

EXHIBIT B

July 1, 1988

Mr. Christopher Alexander
Center for Environmental Structure
2701 Shasta Road
Berkeley, CA 94708

SUBJECT: PERSONAL WORKPLACE PROJECT

Dear Chris

It is the intent of this letter to outline our understandings with respect to the Personal Workplace project. I have attempted to construct a schedule, budget, compensation outline, described outcomes, as well as a few other considerations.

The Personal Workplace Project is important to Herman Miller. It is the largest commitment to a new design program that we have undertaken. Expectations are high. We understand the potential significance of this work, we are eager and at least somewhat apprehensive, as should be the case at the start of an important and adventuresome journey.

The outcome of this difficult and ambitious project rests in large measure with the quality of leadership we bring to it and the nature of the relationships that the people of CES and Herman Miller develop. You have my commitment to work hard to enable our teams success. I will need a great deal of your help to gain understanding and commitment of

key people in this large and institutionalized organization.

We look forward to achieving a powerful impact on the wholeness and quality of the working environment. Our commitment to the design program is for at least three years, given that we are successful in achieving our objectives during that time.

The workbook entitled "The Personal Workplace, a New System of Furniture for the 21st Century" contains a detailed explanation of the project concept and its objectives and will serve as the project description and goals.

Generally, we see the design program in three phases lasting approximately three years.

Phase I: The furniture necessary to demonstrate in a single room private office. Twelve to fifteen months

Phase II: The furniture necessary for a wider appreciation of the concept (multiple office) but not yet a complete large scale application. Twelve months

Phase III: The completion of the design for a total office environment on a large scale including all of the necessary vocabulary, planning information and support.

During each phase of the project, in addition to product design, work will be undertaken including Design Concept Support, Design Service Support, and Project Management Development. These are described below.

We agree that Phase I of the product design program will consist of approximately 12 items. The list is as follows:

- Flat Red Desk
- Upright Red Desk
- Green Table
- Rolling Table
- White Upright Cabinet
- Low White Book Case
- Japanese Silk Pin Board
- Overhead Storage
- Ceiling Light in Overhead Storage Unit
- Hard Sofa
- Many Drawer Cabinet
- Counter Top Storage Wall with Cabinets

As the design process advances, we know that this list may change to meet this phase's objective of obtaining the best possible single room working environment with the minimum vocabulary.

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Phase II of the project will be determined in concept prior to the conclusion of the first phase. It is our intention to fully elaborate on the second phase vocabulary of furniture and interior elements during the period of six to eight months following the first phase.

The Design Concept Support documentation consists of the written and graphic materials necessary to clearly communicate the concept, rationale, and product information from the designer's perspective. This information will form the basis for HMI communications, Marketing, Sales training and general HMI understanding of the program. It is important that we develop or adapt existing documentation as early in the program as possible for internal communications of the concept and objectives. We will develop a plan and quarterly milestones for this documentation during the first two months of the project. The development of the design concept information will be as follows. At the end of the third project month (September 1988) we will have a completed outline of the documents. At the end of the sixth project month (December 1988) we will complete a first draft of the documents, second draft at the end of month nine (March 1989), and the final at the end of month twelve (July 1989).

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Design Service Support Program will be directed at drafting the information necessary to plan, specify, order, and install the system of products. The design of these materials will follow along the actual development of the product by phase. Information and support of proper planning of this system are critical to the user. It may be necessary in the second and third phase of the project to develop computer software that will help the designer/specifier to plan this system. If computer software is developed by CES we understand that there may be significant costs involved in the programming of the software and we will deal with that issue at the time. We understand that the royalty contract specifically excludes a computer software program, because that software may have other commercial application over and above our need to assist in the planning of "Personal Workplace." Our interests at HMI are focused on Personal Workplace at this time, and we will address the issue of software as the project proceeds. We do expect that all of the necessary planning information be prepared for each phase of the project and we have budgeted fees to support this work. We will develop a plan for the completion of this work during the first two months of the project.

