year before the calendar year in which the services giving rise to the Compensation to be deferred are performed. As described in Section 4.2, an exception may be made to this requirement for individuals who first become eligible to participate in the Plan and for Elective Deferrals from Compensation considered to be Performance-Based Compensation, as determined by the Committee or by the Vice-President, Member and Community Relations, from time to time.
- (o) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor thereto.
- (p) "Fair Market Value," of a share of Stock, means the average of the high and low transaction prices of the share as reported on the New York Stock Exchange on the date as of which such value is being determined, or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem reasonable and within the meaning of Code Section 409A and the regulations thereunder.
- (q) "LTP Award," of a Participant for a performance period, means the amount payable to the Participant in cash or Stock for the performance period pursuant to the HNI Corporation Long-Term Performance Plan. The performance period for an LTP Award shall be set forth in the HNI Corporation Long-Term Performance Plan.
- (r) "Participant" means an individual who satisfies the requirements of Section 3.1 and who has entered into a Deferral Election Agreement.
- (s) "Performance-Based Compensation," of a Participant for a period, means incentive compensation of the Participant for such period where the amount of, or entitlement to, the incentive compensation is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months in which the Participant performs services. Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. Performance-based compensation may include payment based on performance criteria that are not approved by the Board of Directors or the Committee or by the stockholders of the Corporation.

- (t) "Plan Year" means the consecutive 12-month period beginning each January 1 and ending December 31.
- (u) "Prime Rate" means the interest rate charged by the Northern Trust Corporation, Chicago, Illinois, on corporate loans made to their best customers as of the first business day coincident with or immediately following the first day of each Plan Year.
- (v) "Qualified Domestic Relations Order" has the same meaning as in Section 414(p) of the Code.
- (w) "Restatement Date" means January 1, 2005.
- (x) "Retirement," of a Participant, means the Participant's Separation from Service with the Corporation and its Subsidiaries on or after the attainment of age 55 with ten years of service with an Employer. The Chief Executive Officer of the Corporation, in his or her discretion, may waive or reduce the ten-year service requirement with respect a Participant; provided that any such waiver or reduction is made before the eligible executive employee becomes a Participant or, with respect to each Deferral Election Agreement, before the last day of the Enrollment Period for the Plan Year for which the agreement is made.
- (y) "Separation from Service," of a Participant, means the Participant's separation from service with the Corporation and all of its affiliates, within the meaning of Section 409A(a)(2)(A)(i) of the Code and the regulations thereunder. Solely for these purposes, a Participant will be considered to have a Separation from Service when the Participant dies, retires, or otherwise has a termination of employment with all affiliates. The employment relationship is treated as continuing intact while the Participant is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed six months, or if longer, so long as the individual's rights to reemployment with the Corporation or any affiliate is provided either by statute or by contract. If the period of leave exceeds six months and the individual's right to re-employment is not provided either by statute or contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Whether a termination of employment has occurred is based on the facts and circumstances.

- (z) "Specified Employee" means a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5)) of the Corporation. For purposes hereof, an employee is a key employee if the employee meets the requirements of Section 416(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Section 416(i)(5)) at any time during the 12-month period ending on December 31. If a person is a key employee as of such date, the person is treated as a Specified Employee for the 12-month period beginning on the first day of the fourth month following such date
- (aa) "Subsidiary" means a corporation which is wholly owned by the Corporation.
- (bb) "Stock" means the Corporation's common stock, \$1.00 par value.
- (cc) "Stock Unit" means the notational unit representing the right to receive one share of Stock.

2.2. Gender and Number. Except when otherwise indicated by the context, any masculine term used in the Plan also shall include the feminine gender; and the definition of any plural shall include the singular and the singular shall include the plural.

3. Eligibility and Participation

3.1. Eligibility. Participation in the Plan shall be limited to those executive employees of an Employer who are eligible to participate in the HNI Corporation Executive Bonus Plan.

3.2. Participation. An eligible executive employee shall be notified of his or her eligibility to make an Elective Deferral under the Plan for a Plan Year prior to the beginning of the Plan Year, or as soon as administratively possible thereafter. Unless so notified, an employee shall not have the right to make Elective Deferrals for a Plan Year, whether or not he or she has been permitted to make Elective Deferral for any prior Plan Year. Further, nothing in the Plan shall interfere with or limit in any way the right of an Employer to terminate any Participant's employment at any time, nor confer upon any Participant a right to continue in the employ of an Employer, and all Participants shall remain subject to change of salary and other terms of employment, transfer, change of job, discipline, layoff, discharge, or any other change of status.

3.3. Missing Persons. Each Participant and Beneficiary entitled to receive benefits under the Plan shall be obligated to keep the Corporation informed of his or her current address until all Plan benefits that are due to be paid to the Participant or Beneficiary have been paid to him or her. If the Corporation is unable to locate the Participant or his or her Beneficiary for purposes of making a distribution, the amount of a Participant's benefit under the Plan that would otherwise be considered as non-forfeitable shall be forfeited effective one year after: (a) the last date a payment of said benefit was made, if at least one such payment was made; or (b) the first date a payment of said benefit was due to be made pursuant to the terms of the Plan, if no payments have been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

4. Establishment and Entries to Accounts

4.1. Accounts. The Committee shall establish two Accounts for each Participant under the Plan as follows:

(a) Cash Account. A Participant's Cash Account, as of any date, shall consist of the Compensation that the Participant has elected to allocate to that Account under his or her various Deferral Election Agreements pursuant to Section 4.2, increased by earnings thereon pursuant to Section 4.3(a), and adjusted to reflect transfers to and from the Account pursuant to Section 4.3(c) and distributions from the Account pursuant to Sections 4.4, 4.5 and 4.6.

(b) Stock Account. A Participant's Stock Account, as of any date, shall consist of the Compensation that the Participant has elected to allocate to that Account pursuant to Section 4.2, increased with earnings (including dividend equivalents) thereon and converted to Stock Units pursuant to Section 4.3(b), and adjusted to reflect transfers to and from the Account pursuant to Section 4.3(c) and distributions from the Account pursuant to Sections 4.4, 4.5 and 4.6.

The Committee shall establish a separate Sub-Account under each of these Accounts for each Deferral Election Agreement entered into by the Participant pursuant to Section 4.2. As specified in Section 4.2, as part of a Participant's Deferral Election Agreement, the Participant shall elect how amounts deferred under each Deferral Election Agreement are to be distributed to him or her from among the available distribution options described in Section 4.4. The separate Sub-accounts are established to account for the different distribution terms that may apply to each Sub-account. The Corporation may combine Sub-accounts that have identical distribution terms, or may establish other Sub-accounts for a Participant under the Plan from time to time in its discretion, as it deems appropriate or advisable. A Participant shall have a full and immediate nonforfeitable interest in his or her Accounts at all times.

4.2 Deferral Election Agreement. A Participant wishing to make an Elective Deferral under the Plan for a Plan Year shall enter into a Deferral Election Agreement during the Enrollment Period immediately preceding the beginning of the Plan Year. A separate Deferral Election Agreement must be entered into for each Plan Year that a Participant wishes to make Elective Deferrals under the Plan. In order to be effective, the Deferral Election Agreement must be completed and submitted to the Committee at the time and in the manner specified by the Committee, which may be no later than the last day of the Enrollment Period. The Committee shall not accept Deferral Election Agreements entered into after the end of the Enrollment Period. The Committee may require that a Participant enter into a separate Deferral Election Agreement for each component of the Participant's Compensation, i.e., Base Compensation, Annual Bonus and LTP Award, that he or she wishes to defer for a Plan Year. Except as specified in the following two paragraphs, a Deferral Election Agreement will be effective to defer Compensation earned after the Deferral Election Agreement is entered into, and not before.

For the Plan Year in which an employee first becomes eligible to participate in the Plan, the Committee may, in its discretion, allow the employee to enter into a Deferral Election Agreement within 30 days after he or she first becomes eligible. In order to be effective, the Deferral Election Agreement must be completed and submitted to the Committee on or before the 30-day period has elapsed. The Committee shall not accept Deferral Election Agreements entered into after the 30-day period has elapsed. If the employee fails to complete a Deferral Election Agreement by such time, he or she may enter into a Deferral Election Agreement during any succeeding Enrollment Period in accordance with the rules described in the preceding paragraph. For Compensation that is earned based upon a specified performance period (for example, the Annual Bonus) where a Deferral Election Agreement is entered into in the first year of eligibility but after the beginning of the performance period, the Deferral Election Agreement will be deemed to apply to Compensation paid for services performed subsequent to the date the Deferral Election Agreement is entered into if the Deferral Election Agreement applies to the portion of the Compensation equal to the total amount of the Compensation for the performance period multiplied by the ratio of the number of days remaining in the performance period after the election over the total number of days in the performance period. For purposes of the exception described in this paragraph, the term "Plan" shall mean the Plan and any other plan required to be aggregated with the Plan pursuant to Code Section 409A, and the regulations and other guidance thereunder. Accordingly, if an employee has previously been eligible to participate in a plan required to be aggregated with the Plan, then the 30-day exception described in this paragraph shall not apply to him or her.

Deferral Election Agreements for Base Salary and incentive compensation other than Performance-Based Compensation shall be completed and submitted to the Corporation at the time described above that is ordinarily applicable to Deferral Election Agreements (subject to the exception for employees who are newly eligible to participate). Deferral Election Agreements for Compensation that is Performance-Based Compensation shall be completed and submitted to the Corporation no later than six months before the end of the performance period for such Compensation. The Committee shall determine from time to time whether an item of Incentive Compensation is considered Performance-Based Compensation for these purposes.

For each Deferral Election Agreement the Participant enters into, the Participant shall specify:

(a) The component of Compensation, i.e., Base Salary, Annual Bonus or LTP Award, that the Participant wishes to contribute as a Deferral Election, and for each such component, the amount, by dollar amount or percentage, of Compensation otherwise payable to the Participant in cash that the Participant wishes to contribute as and Elective Deferral, and the amount, by number of shares or percentage, of Compensation otherwise payable to the Participant in Stock that the Participant wishes to contribute as and Elective Deferral;

(b) The manner in which the amount in (a), above, is to be allocated between the Participant's Cash Account and Stock Account, by dollar amount or percentage; provided, however, that in the case of Compensation otherwise payable to the Participant in Stock, the Compensation shall automatically be allocated to the Stock Account; and

(c) The time and manner of distribution (consistent with the requirements of Section 4.4) of the Sub-account established with respect to the Deferral Election Agreement.

