

CONTRACT

AGREEMENT between The Center for Environmental Structure (hereinafter "Designer" or CES), and Herman Miller, Inc., a Michigan corporation located and doing business at Zeeland, Michigan 49464 (hereinafter "HMI").

1. Purpose

The purpose of this Agreement is to express the relationship between the Designer and Herman Miller, Inc., including the services to be performed and the responsibilities of the Designer and Herman Miller's responsibilities to the Designer in connection with his work.

2. The Parties

HMI is a manufacturer of office, health care, and material-handling systems and products and wishes to use the services of Designer for the design and development of new products. Designer is an independent consultant who has expertise in the design of the product described in Exhibit A, attached hereto. The parties are independent contractors with respect to each other and neither is to be considered an employee of the other.

2. Project Description

The Personal Workplace is a new concept for an office environment. The objective is to provide the user a personal and unique workplace. See attached concept document titled "The Personal Workspace" (Exhibit A).

For the purposes of establishing royalty compensation, the various elements of this Personal Workspace will be broken down into product groups as follows:

Product Group #1: Task Seating and Upright Seating including work chairs and desk chairs.

Product Group #2: Freestanding Desks

Product Group #3: Bookcases and Open Storage Walls

Product Group #4: Files and Storage Boxes

Product Group #5: Counters and Credenzas

Product Group #6: Thick Wall Elements--a system of non-modular wall elements that enclose a space, provide storage, doorways, windows, columns, display, enclosure, and other wall-dependent furniture.

Product Group #7: Lounge Seating including sofas and other types of soft seating.

Product Group #8: Flooring, Platforms, and Ceilings

Product Group #9: Conference Tables and Occasional Tables

Product Group #10: Accessories such as waste baskets, footrests, tackboards, marker boards, lighting, etc.

Product Group #11: Lighting, curtains, and reflectors related to lighting performance.

Upon completion of the design of a product for Personal Workspace, CES and HMI will determine in which product group it will be placed. Each one of these product group's royalty will be based upon its cumulative volume as provided in Paragraph 10.

4. Establishment of Project Plans and Budgets

After consultation with the Designer, HMI will establish plans with schedules and budgets for this project as outlined in the letter attached (Exhibit B). HMI and Designer agree that the budget for the first three years of the project, beginning July 1, 1988, is \$1,500,000. This amount will be given to Designer in equal monthly

installments, and payment is subject to HMI's right to cancel the project. Of such budgeted amount, \$500,000 shall be treated as design fees, \$500,000 shall be treated as royalty advances under Paragraph 19, and the remainder shall be treated as expenses. The designer will make every effort to meet the requirements of these plans, including but not limited to, collaboration with HMI on the development and refinement of the design concept, preparation of visual working prototypes of the product, consultation with HMI on the development, implementation, and commercialization of the Licensed Product (Paragraph 23).

5. Research

Research into questions of interest concerning or related to this project may be planned, budgeted, and funded by HMI and involve the Designer. The results, reports, and findings of this research will become the property of HMI and CES as provided in Paragraphs 16 and 17.

6. Designer Credits

HMI and its subsidiaries and licensees will give due credit, where appropriate, to the Designer in advertisements or promotional materials that it generates in connection with the product. HMI shall have the right and option to identify Designer as the designer of Licensed Product and to use his name and/or likeness in

all literature and advertising. The designer is CES. Where use is made of Christopher Alexander's name, care will be given to include other principal members of CES team when possible. In addition, HMI shall have the right to use whatever trademarks it desires in conjunction with the Licensed Products.

7. Marketing Support

Since both parties desire to maximize the marketing of the Licensed Products, the Designer is expected to provide reasonable support of the introductory marketing efforts connected with these products and will not receive additional compensation above and beyond royalties, travel, and reasonable away-from-home living expenses. HMI will consult with Designer in the preparation of advertising and public relations activities relating to the Licensed Products. Except at time when a product is launched, CES personnel required to perform special services to help advertising, marketing, etc., will be paid normal hourly or daily rates for such work.

8. Designer Liability Insurance

HMI will include the Designer as an insured party in any product liability insurance carried by HMI to insure against any liability of the Designer as a result of an alleged injury arising out of the use of any Licensed Product manufactured or sold by HMI or its licensees.