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Project Management Development remains a critical element. Because we are a large and diverse organization, we recognize the need to engage and gain understanding of a number of individuals and groups within our organization if we are to succeed. Therefore, we have budgeted for a substantial effort in the first phase of the project toward this need. We will establish a program plan and schedule during the first quarter of the program.

CES will rent a space in which to model these furniture concepts in a simulated environment. HMI will also maintain one or more office settings at the HMI Design yard as we model and develop the vocabulary.

CES will forward drawings and completed models of each of the items to us for us to model and return. We will model further sizes of the original models as we jointly agree. During Phase I of the project, CES will forward on model per month of a completed item to HMI.

You and I will sit down face to face at least bi-monthly for a full day project review. We will commit to a schedule and agenda for these reviews the first month of the project.

If during these reviews we determine that we are unable to meet our expected design closure of July 1989, we can extend the time period and scale back our monthly budget accordingly.

All the budget for the first year

the first year of
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We have budgeted \$500,000 in royalty advances, fees, and expenses for the first phase of this project. It is allocated as follows; \$166,666 in an advance on royalty, paid at a regular rate of \$13,889 per month, for twelve months; \$166,666 in fees to cover the design and development of the concept documentation, the service support and project management development, paid at a regular rate of \$13,889 per month; \$166,666 as a budgeted amount to cover project expenses, including design modeling costs, travel, and other expenses as incurred and invoiced with appropriate bills on a monthly basis.

We will expect two HMI management reviews of the project - one in the period of December-January and another in April-May. This corresponds to the HMI planning periods, and these are important milestones in the project. While it is critical that we engage top management on an ongoing basis, these reviews will be a time when we step back and assess our overall progress and future resource needs.

Design Closure in our parlance is reached at the point when the designer and HMI are satisfied that we have met the design objectives for the object, that all of the necessary design criteria have been set and met, that we have determined all of the sizes and permutations of the product, that the colors, materials and finishes have been selected, and that the object is ready for full scale development. We also recognize that things will change as the design proceeds through development to become a manufactured product.

You have asked for a fee for the development of the concept, which I have understood may include support of John Reinfrank of the Richardson/Smith Design Firm. While on the one hand, I believe that the costs of development of the design concept are implicitly covered by a royalty, because of the complexities of this idea and the considerable material that must be developed to insure user understanding we have agreed to establish a substantial fee for this additional work. If you wish to hire Mr. Reinfrank as your consultant, I have no objection. I do feel it will be prudent to review the results from time to time. As we have often discussed, HMI's relationship is exclusively with CES as the sole designer of these products and services. We would ask that you obtain

the appropriate releases of design origin and confidentiality from consultants that you may engage, as well as your staff.

You have expressed concern to be involved at a critical level in determining the cost build up of the various products. I can assure you that you will have a powerful voice in cost allocation in each design and that we will listen. We both expect and welcome your leadership.

as outlined in exhibits to E.

It's important to note that you feel that we may not have sufficient budget resources in the first phase to cover all of the design work necessary for Phase I and detailed examination of Phase II. However, we both feel this is the absolute maximum level that we can effectively utilize in the start-up phase. I am very concerned that we are overestimating what can be accomplished in 12-15 months. However, I don't want to slow the project or to appear to temper expectations. My experience shows it would take more like 24 months for this first phase. None the less, I defer to your knowledge of the concept and the work already accomplished. Still let us agree that we can adjust the timing without a sense of loss.

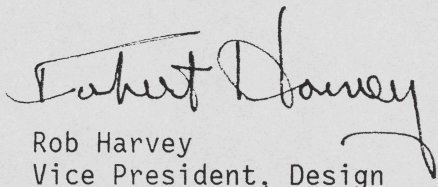
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I believe that the biggest concerns from the HMI standpoint revolve around CES's lack of industrial design experience, as well as the yet unknown detail resolution of the product and furniture quality of these

new products. I am also concerned about the single room with limited vocabulary.

As a point of clarity Chris, while our agreement is with CES, you must understand that it is your creativity and insight that form the basis of this relationship, and should you, at some point, become unable to proceed with the design program, we would quite likely withdraw from the project.

Warmest regards



Rob Harvey
Vice President, Design