The Committee may from time to time establish a minimum amount that may be deferred by a Participant pursuant to this Section 4.2 for any Plan Year. Notwithstanding anything in this Section 4.2 to the contrary, in all events a Participant's remaining Compensation, after all Elective Deferrals, must be sufficient to enable the Corporation to withhold from the Participant's Compensation: (a) any amounts necessary to satisfy withholding requirements under applicable tax law; and (b) the amount of any contributions that the Participant may be required to make or may have elected to make under the Corporation's various benefit plans.

Elective Deferrals shall be credited to the Participant's Cash Account or Stock Account, as the case may be, as soon as administratively reasonable after the Compensation would have been paid to the Participant had the Participant not elected to defer it under the Plan.

In general, a Deferral Election Agreement shall become irrevocable as of the last day of the Enrollment Period applicable to it. However, if a Participant incurs an "unforeseeable emergency," as defined in Section 4.5(c)(ii), or becomes entitled to receive a hardship distribution pursuant to Treas. Reg. Section 1.401(k)-1(d)(3) after the Deferral Election Agreement otherwise becomes irrevocable, the Deferral Election Agreement shall be cancelled as of the date on which the Participant is determined to have incurred the unforeseeable emergency or becomes eligible to receive the hardship distribution and no further Elective Deferrals will be made under it.

4.3. Adjustments to Accounts.

(a) The Participant's Cash Account shall be credited with earnings as of the last day of each month. The amount so credited shall be the product of: (i) the Cash Account balance as of such date (less any contributions credited to the Account during the month); and (ii) 1/12 of the sum of (A) the Prime Rate (in effect for the Plan Year) and (B) one percentage point.

(b) The Elective Deferrals allocable to a Participant's Stock Account under a Deferral Election Agreement shall be converted to Stock Units. In the case of Elective Deferrals of Compensation otherwise payable to the Participant in cash, the conversion shall occur on the last day of the month (the "conversion date") coincident with or next following the date on which the Elective Deferrals are credited to the Stock Account. On the conversion date, the Elective Deferrals shall be converted to a number of whole and fractional Stock Units determined by dividing the Elective Deferrals (plus earnings) by the Fair Market Value of a share of Stock on the conversion date. In the case of Elective Deferrals of Compensation otherwise payable to the Participant in Stock, the conversion shall occur at the time the Elective Deferrals are credited to the Stock Account pursuant to Section 4.2, with the number of Stock Units so credited equal to the number of shares of Stock that the Participant has elected to defer pursuant to the Deferral Election Agreement. On each date on which the Corporation pays a cash dividend (the "dividend date"), the Stock Account shall be credited with an additional number of Stock Units determined by dividing the dollar amount that the Corporation would have paid as a dividend if the Stock Units held in the Participant's Stock Account as of the record date for the dividend were actual shares of Stock divided by the Fair Market Value of a share of Stock on the dividend date. Appropriate adjustments in the Stock Account shall be made as equitably required to prevent dilution or enlargement of the Account from any Stock dividend, Stock split, reorganization or other such corporate transaction or event.

(c) A Participant may transfer amounts from a Cash Sub-account to a Stock Sub-account and from a Stock Sub-account to a Cash Sub-account pursuant to this Section 4.3(c). Once each calendar quarter, during the trading window selected by management for Section 16 officers of the Corporation, each Participant may enter into an election to:

(i) Convert all or any portion of the Stock Units credited to a Stock Sub-account to an equivalent hypothetical cash amount, by multiplying the Fair Market Value of a share of Stock on the date the election is received by the Corporation by the number of Stock Units to be converted, and credit such hypothetical cash amount to a Cash Sub-account; or

(ii) Convert all or any portion of the amount credited to a Cash Sub-account to an equivalent number of Stock Units, by dividing the dollar amount to be converted by the Fair Market Value of a share of Stock on the date the election is received by the Corporation, and credit such Stock Units to a Stock Sub-account.

All transfers described in this Section 4.3(c) must be made between Sub-accounts that have identical distribution terms, that is, a Participant may transfer an amount from a Cash Sub-Account to a Stock Sub-Account and visa versa only if the Sub-accounts provide for distribution in the same manner and at the same time as one another.

4.4. Commencement and Form of Distribution of Sub-Account. As stated in Section 4.2(c), above, as part of his or her Deferral Election Agreement, a Participant shall elect: (a) the date on which distribution of each Sub-Account established for him or her under the Plan is to commence, which date may be no earlier than one year following the end of the Plan Year in which the Compensation deferred under the Deferral Election Agreement would otherwise have been paid to the Participant; and (b) the form of distribution of each such Sub-Account from the available distribution forms set forth below:

- (a) a single sum payment; or
- (b) monthly, quarterly or annual installment payments:
 - (i) in the case of a Cash Sub-account,
 - (A) of a specified dollar amount, or

- (B) over a specified period; or
- (ii) in the case of a Stock Sub-account,
 - (A) of a number of shares of Stock equal to a specified dollar amount;
 - (B) of a specified number of shares of Stock; or
 - (C) over a specified period.

All distributions from Cash Sub-accounts shall be paid in the form of cash. All distributions from Stock Sub-accounts shall be paid in the form of Stock (with each Stock Unit converted to one share of Stock at the time of distribution).

In the case of a Participant who elects to receive a Sub-Account in the form of installments, earnings and dividends shall be credited to the Participant's Sub-account in the manner provided in Section 4.3(a) and (b) during the payment period.

If the Participant elects to receive payment of a Sub-Account in the form of annual installments, the initial installment payment shall be made on January 15 of the Plan Year selected by the Participant. The remaining annual installment payments shall be made on January 15 of each year thereafter until the Participant's entire Sub-account has been paid.

If the Participant elects to receive payment in the form of monthly or quarterly installments, the installment payments shall commence on the first day of the first month or quarter (as the case may be) of the Plan Year selected by the Participant and will continue to be made on the first day of each month or quarter (as the case may be) thereafter until the Participant's entire Sub-account has been paid.

In the case of a Participant who elects to receive installment payments of a specified dollar amount from a Cash Sub-Account, the amount of each installment payment will equal such specified dollar amount until the Sub-Account is exhausted, with the last installment consisting of the balance in the Sub-account. In the case of a Participant who elects to receive installment payments of a number of shares of Stock equal to a specified dollar amount, the number of shares to be distributed in each installment payment shall be determined by dividing such specified dollar amount by the Fair Market Value of a share of Stock on the distribution date, with the last installment consisting of the balance in the Sub-account.

In the case of a Participant who elects to receive installment payments over a specified period from a Cash Sub-Account or Stock Sub-Account, the amount of each installment payment shall be equal to the cash balance or number of Stock Units (as the case may be) in the Participant's Sub-account immediately prior to the installment payment, multiplied by a fraction, the numerator of which is one, and the denominator of which is the number of installment payments remaining, with the last installment consisting of the balance of the Participant's Sub-account.

In the case of a Participant who elects to receive installment payments from a Stock-Sub-account equal to a specified number of shares, each installment payment shall consist of such specified number, with the last installment consisting of the balance of the Participant's Sub-account.

Notwithstanding anything in this Section 4.4 to the contrary, a Participant who elects to receive a Sub-account in installments must elect a payment amount that results in a total annual Plan payment from all Sub-accounts (of cash, Stock or both) that equals at least \$25,000. If, on January 15 of a Plan Year, the balance of a Participant's Sub-account then being distributed in the form of monthly or quarterly installments is less than \$25,000, the entire balance will be paid to the Participant in a single sum as soon as administratively reasonable after such date. In any event, the remaining balance of a Participant's Account shall be paid on the 25th anniversary of the first payment.

A Participant may modify an election for payment of a Sub-account to postpone the commencement date and change the form of payment to another form permitted under the Plan. In order to be effective, the requested modification must: (a) be in writing and be submitted to the Corporation at the time and in the manner specified by the Committee; (b) not take effect for at least 12 months from the date on which it is submitted to the Corporation; (c) be submitted to the Corporation at least 12 months prior to the then scheduled distribution commencement date ("original distribution date"); and (d) specify a new distribution commencement date that is no earlier than five years after the original distribution date. For purposes hereof, if the original distribution date is a Plan Year rather than a specified date within a Plan Year, the original distribution date shall be deemed to be the first day of the Plan Year.

4.5. Exceptions to Payment Terms. Notwithstanding anything in this Article 4 or a Participant's Deferral Election Agreement (as may be modified pursuant to Section 4.4) to the contrary, the following terms, if applicable, shall apply to the payment of a Participant's Sub-accounts.

(a) Separation from Service for Reasons Other than Retirement or Death. If a Participant has a Separation from Service for reasons other than Retirement or death, all of the Participant's Sub-accounts (or the remaining balances thereof if distribution has already commenced) will be distributed to him or her in a single sum (regardless of the form otherwise elected by the Participant) within ninety (90) days following the Participant's Separation from Service.

(b) Delay in Distributions.

(i) If the Participant is a Specified Employee, any Plan distributions that are otherwise to commence on the Participant's Separation from Service shall commence after the Participant's Separation from Service on the date immediately following the six-month anniversary of the Separation from Service or, if earlier, on the date of the Participant's death. In this case, the first payment following the period of delay required by this Section 4.5(b)(i) shall be increased by any amount that would otherwise have been payable to the Participant under the Plan during the delay period.

(ii) The Corporation shall delay the distribution of any amount otherwise required to be distributed under the Plan if, and to the extent that, the Corporation reasonably anticipates that the Corporation's deduction with respect to such distribution otherwise would be limited or eliminated by application of Section 162(m) of the Code. In such event, (A) if any payment is delayed during any year on account of Code Section 162(m), then all payments that could be delayed on account of Code Section 162(m) during such year must also be delayed; (B) such delayed payments must be paid either (1) in the first year in which the Corporation reasonably anticipates the payment to be deductible, or (2) the period beginning on the date of the Participant's Separation from Service and ending on the later of the end of the Participant's year of separation of the fifteenth (15th) day of the third month after such separation; and (C) if payment is delayed to the date of Separation from Service with respect to a Participant who is a Specified Employee, such payment shall commence after such Participant's Separation from Service on the date immediately following the six-month anniversary of the Separation from Service, or if earlier, on the date of the Participant's death.