9. Advances on Royalties

During the period of time in which the products are under design, development, or implementation, and prior to its introduction and release to the general public, HMI will support the Designer's activities through the payments described in Paragraph 4. The payments are subject to termination as provided in Paragraph 17. HMI will recapture advances on royalties paid to the Designer from the first royalties due to the Designer after the Licensed Product is sold to the general public at a rate of thirty percent (30%) first year, forty percent (40%) second year, and fifty percent (50%) each succeeding year until the full amount of the advance has been recaptured. Designer will not be required to repay to HMI any unrecaptured advances.

10. Royalties

In consideration for the assignment of HMI to patent rights, design registrations, and copyrights as provided herein, HMI shall pay to the Designer for the life of the Licensed Product a royalty as provided below based upon net selling price of the Licensed Product sold. The royalties will be payable for each Licensed Product which is manufactured and sold by HMI in the United States, its territories and possessions, and for each Licensed Product manufactured or sold by HMI and its wholly owned subsidiaries

outside the United States, its territories, and possessions provided that in no case shall the royalty payable to Designer be greater than fifty percent (50%) of the allowable royalty payable to HMI by any such subsidiary outside the United States.

Notwithstanding the foregoing, to the extent that HMI is not permitted by law to withdraw from any foreign country royalty payments for the Licensed Products equal to twice the required royalty payments due under this Agreement and any royalty deficiency resulting from such restriction is permitted by law to be paid in such foreign country, then HMI shall require its subsidiary to pay to Designer's designated account in such country any deficiency in royalties required by this Agreement and allowed in such country. As used herein, the term "net selling price" shall mean HMI's audited net sales amount after discounts, credit memos, and freight are deducted from the invoice price to its dealers and regular customers.

The royalty paid to the Designer shall be based on the cumulative volume of Licensed Products by Product Group and Product Group Margin, and the royalty rate for each Licensed Product Group shall be determined as follows:

Cumulative Total
of Sales of
a Product Group
(per Paragraph 3)
Licensed Products

	Product Margin				
	40 and above	35	30	25	20 and below
Up to \$25 million	3.0%	2.5%	2.0%	1.5%	1.0%
\$25 to \$50 million	2.5%	2.0%	1.5%	1.0%	0.5%
\$50 to \$75 million	2.0%	1.5%	1.0%	0.5%	0.5%
\$75 to \$100 million	1.5%	1.0%	0.5%	0.5%	0.5%
\$100 to \$125 million	1.0%	0.5%	0.5%	0.5%	0.5%
Above \$125 million	0.5%	0.5%	0.5%	0.5%	0.5%

In the event that the product margin for a Licensed Product Group falls between two consecutive product margins in the table above, the royalty rate for such products shall be interpolated to reflect the relative value of the product margin between the two consecutive product margins. For example, if a Licensed Product has a product margin of thirty-seven percent (37%), a cumulative sales total under \$25 million, then the royalty rate for the Licensed Product for that accounting period will be 2.7 percent. Further examples with worked arithmetic are provided in Exhibit F.

The "product margin" for any product group shall be computed as follows:

$$\text{Product margin} = \frac{\text{sales price} - \text{recurring manufacturing costs} - \text{prod. serv. exp.}}{\text{sales price}} \times 100$$

and shall be rounded out to the nearest whole number. As used herein, the term "recurring manufacturing costs" shall mean material, labor, and overhead which are required to produce the product on an ongoing basis. The term "prod. serv.

exp." shall mean the costs of servicing the Licensed Product under warranty.

11. Reduction in Royalty Payments

In the event that the Designer dies or is otherwise unable or unwilling to assist HMI in product improvement efforts, HMI shall have the right to deduct from royalty payments due Designer its reasonable expenses incurred in hiring outside designers for design enhancements for the Licensed Products. In no case can the deduction exceed 15 percent of the earned royalties in the last 12 months.

12. Royalty and Payments to Designer

Subsequent to the sale of the Licensed Product, HMI will report to the Designer on or about the 15th day following the end of each quarter, ending the last day of August, November, February, and May, stating the number of each Licensed Product sold, the net sales of Licensed Products, and the royalties earned respectively during the preceding quarter to the extent that such information is available. If such information is not available at the time of the report being rendered, it will be included in subsequent reports. Each report shall be accompanied by a payment of royalties shown to be due, less deductions, if any, for advances against royalties and expenses as provided in Paragraph 11. Any royalties earned in a

quarter will be paid no later than the next succeeding report period. To the extent that royalties are paid in U.S. Dollars for foreign sales of Licensed Products, the conversion rate shall be that rate on the last date of the calendar quarter in which the Licensed Products are sold.