(iii) The Corporation shall delay the distribution of any amount otherwise required to be distributed under the Plan if, and to the extent that, the Corporation reasonably anticipates that the making of the distribution would violate Federal securities laws or other applicable law. In such event, the distribution will be made at the earliest date on which the Corporation reasonably anticipates that the making of the distribution will not cause such a violation.

(c) Acceleration of Distributions. All or a portion of a Participant's Sub-accounts may be distributed at an earlier time and in a different form than specified in this Article 4:

(i) As may be necessary to fulfill a Qualified Domestic Relations Order or a certificate of divestiture (as defined in Code Section 1043(b)(2)).

(ii) If the Participant or Beneficiary has an unforeseeable emergency. For these purposes an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from an illness or accident of the Participant or the Participant's spouse, Beneficiary or dependent (as defined in Section 152(a) of the Code, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency. Finally, the need to pay for funeral expenses of a spouse, Beneficiary or a dependent (as defined in Section 152(a) of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an unforeseeable emergency. Except as otherwise provided in this paragraph (c)(ii), the purchase of a home and the payment of college tuition are not unforeseeable emergencies. Whether a Participant is faced with an unforeseeable emergency permitting a distribution under this paragraph (c)(ii) is to be determined based on the relevant facts and circumstances of each case, but, in any case a distribution on account of an unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Elective Deferrals.

Distributions because of an unforeseeable emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). Determinations of the amounts reasonably necessary to satisfy the emergency need must take into account any additional compensation that is available due to the Participant's cancellation of a Deferral Election Agreement due to an unforeseeable emergency pursuant to Section 4.2. However, the determination of amounts reasonably necessary to satisfy the emergency need is not required to take into account any additional compensation that due to the unforeseeable emergency is available under another nonqualified deferred compensation plan but has not actually been paid.

(iii) Due to a failure of the Plan to satisfy Section 409A with respect to the Participant, but only to the extent an amount is required to be included in the Participant's income as a result of such failure.

4.6. Death Benefit. If a Participant dies with all or a portion of his or her Account unpaid, the remaining amount shall be paid to his or her Beneficiary, as designated in accordance with Article 7, in the form (single sum or installments) and time elected by the Participant under Sections 4.2 and 4.4.

4.7. Funding. An Employer's obligations under the Plan shall in every case be an unfunded and unsecured promise to pay. Each Participant's or Beneficiary's rights under the Plan shall be no greater than those of a general, unsecured creditor of an Employer. The amount of each Participant's Account shall be reflected on the accounting records of the Corporation but shall not be construed to create, or require the creation of, a trust, custodial or escrow account. No Participant shall have any right, title, or interest whatsoever in or to any investment reserves, accounts, or funds that an Employer may purchase, establish, or accumulate, and, except as provided in Section 8.1, no Plan provision or action taken pursuant to the Plan shall create or be construed to create a trust or a fiduciary relationship of any kind between an Employer and a Participant or any other person. All amounts paid under the Plan shall be paid in cash or Stock from the general assets of an Employer, and an Employer shall not be obligated under any circumstances to fund its financial obligations under the Plan.

5. Administration

5.1. Administration. The Plan shall be administered by the Committee. In addition to the other powers granted under the Plan, the Committee shall have all powers necessary to administer the Plan, including, without limitation, powers:

- (a) to interpret the provisions of the Plan;
- (b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and
- (c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

5.2. Actions of the Committee. The Committee (including any person or entity to whom the Committee has delegated duties, responsibilities or authority, to the extent of such delegation) has total and complete discretionary authority to determine conclusively for all parties all questions arising in the administration of the Plan, to interpret and construe the terms of the Plan, and to determine all questions of eligibility and status of employees, Participants and Beneficiaries under the Plan and their respective interests. Subject to the claims procedures of Article 9, all determinations, interpretations, rules and decisions of the Committee (including those made or established by any person or entity to whom the Committee has delegated duties, responsibilities or authority, if made or established pursuant to such delegation) are conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

5.3. Delegation. The Committee, or any officer or other employee of the Corporation designated by the Committee, shall have the power to delegate specific duties and responsibilities to officers or other employees of the Corporation or other individuals or entities. Any delegation may be rescinded by the Committee at any time. Each person or entity to whom a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity.

5.4. Expenses. The expenses of administering the Plan shall be borne by the Corporation.

5.5. Reports and Records. The Committee, and those to whom the Committee has delegated duties under the Plan, shall keep records of all their proceedings and actions and shall maintain books of account, records, and other data as shall be necessary for the proper administration of the Plan and for compliance with applicable law.

5.6. Valuation of Accounts and Account Statements. As of each valuation date, the Committee shall adjust the previous Account balances of each Participant for Elective Deferrals, distributions, and investment gains and losses. A "valuation date," for these purposes, is the last day of each calendar quarter, and such other dates as the Committee may designate from time to time in its discretion. The Committee shall provide each Participant with a statement of his or her Account balances on a quarterly basis.

5.7. Indemnification and Exculpation. The agents, officers, directors, and employees of the Corporation and its Subsidiaries and the Committee shall be indemnified and held harmless by the Corporation against and from any and all loss, cost, liability, or expense that may be imposed upon or reasonably incurred by them in connection with or resulting from any claim, action, suit, or proceeding to which they may be a party or in which they may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by them in settlement (with the Corporation's written approval) or paid by them in satisfaction of a judgment in any such action, suit or proceeding. The foregoing provision shall not be applicable to any person if the loss, cost, liability, or expense is due to such person's gross negligence or willful misconduct.

6. Beneficiary Designation

6.1. Designation of Beneficiary. Each Participant shall be entitled to designate a Beneficiary or Beneficiaries who, upon the Participant's death, will receive the amounts that otherwise would have been paid to the Participant under the Plan. All designations shall be signed by the Participant and shall be in a form prescribed by the Committee. The Participant may change his or her designation of Beneficiary at any time, on a form prescribed by the Committee. The filing of a new Beneficiary designation form by a Participant shall automatically revoke all prior designations by that Participant.

6.2. Death of Beneficiary. In the event that all the Beneficiaries named by a Participant pursuant to Section 6.1 predecease the Participant the amounts that would have been paid to the Participant under the Plan shall be paid to the Participant's estate.

6.3. Ineffective Designation. In the event the Participant does not designate a Beneficiary, or for any reason such designation is ineffective in whole or in part, the ineffectively designated amounts shall be paid to the Participant's estate.

7. Withholding

The Corporation shall reduce the amount of any cash payment under the Plan and an Employer may reduce the amount of any other compensation payable to a Participant to the extent the Corporation or Employer deems appropriate for Federal, state or local tax withholding or other purposes required by law. The Corporation shall reduce the amount of any Stock payment under the Plan to the extent the Corporation deems appropriate for Federal, state or local tax withholding, based upon the supplemental wage withholding rate, or for other purposes required by law.

8. Change in Control, Amendment, and Termination

8.1. Change in Control.

(a) **Retention of Plan Benefits.** A Participant shall retain rights to payment of all amounts credited to his or her Accounts under the Plan, including earnings pursuant to Section 4.3, in the event of a Change in Control.

(b) **Contributions to Trust.** Notwithstanding anything in Section 4.7 to the contrary, the Corporation shall be obligated not later than upon the occurrence of a Change in Control, to transfer assets to one or more irrevocable grantor trusts established by the Corporation in an amount at least sufficient to provide for the obligations of the Employers under the Plan as of the date of such transfer. The assets of any such trust shall at all times be subject to the claims of the general unsecured creditors of the Employers and not be subject to the prior claim of any Participant or Beneficiary under the Plan. Any such trust so established and the rights and obligations of any individual, the Employers, and the trustee in such trust shall be governed exclusively by such trust; provided that the provisions of the Plan shall govern exclusively the rights of a Participant or Beneficiary to benefits under the Plan

8.2. **Plan Amendment and Termination.** The Board of Directors or the Committee has the authority to amend, modify, and/or terminate the Plan at any time. No amendment or termination of the Plan shall in any manner reduce the Account balance any Participant without the consent of the Participant (or if the Participant has died, his or her Beneficiary). Without limiting the foregoing, the Board of Directors may, in its sole discretion: (a) freeze the Plan by precluding any further Elective Deferrals and/or other credits, but otherwise maintain the balance of the provisions of the Plan; or (b) terminate the Plan in its entirety and distribute the Participant's Accounts at an earlier date and in a different form than otherwise provided under the Plan, provided that such termination and distribution comply with the requirements of Section 409A of the Code.

9. Claims Procedure

The Committee shall notify a Participant in writing within 90 days of the Participant's written application for benefits of the Participant's eligibility or non-eligibility for benefits under the Plan, provided, however, that benefit distribution shall not be contingent upon a Participant's application for benefits. If the Committee determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provision of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the Participant to perfect the claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if a Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have the Participant's claim reviewed by the Committee by filing a petition for review with the Committee within 60 days after receipt by the Participant of the notice issued by the Committee. The petition shall state the specific reasons the Participant believes the Participant is entitled to benefits or greater or different benefits. Within 60 days after receipt by the Committee of the petition, the Committee shall afford the Participant (and the Participant's counsel, if any) an opportunity to present the Participant's position to the Committee orally or in writing, and the Participant (or counsel) shall have the right to review the pertinent documents, and the Committee shall notify the Participant of its decision in writing within the 60-day period, stating specifically the basis of the decision written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the 60-day period is not sufficient, the decision may be deferred for up to another 60-day period at the election of the Committee, but notice of this deferral shall be given to the Participant. If a Participant does not appeal on time, the Participant will lose the right to appeal the denial and the right to file suit under ERISA, and the Participant will have failed to exhaust the Plan's internal administrative appeal process, which is generally a prerequisite to bringing suit. In the event an appeal of a denial of a claim for benefits is denied, any lawsuit to challenge the denial of such claim must be brought within one year of the date the Committee has rendered a final decision on the appeal.

10. Miscellaneous

10.1. Unfunded Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and therefore is further intended to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

10.2. Nontransferability. No benefit payable at any time under the Plan will be subject in any manner to alienation, sale, transfer, assignment, pledge, levy, attachment, or encumbrance of any kind, except with respect to a domestic relations order that the Committee determines to be a Qualified Domestic Relations Order.

10.3. Successors. All obligations of the Corporation under the Plan shall be binding upon and inure to the benefit of any successor to the Corporation, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Corporation.

10.4. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. The Plan is intended to comply in form and operation with Section 409A of the Code, and shall be construed accordingly. If any provision of the Plan does not conform to the requirements of Section 409A, such that the inclusion of the provision would result in loss of the Plan's intended tax deferral, the Plan shall be construed and enforced as if such provision had not been included.

10.5. Applicable Law. To the extent not preempted by Federal law, the Plan shall be governed and construed in accordance with the laws of the state of Iowa.

10.6. No Other Agreements. The terms and conditions set forth herein, together with the Deferral Election Agreements entered into by Participants, constitute the entire understanding of the Corporation and any Employer and the Participants with respect to the matters addressed herein.

10.7. Incapacity. In the event that any Participant or Beneficiary is unable to care for his or her affairs because of illness or accident, any payment due may be paid to the Participant's or Beneficiary's spouse, parent, brother, sister or other person deemed by the Committee to have incurred expenses for the care of such Participant or Beneficiary, unless a duly qualified guardian or other legal representative has been appointed.

10.8. Counterparts. This Plan may be executed in any number of counterparts, each of which when duly executed by the Corporation shall be deemed to be an original, but all of which shall together constitute but one instrument, which may be evidenced by any counterpart.

10.9. Electronic Media. Notwithstanding anything in the Plan to the contrary, but subject to the requirements of ERISA, the Code, or other applicable law, any action or communication otherwise required to be taken or made in writing by a Participant or Beneficiary or by the Corporation, an Employer or the Committee shall be effective if accomplished by another method or methods required or made available by the Corporation or Committee, or their agent, with respect to that action or communication, including e-mail, telephone response systems, intranet systems, or the Internet.

10.10. Administratively Reasonable. A payment under the Plan will be deemed to be made as soon as administratively reasonable after a date if it is made within the same calendar year as such date, or, if later, by the 15th day of the third calendar month following such date.

10.11. Release. Any payment of benefits to or for the benefit of a Participant or a Participant's Beneficiaries that is made in good faith by the Corporation in accordance with the Corporation's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Corporation for benefits under the Plan to the extent of such payment.

10.12. Notices. Any notice permitted or required under the Plan shall be in writing and shall be hand-delivered or sent, postage prepaid, by first class mail, or by certified or registered mail with return receipt requested, to the Committee, if to the Corporation, or to the address last shown on the records of the Corporation, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand-delivery or mailing.

**HNI CORPORATION
LONG-TERM PERFORMANCE PLAN**

HNI Corporation, an Iowa corporation (the "Corporation"), hereby amends and restates, effective January 1, 2005, the HNI Corporation Long-Term Performance Plan (the "Performance Plan") to comply with Section 409A of the Internal Revenue Code. The Performance Plan first became effective on February 16, 2000.

1. Purpose. The purpose of this Performance Plan is to promote the attainment of the Corporation's performance goals by providing incentive compensation for certain designated key executives and employees of the Corporation and its Subsidiaries.

2. Definitions. The following terms have the following meanings when used in this Performance Plan with initial capital letters:

(a) "Board" means the Board of Directors of the Corporation or, pursuant to any delegation by the Board to the Committee pursuant to Section 13, the Committee.

(b) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(c) "Committee" means the Human Resources and Compensation Committee of the Board as constituted at the relevant time, which shall consist of two or more "outside directors" within the meaning of Section 162(m) of the Code who are not eligible for participation in the Plan.

(d) "Disability or Disabled," with respect to a Participant, means that the Participant satisfies the requirements to receive long-term disability benefits under the Corporation-sponsored group long-term disability plan in which the Participant participates without regard to any waiting periods, or that the Participant has been determined by the Social Security Administration to be eligible to receive Social Security disability benefits. A Participant shall not be considered to be Disabled unless the Participant furnishes proof of the Disability to the Corporation in such form and manner as the Corporation may require.

(e) "Earned Performance Award" means the award, if any, payable to a Participant at the end of the Performance Period.

(f) "162(m) Employee," for any calendar year, means an employee of the Corporation who, as of the close of the calendar year, is: (a) the Chief Executive Officer or CEO (or an individual acting in such capacity); or (b) among the four highest compensated officers of the Corporation (other than the CEO). Whether an employee is the CEO or one of the four highest compensated officers of the Corporation is determined pursuant to the executive compensation rules of the Securities Exchange Act of 1934.

(g) "Operating Unit" means either: (i) the Corporation as a whole; (ii) an individual subsidiary, division, store, or other business unit of the Corporation; or (iii) a grouping of business units, that employs individuals that have been approved to participate in this Performance Plan by the Board.

(h) "Participant" means a person who is designated by the Board to receive benefits under this Performance Plan and who is at the time an officer, executive, or other employee of the Corporation or any one or more of its Subsidiaries, or who has agreed to commence serving in any such capacity.

(i) "Performance Measure" means the level of performance for the Operating Unit, a division or other business unit of an operating unit, or any of them, for each Performance Period, in each case as established pursuant to Section 6. A Performance Measure may take into account such criteria as the Board determines to be appropriate.

(j) "Performance Period" means a period of three consecutive fiscal years of the Corporation commencing on the first day of a fiscal year of the Corporation or other period as selected by the Board.

(k) "Retirement," of a Participant, means: (i) for Performance Periods commencing on or after January 1, 2007, the Participant's termination of employment with the Corporation and its Subsidiaries after the attainment of age 65, or age 55 with ten years of service with the Corporation or a Subsidiary, provided, however, that the Chief Executive Officer of the Corporation, in his or her discretion, may waive or reduce the ten-year service requirement with respect a Participant; and (ii) for Performance Periods commencing prior to January 1, 2007, the Participant's voluntary termination of employment with the Corporation on or after attainment of age 65, or when the Participant is at least 55 years old and the sum of the Participant's age and service equals at least 65.

(l) "Target Performance Award" means the dollar award established for a Participant if the Performance Measure applicable to the Participant is achieved.

(m) "Subsidiary" has the meaning specified in Rule 405 promulgated under the Securities Act of 1933, as amended (or under any successor rule substantially to the same effect).

3. Eligibility.

(a) Except as otherwise provided in this Section 3, an employee of the Corporation or one of its Subsidiaries will become a Participant for a particular Performance Period to the extent designated by the Board, or by the Chief Executive Officer of the Corporation if the Board delegates such authority to Chief Executive Officer.

(b) An employee who first becomes eligible to participate after the beginning of a particular Performance Period will become a Participant for such Performance Period only in accordance with this Section 3(b). The Board, or the Chief Executive Officer of the Corporation if the Board delegates such authority to the Chief Executive Officer, may allow participation for a portion of such Performance Period for such employee on such terms and conditions as the Board (or the Chief Executive Officer) may determine.

4. Earned Performance Award. Unless changed by the Board, each eligible Participant may earn an Earned Performance Award as hereinafter provided. The performance of the Operating Unit during a particular Performance Period will be measured using the Performance Measure established for that Performance Period by the Board in accordance with Section 6. In the event such performance for such Performance Period is below the minimum Performance Measure established therefor, no Earned Performance Award will be paid to Participants in respect thereof. In no event shall an Earned Performance Award exceed \$3 million dollars.

5. Target Performance Award. Each Participant shall be assigned a Target Performance Award at the beginning of the Performance Period, as determined by the Board. The Target Performance Award will be expressed as a percentage of the Participant's base pay at the time the Target Performance Award is assigned. The actual award payable to a Participant at the end of the Performance Period will be determined by applying the percentage achievement of the Performance Measure and multiplying that result against the Target Performance Award to determine the Earned Performance Award.

6. Performance Measure.

(a) The Board will approve for each Performance Period the applicable Performance Measure. Such Performance Measure may be adjusted during a Performance Period to prevent dilution or enlargement of an award as a result of extraordinary events or circumstances as determined by the Board or to exclude the effects of extraordinary, unusual or nonrecurring events, changes in accounting principles, discontinued operations, acquisitions, divestitures and material restructuring charges.

(b) The Corporation will: (i) notify each eligible employee who has been selected to participate in this Performance Plan that he or she is a Participant under this Performance Plan for such Performance Period; and (ii) communicate in writing to each Participant the Target Performance Award granted to such Participant pursuant to Section 5 and the Performance Measure applicable to such Participant for such Performance Period.

(c) In the case of a Participant who is a 162(m) Employee, a Performance Measure must be pre-established by the Committee, must be objective, and must state, in terms of an objective formula or standard, the method for computing the amount of compensation payable if the Performance Measure is attained. A Performance Measure is considered "pre-established" for purposes of this paragraph if it is established in writing by the Committee no later than 90 days after the commencement of a Performance Period, provided that the outcome is substantially uncertain at the time the Committee actually establishes the Performance Measure. However, in no event will a Performance Measure be considered to be pre-established if it is established after 25% of a Performance Period has elapsed. A Performance Measure is considered "objective" if a third party having knowledge of the relevant facts could determine whether the Performance Measure is met. A formula or standard is considered "objective" if a third party having knowledge of the relevant performance results could calculate the amount to be paid to the Participant.

The Performance Measure may be based on one or more of the following criteria and may be based on attainment of a particular level of, or on a positive change in, a factor: revenue, revenue per employee, earnings before income tax (profit before taxes), earnings before interest and income tax, net earnings (profit after taxes), earnings per employee, tangible, controllable or total asset turnover, earnings per share, operating income, total shareholder return, market share, return on equity, return on invested capital, growth in earnings, before-tax return on net assets, after-tax return on net assets, distribution expense, inventory turnover, economic value added (economic profit).