13. Records of Sales

HMI shall keep accurate records of its net sales of Licensed Products and its expenditures for design enhancements as provided in Paragraph 11 to enable the Designer to ascertain the validity of the reports, and its records shall be subject to audit at reasonable times by an auditor selected by the Designer, provided that the audit shall commence within two (2) years after the report to be audited has been received by the Designer. If no audit is commenced within two (2) years after the receipt of the report, the report shall be considered to be correct and will be binding and conclusive on both parties.

14. Design Origination

The Designer covenants and warrants that he is the original designer and inventor of the Licensed Product and that, to the best of his knowledge, no other person, firm, or corporation, other than HMI, has any title or ownership interest in the Licensed Product or in any U.S. disclosure document, patents, patent applications, and

design registrations relating thereto. Designer further warrants that there are no outstanding options, license agreements, or letters of intent in the world relating to ownership of the rights to the subject matter of this Agreement.

15. Proprietary Rights

The Designer agrees on behalf of himself and his employees to promptly execute and deliver to Herman Miller without further consideration all documents necessary to permit HMI to perfect and enforce its patents, design registrations, and copyrights relating to the Licensed Products and further agrees to assist HMI in prosecuting any patent infringements. To this end, the Designer agrees to require all present and future employees and consultants who are involved in this project to execute appropriate patent rights agreements and design origination agreements to be supplied by HMI. HMI shall have the sole right at its sole discretion to bring actions to enforce any proprietary rights relating to the Licensed Products.

16. Product Ownership

Except as provided in Paragraph 17 hereof, HMI shall have the exclusive right, title, and interest to all inventions and designs conceived or first reduced to practice under this Agreement or otherwise subject to this Agreement, and shall own all prototypes,

models, specifications, drawings, and other materials pertaining to any product or project covered by this Agreement except those models and drawings executed by CES prior to or as part of this work. Those models and drawings executed by CES are to remain the property of CES, but their transfer or use for the purpose of manufacture or commercialization shall be subject to the terms and conditions of this Agreement.

HMI shall have the exclusive right to manufacture, or have manufactured, use, and sell, and to grant licenses to others to manufacture, have manufactured, use, and sell the Licensed Products throughout the world. Upon commercial introduction of these products by HMI, CES may, at its discretion, use photos, drawings, and models for publication.

17. Project Cancellation

HMI may cancel the development of the Licensed Product or any product group, but only as provided in this paragraph. If HMI wishes to cancel development during the first three years, it must first schedule an executive meeting between appropriate personnel selected by each party. The parties at the meeting will review the progress and the quality of the work performed by CES. HMI may then cancel development if Rob Harvey and Dick Ruch give CES their written assurance that cancellation is a result of their belief that development work is not of a high quality or that CES is not

making every effort to comply with the plans as described in Exhibit B. HMI may not terminate development work during the first three years solely to avoid payment of the budgeted amount for development.

HMI, after the first three years, may cancel development for any reason.

If, during the development of the Licensed Product, for some reason, HMI decides not to produce it, rights of the Licensed Product will revert to CES as provided. HMI agrees to give Designer thirty (30) days' notice of its intent to discontinue development of the Licensed Product. If HMI fails to market the licensed product or any individual item proposed within two years of design closure of the first phase of products as outlined in our letter dated July 1, 1988, Subject: PERSONAL WORKPLACE PROJECT, or thereafter as agreed, rights can then be purchased by CES.

In any case where the rights to the system or to individual items are returned to CES, CES will then repay the amount of investment advanced by HMI on that item from future royalties or fees obtained for those products being produced by another manufacturer.

18. Establishment of Pricing

HMI shall have the right to establish prices for the Licensed

Products and change such prices from time to time at its sole discretion.

19. Colors, Fabrics, Finishes

After consultation with the Designer, HMI reserves the right to make decisions concerning colors, fabrics, and finishes related to the Licensed Products that are in keeping with overall corporate programs of manufacturing, logistics. However, no product can go forward into production without the Designer's final approval.

20. Discontinuance of Manufacture

After consultation with the Designer, HMI reserves the right to discontinue the manufacture and sale of any of the Licensed Products. HMI will notify the Designer in writing of any decision to discontinue the manufacture and sale of such Licensed Products at least ninety (90) days prior to the effective date of discontinuance. In the event that the product remains out of production for more than 24 months, the right to select a manufacturer shall revert to CES provided that HMI retains the first right of refusal for reintroduction of manufacturing right.