7. Payment of Awards.

(a) Subject to Sections 8 and 9, the value of the Earned Performance Award with respect to a Performance Period will be paid on the 15th day of the Corporation's February fiscal month following the end of the Performance Period, provided the Participant is employed by the Operating Unit as of the last day of such Performance Period, and such payment, if any is earned, shall be made in the following form: (i) 50% of the value thereof in the form of cash; and (ii) 50% of the value thereof in the form of common stock of HNI Corporation as Bonus Stock or deferred shares, as elected by the Participant, and as granted by the Board under the 1995 Stock-Based Compensation Plan or the 2007 Stock-Based Compensation Plan, if approved by the shareholders of the Corporation. For purposes hereof, an Earned Performance Award will be deemed to be paid after the date specified above if it is paid within six (6) months thereafter. All Earned Performance Awards that are paid in cash will be paid in U.S. dollars. The Corporation may deduct from any payment such amounts as may be required to be withheld under any federal, state or local tax laws. In the case of a Participant who is a 162(m) Employee, the Committee shall certify the extent to which the Participant has satisfied each of his or her Performance Measure.

(b) All Earned Performance Awards paid to the Chief Executive Officer and Chief Financial Officer of the Corporation under this Plan are subject to forfeiture as provided in Section 304 of the Sarbanes-Oxley Act of 2002, and the implementing rules and regulations. Notwithstanding anything in the Plan to the contrary, the Board may reduce the amount of, or completely eliminate, an Earned Performance Award otherwise payable to a Participant for a Performance Period if the Board determines that due to the Participant's performance or behavior during or immediately following such Performance Period the Participant should not be entitled to the Earned Performance Award.

8. Termination of Employment.

(a) If a Participant terminates employment with the Corporation and its Subsidiaries due to death, Disability, or Retirement occurring before the last day of a Performance Period, the Participant's Earned Performance Award, if any, will be paid on the 15th day of the Corporation's February fiscal month following the end of the Performance Period, and the value of such Award shall be equal to a value, determined using the Performance Measure as of the end of the Performance Period, equal to the product of: (i) the number of the Target Performance Award; multiplied by (ii) a fraction, the numerator of which is the number of months in the Performance Period that occurred prior to such termination of employment, and the denominator of which is the total number of months in such Performance Period. For these purposes, a Participant will be credited with a month during a Performance Period only if he or she is employed for at least 15 days during the month.

(b) Except as provided in Section 9, if a Participant's employment with the Corporation and its Subsidiaries terminates for any reason other than death, Disability or Retirement before the last day of a Performance Period, the Participant will not be entitled to any payment or award under this Performance Plan unless otherwise determined by the Board.

9. Change in Control of the Corporation.

(a) In connection with a Change in Control of the Corporation, the value of each Target Performance Award shall be determined by the Board prior to the effective date of the Change in Control, and each Participant's Target Performance Award will become payable without proration within 30 days prior to such date.

(b) A "Change in Control of the Corporation" shall mean:

(i) the acquisition by any individual, entity or group (with the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either: (A) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock"); or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of Directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (I) any acquisition directly from the Corporation; (II) any acquisition by the Corporation; (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation; or (IV) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this paragraph; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

10. Sale of Operating Unit. Except as provided in paragraph 9, in the event of the sale of substantially all of the stock or assets of an Operating Unit, with respect to each Participant employed by such Operating Unit on the date of such sale, the value of each Award shall be determined as of the date of such sale by the Board based on the percentage of the Performance Measure completed as of the date of sale, the number of months of the Performance Period completed at the time of sale, the actual purchase price of the Operating Unit and such other factors as the Board deems relevant in light of the circumstances of the sale. Payments pursuant to this Section 10 shall be made 60 days after the date of the sale. For these purposes, a month will be considered to have been completed at the time of the sale only if the sale occurs later than the 14th day of the month.

11. Transfers and Changes in Responsibilities.

(a) If a Participant's responsibilities materially change or the Participant is transferred during a Performance Period to another Operating Unit or to a position that is not designated or eligible to participate in this Performance Plan, the Corporation may, as determined by the Board, either: (i) continue the Participant's participation in this Performance Plan and establish a new Target Performance Award and Performance Measure for the Participant with respect to his or her new position; or (ii) terminate the Participant's participation in this Performance Plan and, as of the date of such change or transfer, prorate the Participant's Target Performance Award on the basis of the ratio of the number of months of the Participant's participation during the Performance Period to which such Target Performance Award relates to the aggregate number of months in such Performance Period. For these purposes, a Participant will be considered to have participated for a month during a Performance Period only if he or she participated for at least 15 days during the month.

(b) If in the event of such a change or transfer and the Participant's participation in this Performance Plan is not terminated pursuant to Section 11(a)(ii), then the Participant's Earned Performance Award will be prorated on the basis of the number of months of service by the Participant at each Operating Unit during the Performance Period. For these purposes, a Participant will be credited with a month of service at an Operating Unit only if he or she was employed by the Operating Unit for at least 15 days during the month.

(c) Notwithstanding any provision of the Performance Plan to the contrary, no such change or transfer pursuant to Section 11(a) shall change the time or form of payment of the Earned Performance Award payable under the Performance Plan pursuant to Section 11(b).

12. Security of Payment of Benefits. Unless otherwise determined by the Board, all Earned Performance Awards will be paid from the Corporation's general assets, and nothing contained in this Performance Plan will require the Corporation to set aside or hold in trust any funds for the benefit of any Participant, who will have the status of a general unsecured creditor of the Corporation.

13. Administration of the Plan.

(a) This Performance Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under this Performance Plan to the Committee. Notwithstanding the forgoing, in the case of any 162(m) Employee, the Committee shall have sole and exclusive authority to: (i) establish the Performance Measures for such employee; (ii) determine and certify the achievement of the Performance Measures for such employee, and (iii) make any other discretionary decision affecting such employee under the Plan.

(b) The Board will take such actions as are required to be taken by it hereunder, may take the actions permitted to be taken by it hereunder, and will have the authority from time to time to interpret this Performance Plan and to adopt, amend, and rescind rules and regulations for implementing and administering this Performance Plan. All such actions will be in the sole discretion of the Board and, when taken, will be final, conclusive, and binding. Without limiting the generality or effect of the foregoing, the interpretation and construction by the Board of any provision of this Performance Plan or of any agreement, notification, or document evidencing the grant of benefits payable to Participants and any determination by the Board in its sole discretion pursuant to any provision of this Performance Plan or any provision of such agreement, notification, or document will be final and conclusive.

(c) The existence of this Performance Plan or any right granted or other action taken pursuant hereto will not affect the authority of the Board or the Corporation to take any other action, including in respect of the grant or award of any annual or long-term incentive or other right or benefit, whether or not authorized by this Performance Plan, subject only to limitations imposed by other benefit plans of the Corporation and by applicable law.

14. Miscellaneous.

(a) This Performance Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Corporation or any Subsidiary, nor will it interfere in any way with any right the Corporation or any Subsidiary would otherwise have to terminate or modify the terms of such Participant's employment or other service at any time.

(b) Except as otherwise provided in this Performance Plan, no right or benefit under this Performance Plan will be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge such right or benefit will be void. No such right or benefit will in any manner be liable for or subject to the debts, liabilities, or torts of a Participant.

(c) This Performance Plan may be amended or terminated from time to time by the Board (but in no event later than the 15th day of March following the end of the Performance Period). In the event this Performance Plan is terminated before the last day of a Performance Period, the Earned Performance Award otherwise payable for such Performance Period will be prorated on the basis of the ratio of the number of months in such Performance Period prior to such termination to the aggregate number of months in such Performance Period and will be paid only after the end of such Performance Period, which will be deemed to continue until the expiration thereof as if this Performance Plan had not been terminated. For these purposes, a month will be considered to have been completed at the time of the amendment or termination only if the amendment or termination is effective later than the 14th day of the month.

The Performance Plan will be terminated in the event the shareholders of the Corporation approve a complete liquidation or dissolution of the Corporation that will be taxed under Section 331 of the Code. In such case, the value of each Target Performance Award shall be determined by the Board prior to the effective date of the dissolution, and each Participant's Target Performance Award will become payable upon such dissolution.

(d) If any provision in this Performance Plan is held to be invalid or unenforceable, no other provision of this Performance Plan will be affected thereby.

(e) This Performance Plan will be governed by and construed in accordance with applicable United States federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Iowa, without giving effect to the principles of conflict of laws thereof.

15. Effective Date. The amendment and restatement of this Performance Plan set forth herein will become effective as of January 1, 2005.

HNI CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

As Amended and Restated Effective January 1, 2005 to comply with Section 409A
of the Internal Revenue Code

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HNI Corporation
Directors Deferred Compensation Plan

1. Amendment and Restatement

1.1. Amendment and Restatement. HNI Corporation, an Iowa corporation (the "Corporation"), hereby amends and restates, effective as of January 1, 2005 (the "Restatement Date"), the HNI Corporation Directors Deferred Compensation Plan (the "Plan") to comply with Section 409A of the Internal Revenue Code. The Plan first became effective on August 9, 1999.

1.2. Purpose. The purpose of the Plan is to give Outside Directors the opportunity to defer the fees payable to them by the Corporation to achieve their personal financial planning goals.

1.3. Application of the Plan. The terms of the Plan, as set forth in this restatement, shall apply to amounts deferred under the Plan on or after January 1, 2005, and to the payment of amounts deferred under the Plan prior to, but not yet distributed as of, January 1, 2005. Accordingly, amounts deferred under the Plan prior to January 1, 2005, the effective date of Code Section 409A, are not intended to be grandfathered under Section 409A.

2. Definitions

2.1. Definitions. Whenever used in the Plan, the following terms shall have the meaning set forth below and, when the defined meaning is intended, the term is capitalized:

- (a) "Account" means the device used to measure and determine the amount of benefits payable to a Participant or Beneficiary under the Plan. The Corporation shall establish a Cash Account and Stock Account for each Participant under the Plan, and the term "Account," as used in the Plan, may refer to either such Account or the aggregate of the two Accounts. In addition, the Corporation shall establish a separate Sub-Account under each of the Participant's Cash Account and Stock Account for each Deferral Election Agreement entered into by the Participant pursuant to Section 4.2.
- (b) "Beneficiary" means the persons or entities designated by a Participant in writing pursuant to Article 6 of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of the Participant, or, in the absence of such designation, the Participant's estate pursuant to the rules specified in Article 6.
- (c) "Board of Directors" or "Board" means the Board of Directors of the Corporation.
- (d) "Change in Control" means:

(i) the acquisition by any individual, entity or group (with the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of Directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (I) any acquisition directly from the Corporation; (II) any acquisition by the Corporation; (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation; or (IV) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this paragraph; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

- (e) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.
- (f) "Committee" means the Committee established by the Chairman of the Board to administer the Plan.
- (g) "Corporation" means HNI Corporation, an Iowa corporation.
- (h) "Compensation," of a Participant, means the Participant's annual retainer, meeting fees, and any other amounts payable to the Participant by the Corporation for services performed as an Outside Director, in cash or Stock, excluding any amounts distributable under the Plan.
- (i) "Deferral Election Agreement" means the agreement described in Section 4.2 and attached hereto as Exhibit A, in which the Participant designates the amount of his or her Compensation, if any, that he or she wishes to contribute to the Plan and acknowledges and agrees to the terms of the Plan.
- (j) "Elective Deferral" means a contribution to the Plan made by a Participant pursuant to a Deferral Election Agreement that the Participant enters into with the Corporation. Elective Deferrals shall be made according to the terms of the Plan set forth in Section 4.2.
- (k) "Enrollment Period" means the period designated by the Corporation during which a Deferral Election Agreement may be entered into with respect to a Participant's future Compensation as described in Section 4.2. Generally, the Enrollment Period must end no later than the end of the calendar year before the calendar year in which the services giving rise to the Compensation to be deferred are performed. As described in Section 4.2, an exception may be made to this requirement for individuals who first become eligible to participate in the Plan.
- (l) "Fair Market Value" means the average of the high and low transaction prices of a share of Stock on the New York Stock Exchange on the date as of which such value is being determined, or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate.

- (m) "Outside Director" means a non-employee member of the Board of Directors.
- (n) "Participant" means an Outside Director who has entered into a Deferral Election Agreement.
- (o) "Plan Year" means the consecutive 12-month period beginning each January 1 and ending December 31.
- (p) "Qualified Domestic Relations Order" has the same meaning as in Section 414(p) of the Code.
- (q) "Separation from Service," of a Participant, means the Participant's cessation of services for the Corporation as an Outside Director, provided that the Corporation does not then anticipate that the Outside Director will perform future services for the Corporation as an Outside Director (or other independent contractor).
- (r) "Specified Employee" means a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5)) of the Corporation. For purposes hereof, an employee is a key employee if the employee meets the requirements of Section 416(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Section 416(i)(5)) at any time during the 12-month period ending on December 31. If a person is a key employee as of such date, the person is treated as a Specified Employee for the 12-month period beginning on the first day of the fourth month following such date.
- (s) "Stock" means the Corporation's common stock, \$1.00 par value.
- (t) "Stock Unit" means the notational unit representing the right to receive one share of Stock.
- (u) "Subsidiary" means any corporation, joint venture, partnership, unincorporated association or other entity in which the Corporation has a direct or indirect ownership or other equity interest and directly or indirectly owns or controls more than 50 percent of the total combined voting or other decision-making power.

2.2. Gender and Number. Except when otherwise indicated by the context, any masculine term used in the Plan also shall include the feminine gender; and the definition of any plural shall include the singular and the singular shall include the plural.

3. Eligibility and Participation

- 3.1. Eligibility. Participation in the Plan shall be limited to Outside Directors.

3.2. Missing Persons. Each Participant and Beneficiary entitled to receive benefits under the Plan shall be obligated to keep the Corporation informed of his or her current address until all Plan benefits that are due to be paid to the Participant or Beneficiary have been paid to him or her. If the Corporation is unable to locate the Participant or his or her Beneficiary for purposes of making a distribution, the amount of a Participant's benefit under the Plan that would otherwise be considered as non-forfeitable shall be forfeited effective one year after: (a) the last date a payment of said benefit was made, if at least one such payment was made; or (b) the first date a payment of said benefit was due to be made pursuant to the terms of the Plan, if no payments have been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

4. Establishment and Entries to Accounts

4.1. Accounts. The Committee shall establish a Cash Account, Stock Account or both for a Participant under the Plan as follows:

(a) Cash Account. A Participant's Cash Account, as of any date, shall consist of the Compensation that the Participant has elected to allocate to that Account under his or her Deferral Election Agreement(s) pursuant to Section 4.2, increased by earning thereon pursuant to Section 4.3(a), and adjusted to reflect distributions from the Account pursuant to Sections 4.4, 4.5 and 4.6.

(b) Stock Account. A Participant's Stock Account, as of any date, shall consist of the Compensation that the Participant has elected to allocate to that Account pursuant to Section 4.2, increased with earnings (including dividend equivalents) thereon and converted to Stock Units pursuant to Section 4.3(b), and adjusted to reflect distributions from the Account pursuant to Sections 4.4, 4.5 and 4.6.

The Committee shall establish a separate Sub-Account under each of these Accounts for each Deferral Election Agreement entered into by the Participant pursuant to Section 4.2. As specified in Section 4.2, as part of a Participant's Deferral Election Agreement, the Participant shall elect how amounts deferred under each Deferral Election Agreement are to be distributed to him or her from among the available distribution options described in Section 4.4. The separate Sub-Accounts are established to account for the different distribution terms that may apply to each Sub-Account. The Corporation may combine Sub-Accounts that have identical distribution terms, or may establish other Sub-Accounts for a Participant under the Plan from time to time in its discretion, as it deems appropriate or advisable. A Participant shall have a full and immediate nonforfeitable interest in his or her Accounts at all times.

4.2 Deferral Election Agreement. A Participant wishing to make an Elective Deferral under the Plan for a Plan Year shall enter into a Deferral Election Agreement during the Enrollment Period immediately preceding the beginning of the Plan Year. A separate Deferral Election Agreement must be entered into for each Plan Year that a Participant wishes to make Elective Deferrals under the Plan. In order to be effective, the Deferral Election Agreement must be completed and submitted to the Corporation at the time and in the manner specified by the Committee, which may be no later than the last day of the Enrollment Period. The Corporation shall not accept Deferral Election Agreements entered into after the end of the Enrollment Period.

For the Plan Year in which an individual first becomes a Director, the Committee may, in its discretion, allow the Director to enter into a Deferral Election Agreement within 30 days after the date on which he or she becomes a Director. In order to be effective, the Deferral Election Agreement must be completed and submitted to the Committee on or before the 30-day period has elapsed. The Committee will not accept Deferral Election Agreements entered into after the 30-day period has elapsed. If the Director fails to complete a Deferral Election Agreement by such time, he or she may enter into a Deferral Election Agreement during any succeeding Enrollment Period in accordance with the rules described in the preceding paragraph. For purposes of the exception described in this paragraph, the term "Plan" means the Plan and any other plan required to be aggregated with the Plan pursuant to Code Section 409A, and the regulations and other guidance thereunder. Accordingly, if an Outside Director has previously been eligible to participate in a plan required to be aggregated with the Plan, then the 30-day exception described in this paragraph shall not apply to him or her.

For each Deferral Election Agreement the Participant enters into, the Participant shall specify:

(a) The amount, by dollar amount or percentage, of Compensation otherwise payable to the Participant in cash to be deferred under the Plan, and the amount, by number of shares or percentage, of Compensation otherwise payable to the Participant in Stock to be deferred under the Plan;

(b) The manner in which the amount in (a), above, is to be allocated between the Participant's Cash Account and Stock Account, by dollar amount or percentage; provided, however, that in the case of Compensation otherwise payable to the Participant in Stock, the Compensation shall automatically be allocated to the Stock Account; and

(c) The time and manner of distribution (consistent with the requirements of Section 4.4) of the Sub-Accounts established with respect to the Deferral Election Agreement.

The Committee may from time to time establish a minimum amount that may be deferred by a Participant pursuant to this Section 4.2 for any Plan Year.

Elective Deferrals shall be credited to the Participant's Cash Account or Stock Account, as the case may be, on, or as soon as administratively reasonable after, the Compensation would have been paid to the Participant had the Participant not elected to defer it under the Plan.

In general, a Deferral Election Agreement shall become irrevocable as of the last day of the Enrollment Period applicable to it. However, if a Participant incurs an "unforeseeable emergency," as defined in Section 4.5(d)(ii) after the Deferral Election Agreement otherwise becomes irrevocable, the Deferral Election Agreement shall be cancelled as of the date on which the Participant is determined to have incurred the unforeseeable emergency and no further Elective Deferrals will be made under it.

4.3. Adjustments to Accounts.

(a) A Participant's Cash Account shall be credited with earnings on a calendar monthly basis in an amount equal to the product of: (1) the lowest Cash Account balance during the month; and (2) the rate specified by the Committee for the month, which rate may be changed by the Committee from time to time in its discretion as it deems appropriate. The interest so computed for a month shall be credited to the Cash Account as of the first day of the immediately succeeding month.

(b) The Elective Deferrals allocable to a Participant's Stock Account under a Deferral Election Agreement shall be converted to Stock Units on the date they are credited to the Account. In the case of Elective Deferrals of Compensation otherwise payable to the Participant in cash, the number of whole and fractional Stock Units so credited shall be equal to the dollar amount of the Elective Deferrals allocated to the Stock Account as of such date divided by the Fair Market Value per share of Stock on such date. In the case of Elective Deferrals of Compensation otherwise payable to the Participant in Stock, the number of Stock Units so credited shall be equal to the number of shares of Stock that the Participant has elected to defer pursuant to the Deferral Election Agreement. On each date on which the Corporation pays a cash dividend (the "dividend date"), the Stock Account shall be credited with an additional number of Stock Units determined by dividing the dollar amount that the Corporation would have paid as a dividend if the Stock Units held in the Participant's Stock Account as of the record date for the dividend were actual shares of Stock divided by the Fair Market Value of a share of Stock on the dividend date. Appropriate adjustments in the Stock Account shall be made as equitably required to prevent dilution or enlargement of the Account from any Stock dividend, Stock split, reorganization or other such corporate transaction or event.

4.4. Commencement and Form of Distribution of Sub-Account. As stated in Section 4.2(c), above, as part of his or her Deferral Election Agreement, a Participant shall elect: (a) the date on which distribution of the Compensation deferred under the Deferral Election Agreement (as adjusted pursuant to Section 4.3) is to commence, which date may be no earlier than one year following the end of the Plan Year in which such Compensation would otherwise have been paid to the Participant; and (b) the form of distribution of such deferred Compensation from the available distribution forms set forth below:

- (a) a single sum payment, or
- (b) annual installments over a number, not to exceed 15, of years specified by the Participant.