21. Reimbursable Expenses

Budgeted expenses involved in the preparation of models and

prototypes at HMI's request, budgeted travel, and living expenses incurred by the Designer in connection with trips to HMI offices or at HMI's request will be reimbursed. The Designer shall submit invoices of such expenses in the form requested by HMI prior to payment for such expenses. Reimbursable costs shall include appropriate overhead on salaries and handling charges for materials as required to cover normal operating costs of CES workshops, but shall not include a profit factor. All budgeted expenses for the first three years will be reimbursed solely from the payments described in Paragraph 4.

22. Confidentiality

The Designer understand that in the performance of this Agreement, consideration information which is confidential to HMI may be disclosed to him. The Designer agrees both during and subsequent to his employment with HMI to keep confidential and not divulge any confidential information of HMI to others at any time without the prior written consent of HMI. "Confidential information" as used herein shall include information relating to HMI's business and technological plans, its programs, processes, equipment, operations, plants, costs, customers, design materials, and the like, and includes information supplied by the Designer under this Agreement. The obligations of this paragraph shall continue beyond, and survive by three (3) years, the completion of termination of this Agreement, but shall not extend to any

information which is generally known to the public or becomes known to the public through no fault of the Designer. The Designer shall require each of his employees to execute a confidential disclosure agreement to comply with the terms of this Agreement, such agreement form to be supplied by HMI. However, nothing herein constrains the Designer or the Designer's staff the right to make public statements about Licensed Products after their introduction or prior to their introduction if such information is in the public domain.

23. Designer's Obligations

To the extent reasonably available, Designer shall be expected to continue to support without further compensation but for reimbursement of his costs associated thereunder, the further development of any Licensed Product which is the subject matter of this Agreement through reasonable efforts for the life of the Licensed Products. Said costs shall include staff time and other reasonable expenses.

24. Licensed Products

As used herein, the term "Licensed Product" shall mean the product described on Exhibit A including any invention which is first conceived or reduced to practice under this Contract or is otherwise agreed upon by the parties in writing to be subject to

this Contract. However, CES reserves certain rights on computer programs that it might design related to specification and planning of the Licensed Product. CES also reserves the rights for royalties on book or books later published about the project. Rights to books or software are subject to our letter dated July 1, 1988, Subject: PERSONAL WORKPLACE PROJECT.

25. Licensees

In the event that HMI licenses the right to another (not a wholly owned subsidiary) to manufacture and sell the Licensed Product, HMI shall pay the Designer fifty percent (50%) of the royalty or other payments which it receives for such right.

26. Whole Agreement

This Agreement and Exhibits A through F which are incorporated expresses the entire understanding of the parties with respect to the subject matter of Exhibit A and may be changed only by a subsequent agreement in writing signed by both HMI and Designer.

27. Michigan Law

This Agreement shall be interpreted under the laws of the state of Michigan, but HMI will be bound to arbitration in the state of California or any other state CES designates. The arbitration

shall be conducted before the American Arbitration Association pursuant to the AAA's then current rules for commercial arbitration.

28. Assignments

This Agreement may not be assigned by either party except with the consent of the other party and further except that HMI may assign this Agreement to any purchaser of the business to which the Licensed Product relates. Notwithstanding the foregoing, Designer shall be permitted to assign his rights under this Agreement to a corporation controlled by him as long as Designer agrees to remain personally obligated to perform his obligations under this Agreement.

29. Certain Business Combinations

Designer's principal motivation for entering into this Contract is the HMI tradition of excellence in product design and fair treatment of its designers. Thus, Designer has relied on the integrity of the present management to carry forward these policies. Accordingly, in the event of a Business Combination (as defined on Exhibit C) that has not been approved by a majority of Continuing Directors (also defined on Exhibit C), Designer shall have the right within sixty (60) days after the consummation of any such Business Combination to terminate this Agreement upon thirty

(30) days' notice to HMI. Upon termination of this Agreement under this provision, and only under this provision, all rights in the Licensed Product shall revert to Designer, and HMI shall sign such documents as are necessary to return the rights to such Licensed Product to Designer.

DESIGNER

Date: _____

By: _____

Its: _____

HERMAN MILLER, INC.

Date: _____

By: _____

Its: _____