All distributions from Cash Sub-Accounts shall be paid in the form of cash. All distributions from Stock Sub-Accounts shall be paid in the form of Stock (with each Stock Unit converted to one share of Stock at the time of distribution), except that fractional shares shall be distributed in the form of cash.

If a Participant elects payment in the form of a lump sum, distribution shall be made to the Participant in a lump sum on the commencement date elected by the Participant.

If the Participant elects payment in the form of annual installments, the initial installment payment shall be made on the commencement date elected by the Participant. The remaining annual installment payments shall be made on each anniversary of the commencement date during the payment period elected by the Participant. During the installment payment period, earnings and dividends shall be credited to the Participant's Sub-Account in the manner provided in Section 4.3(a) and (b). The amount of each installment payment shall be equal to the balance of the Participant's Sub-Account immediately prior to the installment payment, multiplied by a fraction, the numerator of which is one, and the denominator of which is the number of installment payments remaining, with the last installment consisting of the balance of the Participant's Sub-Account.

A Participant may modify an election for payment of a Sub-Account to postpone the commencement date and change the form of payment to another form permitted under the Plan. In order to be effective, the requested modification must: (a) be in writing and be submitted to the Corporation at the time and in the manner specified by the Committee; (b) not take effect for at least 12 months from the date on which it is submitted to the Corporation; (c) be submitted to the Corporation at least 12 months prior to then scheduled distribution commencement date ("original distribution date"); and (d) specify a new distribution commencement date that is no earlier than five years after the original distribution date. For purposes hereof, if the original distribution date is a Plan Year rather than a specified date within a Plan Year, the original distribution date shall be deemed to be the first day of the Plan Year.

4.5. Exceptions to Payment Terms. Notwithstanding anything in this Article 4 or a Participant's Deferral Election Agreement (as may be modified pursuant to the last paragraph of Section 4.4) to the contrary, the following terms, if applicable, shall apply to the payment of a Participant's Sub-Accounts.

(a) Separation from Service before Scheduled Distribution Commencement Date. If a Participant has a Separation from Service for any reason, including death or disability, before the date on which distribution of a Sub-Account is scheduled to commence, distribution of the Sub-Account will commence within ninety (90) days after the date on which the Separation from Service occurs. Except as specified in Article 6 and paragraph (b) of this Section 4.5, distribution will be made in the same form (i.e., lump sum or installments, and if installments, over the same period) as elected by the Participant in his or her Deferral Election Agreement (as may be modified pursuant to the last paragraph of Section 4.4).

(b) Small Payments. If the aggregate value of all of a Participant's Sub-Accounts (and all accounts under any other plans in which he or she participates and which are required to be aggregated with this Plan pursuant to Code Section 409A and regulations thereunder) as of the date on which he or she has a Separation from Service does not exceed \$5,000 for the calendar year containing the date of Separation from Service, the Sub-Accounts shall be distributed to the Participant (or his or her Beneficiary, as the case may be) in a lump sum within ninety (90) days following the Separation from Service.

(c) Delay in Distributions.

(i) If the Participant is a Specified Employee, any Plan distributions that are otherwise to commence on the Participant's Separation from Service shall commence after the Separation from Service on the date immediately following the six-month anniversary of the Separation from Service, or if earlier, on the date of the Participant's death. In this case, the first payment following the period of delay required by this Section 4.5 (c)(i) shall be increased by any amount that would otherwise have been payable to the Participant under the Plan during the delay period.

(ii) The Corporation shall delay the distribution of any amount otherwise required to be distributed under the Plan if, and to the extent that, the Corporation reasonably anticipates that the Corporation's deduction with respect to such distribution otherwise would be limited or eliminated by application of Section 162(m) of the Code. In such event, (A) if any payment is delayed during any year on account of Code Section 162(m), then all payments that could be delayed on account of Code Section 162(m) during such year must also be delayed; (B) such delayed payments must be paid either (1) in the first year in which the Corporation reasonably anticipates the payment to be deductible, or (2) the period beginning on the date of the Participant's Separation from Service and ending on the later of the end of the Participant's year of separation or the fifteenth (15th) day of the third month after such separation; and (C) if payment is delayed to the date of Separation from Service with respect to a Participant who is a Specified Employee, such payment shall commence after such Participant's Separation from Service on the date immediately following the six-month anniversary of the Separation from Service, or if earlier, on the date of the Participant's death.

(iii) The Corporation shall delay the distribution of any amount otherwise required to be distributed under the Plan if, and to the extent that, the Corporation reasonably anticipates that the making of the distribution would violate Federal securities laws or other applicable law. In such event, the distribution will be made at the earliest date on which the Corporation reasonably anticipates that the making of the distribution will not cause such a violation.

(d) Acceleration of Distributions. All or a portion of a Participant's Sub-Accounts shall be distributed at an earlier time and in a different form than specified in this Article 4:

(i) As may be necessary to fulfill a Qualified Domestic Relations Order or a certificate of divestiture (as defined in Code Section 1043(b)(2)).

(ii) If the Participant or Beneficiary has an unforeseeable emergency. For these purposes an "unforeseeable emergency" is a severe financial hardship of the Participant resulting from an illness or accident of the Participant or the Participant's spouse, Beneficiary or dependent (as defined in Section 152(a) of the Code, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency. Finally, the need to pay for funeral expenses of a spouse, Beneficiary or a dependent (as defined in Section 152(a) of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an unforeseeable emergency. Except as otherwise provided in this paragraph (d)(ii), the purchase of a home and the payment of college tuition are not unforeseeable emergencies. Whether a Participant is faced with an unforeseeable emergency permitting a distribution under this paragraph (d)(ii) is to be determined based on the relevant facts and circumstances of each case, but, in any case a distribution on account of an unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Elective Deferrals.

Distributions because of an unforeseeable emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). Determinations of the amounts reasonably necessary to satisfy the emergency need must take into account any additional compensation that is available due to the Participant's cancellation of a Deferral Election Agreement due to unforeseeable emergency pursuant to Section 4.2. However, the determination of amounts reasonably necessary to satisfy the emergency need is not required to take into account any additional compensation that due to the unforeseeable emergency is available under another nonqualified deferred compensation plan but has not actually been paid.

(iii) Due to a failure of the Plan to satisfy Section 409A with respect to the Participant, but only to the extent an amount is required to be included in the Participant's income as a result of such failure.

(iv) In the event of a Change in Control, in which case the Participant's Account shall be distributed to him or her in a lump sum within ninety (90) days after the date on which the Change in Control occurs.

4.6. Death Benefit. If a Participant dies with all or a portion of his or her Account unpaid, the Participant's Account (or the remaining balance of his or her Account as the case may be) shall be paid to the Beneficiary designated in accordance with Article 6, in the form (single sum or installments) elected by the Participant under Sections 4.2 and 4.4, subject to Section 4.5(b) and Article 6, with distribution commencing to the Beneficiary within ninety (90) days following the date of the Participant's death.

4.7. Funding. The Corporation's obligations under the Plan shall in every case be an unfunded and unsecured promise to pay. Each Participant's or Beneficiary's rights under the Plan shall be no greater than those of a general, unsecured creditor of the Corporation. The amount of each Participant's Account shall be reflected on the accounting records of the Corporation but shall not be construed to create, or require the creation of, a trust, custodial or escrow account. No Participant shall have any right, title, or interest whatever in or to any investment reserves, accounts, or funds that the Corporation may purchase, establish, or accumulate, and no Plan provision or action taken pursuant to the Plan shall create or be construed to create a trust or a fiduciary relationship of any kind between the Corporation and a Participant or any other person. All amounts paid under the Plan shall be paid in cash or Stock from the general assets of the Corporation, and the Corporation shall not be obligated under any circumstances to fund its financial obligations under the Plan. The Corporation may create a trust to hold funds or securities to be used in payment of its obligation under the Plan, and may fund such trust; provided, however, that any funds contained therein shall remain liable to the claims of the Corporation's general creditors.

5. Administration

5.1. Administration. The Plan shall be administered by the Committee. In addition to the other powers granted under the Plan, the Committee shall have all powers necessary to administer the Plan, including, without limitation, powers:

- (a) to interpret the provisions of the Plan;
- (b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and
- (c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

5.2. Actions of the Committee. The Committee (including any person or entity to whom the Committee has delegated duties, responsibilities or authority, to the extent of such delegation) has total and complete discretionary authority to determine conclusively for all parties all questions arising in the administration of the Plan, to interpret and construe the terms of the Plan, and to determine all questions of eligibility and status of Participants and Beneficiaries under the Plan and their respective interests. Subject to the claims procedures of Article 8, all determinations, interpretations, rules and decisions of the Committee (including those made or established by any person or entity to whom the Committee has delegated duties, responsibilities or authority, if made or established pursuant to such delegation) are conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

5.3. Delegation. The Corporation, or any officer or other employee of the Corporation, shall have the power to delegate specific duties and responsibilities to officers or other employees of the Corporation or other individuals or entities. Any delegation may be rescinded by the Corporation at any time. Each person or entity to whom a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity.

5.4. Expenses. The expenses of administering the Plan shall be borne by the Corporation.

5.5. Reports and Records. The Committee, and those to whom the Committee has delegated duties under the Plan, shall keep records of all their proceedings and actions and shall maintain books of account, records, and other data as shall be necessary for the proper administration of the Plan and for compliance with applicable law.

5.6 Valuation of Accounts and Account Statements. As of each valuation date, the Committee shall adjust the previous Account balances of each Participant for Elective Deferrals, distributions, and investment gains and losses. A "valuation date," for these purposes, is the last day of each calendar quarter, and such other dates as the Committee may designate from time to time in its discretion. The Committee shall provide each Participant with a statement of his or her Account balances on a quarterly basis.

5.7. Indemnification and Exculpation. The agents, officers, directors, and employees of the Corporation and its Subsidiaries and the Committee shall be indemnified and held harmless by the Corporation against and from any and all loss, cost, liability, or expense that may be imposed upon or reasonably incurred by them in connection with or resulting from any claim, action, suit, or proceeding to which they may be a party or in which they may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by them in settlement (with the Corporation's written approval) or paid by them in satisfaction of a judgment in any such action, suit or proceeding. The foregoing provision shall not be applicable to any person if the loss, cost, liability, or expense is due to such person's gross negligence or willful misconduct.

6. Beneficiary Designation

6.1. Designation of Beneficiary. Each Participant shall be entitled to designate a Beneficiary or Beneficiaries who, upon the Participant's death, will receive the amounts that otherwise would have been paid to the Participant under the Plan. All designations shall be signed by the Participant and shall be in a form prescribed by the Committee. The Participant may change his or her designation of Beneficiary at any time, on the form prescribed by the Committee and attached hereto as Exhibit B. The filing of a new Beneficiary designation form by a Participant shall automatically revoke all prior designations by that Participant.

6.2. Death of Beneficiary. In the event that all the Beneficiaries named by a Participant pursuant to Section 6.1 predecease the Participant, the Participant's Account shall be paid to the Participant's estate in a lump sum as soon as administratively reasonable after the date of the Participant's death. In the event of the death of the Beneficiary or Beneficiaries after the death of the Participant, the remaining amount of the Account shall be paid in a lump sum to the estate of the last surviving Beneficiary to receive payments as soon as administratively practicable after the death of the Beneficiary.

6.3. Ineffective Designation. In the event the Participant does not designate a Beneficiary, or for any reason such designation is ineffective in whole or in part, the ineffectively designated amounts shall be paid to the Participant's estate in a lump sum as soon as administratively reasonable after the date of the Participant's death.

7. Amendment and Termination

The Board of Directors has the authority to amend or terminate the Plan at any time. No amendment or termination of the Plan shall in any manner reduce the Account balance of any Participant without the consent of the Participant (or if the Participant has died, his or her Beneficiary). Without limiting the foregoing, the Board of Directors may, in its sole discretion: (a) freeze the Plan by precluding any further Elective Deferrals and/or other credits, but otherwise maintain the balance of the provisions of the Plan; or (b) terminate the Plan in its entirety and distribute the Participant's Accounts at an earlier date and in a different form than otherwise provided under the Plan. In order for any such freeze, termination or distribution to be effective, it must comply with the requirements of Section 409A of the Code.

8. Claims Procedure

The Committee shall notify a Participant in writing within 90 days of the Participant's written application for benefits of the Participant's eligibility or non-eligibility for benefits under the Plan, provided, however, that benefit distribution shall not be contingent upon a Participant's application for benefits. If the Committee determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provision of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the Participant to perfect the claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if a Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have the Participant's claim reviewed by the Committee by filing a petition for review with the Committee within 60 days after receipt by the Participant of the notice issued by the Committee. The petition shall state the specific reasons the Participant believes the Participant is entitled to benefits or greater or different benefits. Within 60 days after receipt by the Committee of the petition, the Committee shall afford the Participant (and the Participant's counsel, if any) an opportunity to present the Participant's position to the Committee orally or in writing, and the Participant (or counsel) shall have the right to review the pertinent documents, and the Committee shall notify the Participant of its decision in writing within the 60-day period, stating specifically the basis of the decision written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the 60-day period is not sufficient, the decision may be deferred for up to another 60-day period at the election of the Committee, but notice of this deferral shall be given to the Participant. If a Participant does not appeal on time, the Participant will have failed to exhaust the Plan's internal administrative appeal process, which is generally a prerequisite to bringing suit. In the event an appeal of a denial of a claim for benefits is denied, any lawsuit to challenge the denial of such claim must be brought within one year of the date the Committee has rendered a final decision on the appeal.

9. Miscellaneous

9.1. Unfunded, Non-ERISA Plan. The Plan is intended to be unfunded for tax purposes. Since participation in the Plan is generally limited to non-employees, it is not subject to the Employee Retirement Income Security Act of 1974. However, in the event a Participant should become an employee while participating in the Plan, the Plan shall be considered to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and therefore is intended to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

9.2. Nontransferability. No benefit payable at any time under the Plan will be subject in any manner to alienation, sale, transfer, assignment, pledge, levy, attachment, or encumbrance of any kind, except with respect to a domestic relations order that the Committee determines to be a Qualified Domestic Relations Order.

9.3. Successors. All obligations of the Corporation under the Plan shall be binding upon and inure to the benefit of any successor to the Corporation, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Corporation.

9.4. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. The Plan is intended to comply in form and operation with Section 409A of the Code, and shall be construed accordingly. If any provision of the Plan does not conform to the requirements of Section 409A, such that the inclusion of the provision would result in loss of the Plan's intended tax deferral, the Plan shall be construed and enforced as if such provision had not been included.

9.5. Applicable Law. To the extent not preempted by Federal law, the Plan shall be governed and construed in accordance with the laws of the state of Iowa.

9.6. No Other Agreements. The terms and conditions set forth herein, together with the Deferral Election Agreements entered into by Participants, constitute the entire understanding of the Corporation and the Participants with respect to the matters addressed herein.

9.7. Incapacity. In the event that any Participant or Beneficiary is unable to care for his or her affairs because of illness or accident, any payment due may be paid to the Participant's or Beneficiary's spouse, parent, brother, sister or other person deemed by the Committee to have incurred expenses for the care of such Participant or Beneficiary, unless a duly qualified guardian or other legal representative has been appointed.

9.8. Counterparts. This Plan may be executed in any number of counterparts, each of which when duly executed by the Corporation shall be deemed to be an original, but all of which shall together constitute but one instrument, which may be evidenced by any counterpart.

9.9. Electronic Media. Notwithstanding anything in the Plan to the contrary, but subject to the requirements of the Code or other applicable law, any action or communication otherwise required to be taken or made in writing by a Participant or Beneficiary or by the Corporation or the Committee shall be effective if accomplished by another method or methods required or made available by the Corporation or Committee, or their agent, with respect to that action or communication, including e-mail, telephone response systems, intranet systems, or the Internet.

9.10. Administratively Reasonable. A payment under the Plan will be deemed to be made as soon as administratively reasonable after a date if it is made within the same calendar year as such date, or, if later, by the 15th day of the third calendar month following such date.

9.11. Release. Any payment of benefits to or for the benefit of a Participant or a Participant's Beneficiaries that is made in good faith by the Corporation in accordance with the Corporation's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Corporation or any of its Subsidiaries for benefits under the Plan to the extent of such payment.

9.12 Notices. Any notice permitted or required under the Plan shall be in writing and shall be hand-delivered or sent, postage prepaid, by first class mail, or by certified or registered mail with return receipt requested, to the Committee, if to the Corporation, or to the address last shown on the records of the Corporation, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand-delivery or mailing.

9.13 No Guaranty of Board Position. Nothing in the Plan shall be construed as guaranteeing a right to future membership on the Board.

HNI CORPORATION
 DIRECTORS DEFERRED COMPENSATION PLAN

DEFERRAL ELECTION AGREEMENT

I, _____, hereby elect to participate in the Directors Deferred Compensation Plan (the "Plan") with respect to my annual Board retainer and Committee retainer (collectively, "Fees") and grants or awards of stock that I may receive beginning January 1, 20__.

1. Cash Compensation. I hereby elect to defer payment of the Fees which I otherwise would be entitled to receive in cash as follows:

Cash Fees to be Deferred	
Cash Account	Stock Account
\$ _____ or _____ % of my Fees	\$ _____ or _____ % of my Fees

2. Common Stock Compensation. I hereby elect to defer payment of the Fees, which I otherwise would be entitled to receive as common stock of the Corporation, other than compensation I elected to receive as Voluntary Shares under the Equity Plan, to my Stock Account as follows:

(Choose One)
 _____ %, or
 _____ shares per grant

3. Payment Deferral. Please defer payment of the Fees specified in this election until the following date:

- Until the date I cease to be a Director
- Until _____ (specify date), or if earlier, the date I cease to be

a Director

4. Type of Payment. Please make payment of the Fees deferred by this election, together with all amounts reflected on my Account attributable there to, in accordance with Section 4.4 of the Plan as follows:

- Pay in a lump sum
- Pay in _____ equal annual installments (may not be more than 15)

I acknowledge that I have reviewed the Plan and understand that my participation will be subject to the terms and conditions contained in the Plan. Words and phrases used in this Deferral Election Agreement shall have the meaning assigned by the Plan.

I acknowledge that I have been advised to consult with my own tax and estate planning advisors before making this election to defer in order to determine the tax effect of my participation in the Plan.

Dated this _____ day of _____, 20__.

 (Signature)

 (Print or type name)

NOTE: Keep one copy for your personal records. Return the original to the attention of: Corporate Secretary, HNI Corporation, 408 East Second Street, P.O. Box 1109, Muscatine, IA 52761-0071.

HNI CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

BENEFICIARY DESIGNATION

In accordance with the terms and conditions of the Directors Deferred Compensation Plan (the "Plan"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive the amounts payable under said Plan:

Name(s)

Address(es)

Social Security No(s) of Beneficiary(ies)

Relationship(s)

Date(s) of

Birth _____

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person(s) as beneficiary(ies):

Name(s)

Address(es) _____

Social Security No(s) of Beneficiary(ies)

Relationship(s)

Date(s) of

Birth _____

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan. In the event that there is no beneficiary living at the time of my death, I understand that the amounts payable under the Plan will be paid to my estate.

Dated: _____

(Signature)

(Print or type name)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Sarbanes-Oxley Act Section 302

I, Stan A. Askren, certify that:

1. I have reviewed this report on Form 10-Q of HNI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d) - 15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly, during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2007

/s/ Stan A. Askren

Name: Stan A. Askren

Title: Chairman, President and Chief
Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Sarbanes-Oxley Act Section 302

I, Jerald K. Dittmer, certify that:

1. I have reviewed this report on Form 10-Q of HNI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d- 15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly, during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2007

/s/ Jerald K. Dittmer

Name: Jerald K. Dittmer

Title: Vice President and Chief Financial
Officer

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of HNI Corporation (the "Corporation") for the quarterly period ended September 29, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stan A. Askren, as Chairman, President and Chief Executive Officer of the Corporation, and Jerald K. Dittmer, as Vice President and Chief Financial Officer of the Corporation, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation as of the dates and for the periods expressed in the Report.

Date: November 1, 2007

/s/ Stan A. Askren
Name: Stan A. Askren
Title: Chairman, President and Chief
Executive Officer

Date: November 1, 2007

/s/ Jerald K. Dittmer
Name: Jerald K. Dittmer
Title: Vice President and Chief Financial
Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.