

EXHIBIT E

CENTER FOR ENVIRONMENTAL STRUCTURE

ARCHITECTS • ENGINEERS • CONTRACTORS

2701 SHASTA ROAD • BERKELEY, CALIFORNIA 94708

TELEPHONE 415/841-6166

July 7, 1988

Rob Harvey,
Herman Miller Inc.,
8500 Byron Road,
Zeeland,
Michigan 49464.

MEMORANDUM
APPENDIX TO OUR LETTER OF AGREEMENT

Dear Rob,

As a supplement to our letter of agreement, I should like to include the following memorandum.

You and I have agreed that during the first year we shall stay within a budget of about \$42,000 per month. However, to avoid misunderstandings, I am concerned to make clear that CES originally outlined a quantity of work which was rather greater than the \$500,000 which we now propose to spend in the first year. The following copies of old memoranda we sent you in March, show that our preliminary estimates of cost were consistently higher than the \$500,000 by quite a considerable amount. On the following pages I have made copies of those three old estimates. Summarised, they are as follows.

ESTIMATE 1. This estimate guessed overall yearly costs as follows:

Royalty advances	348,000
Expenses	360,000
Fees for system work	240,000
1ST ESTIMATE OF ANNUAL COST	948,000

ESTIMATE 2. We have an independent estimate of work required to do 12 items in development, and 12 items in preliminary.

Development	381,120
Preliminary	495,360
2RD ESTIMATE OF ANNUAL COST	876,480

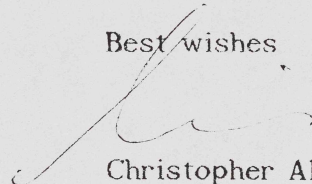
ESTIMATE 3. We have a third independent estimate, that is a guess based on experience of the total team we need in place to do the project.

Monthly cost	81,720
3RD ESTIMATE OF ANNUAL COST	980,640

All three estimates of annual cost are higher than the \$500,000 we actually propose to spend in the first year. We have accepted the ceiling of \$500,000, because we feel that during the first year it will not be comfortable or prudent to exceed this amount. However, the implication spelled out by these three estimates, is that we shall have to cut back on at least some of the activities included in these estimates.

Since only the development of the project itself will tell us which things to cut back, you and I have agreed, on behalf of CES and HMI, to maintain a flexible attitude to decisions about what is included and what is excluded during the first year of work. We shall continually review the progress on the different fronts to keep work on target within the limits of the \$42,000 per month that we propose to spend.

Best wishes



Christopher Alexander

ESTIMATE 1

March 1988

All figures based on assumption of twelve months work.

ROYALTY BASIS

(Royalty to be 2-3% of total sales price).

Advance on royalty per item:
Assume first three years 3000 items per year, \$400
per item, 2%, expected royalty 72,000
40% of expected royalty 29,000
Assume half for preliminary design, and half for
development design.

DEVELOPMENT OF 12 FURNITURE ITEMS ALREADY KNOWN

Twelve items development design,
14,500 each 174,000

PRELIMINARY DESIGN OF NEW ITEMS (FOR DEVELOPMENT IN
SECOND YEAR). We assume preliminary design costs
about as much of our time as development design.

Twelve items preliminary design,
14,500 each 174,000

Total royalty basis work 348,000

EXPENSES for DESIGN OF FURNITURE ITEMS.

Expected costs of cabinet work, rent space, travel,
materials, etc. This includes 2.5 overhead factor on
all wages paid for cabinet work or modelling.

Materials, travel and other expenses are at cost.
Per item, preliminary design 15,000
Per item, development design 15,000

Twelve items, 15,000 each 180,000
Twelve items, 15,000 each 180,000

Total expense basis work 360,000

FEE BASIS

FOR WORK UNRELATED TO INDIVIDUAL FURNITURE ITEMS

Ongoing work on overall system design	150,000
* May be more.	
First draft book, papers and pamphlets	50,000
Education and training program for HMI	40,000
Computer work not included	-
<u>Total fee basis work</u>	<u>240,000</u>

<u>GRAND TOTAL</u>	<u>948,000</u>
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POSSIBLE REDUCTIONS

A. Slow each phase from 12 months to 15 months, thus spreading project out over 4 years instead of three	
Reduced cash flow needed for first year	758,000
B. Reduce from 12 items to 6 items. This would cut costs by 354,000 to	594,000
C. Eliminate fee items. This would cut costs by 240,000 to	748,000

ESTIMATE 2

March 1988

FIRST TWELVE ITEMS

DEVELOPMENT PHASE OF DESIGN WORK
TEN TO TWELVE ITEMS WHICH ARE ALREADY KNOWN FOR
CREATION OF ONE MIDDLE MANAGERS ROOM

Flat red desk
Upright red desk
Green table
Black rolling table
White upright cabinet
Low white bookcase
Japanese silk pin board
Overhead storage
Ceiling light in overhead storage
Hard sofa
Many drawer cabinet
Counter top storage wall with cabinets

*Items may change after discussion.

*Note. The "room" which can be displayed at end of year is assumed to have walls that are regular panel or sheetrock walls.

MINIMUM CES TEAM NEEDED
FOR DEVELOPMENT OF THESE ITEMS

DESIGN COST FOR TEAM / One month

CA 125/hr 25%	5,000
GB 80/hr 40%	5,120
AA 45/hr 60%	4,320
Draftsman 32/hr 100%	5,120
CL Cabinet maker 62.5/hr 40%	4,000
Helper 37.5/hr 20%	1,200
Total salaries	24,760
Materials	3,000
Expenses: Travel, equipment, and misc	3,000
Rental and setup for one room model	1,000
Total	31,760
Twelve month total	381,120
Herman Miller development team costs are additional	

SECOND TWELVE ITEMS

PRELIMINARY PHASE OF DESIGN WORK
 TEN TO TWELVE ITEMS FOR SECOND YEAR
 PREPARATORY PRELIMINARY DESIGN WORK IS TO BE DONE
 DURING FIRST YEAR, IN PREPARATION FOR SECOND YEAR,
 CONCURRENT WITH DEVELOPMENT OF FIRST TWELVE ITEMS

Developed thick wall
 Upright spun graphite chair
 Possible reclining computer chair
 Computer table
 Filing cabinet
 Window in wall
 Alcove for small workstation
 Additional lighting system
 Second black rolling table
 Catalog counter with inclined top
 Ceiling elements
 Floor elements
 Other items

*Items will change after discussion.

MINIMUM CES TEAM NEEDED
 FOR DEVELOPMENT OF THESE ITEMS

DESIGN COST FOR TEAM / One month

CA 125/hr 20%	4,000
GB 80/hr 25%	3,200
Cardboard mockups, KT 27/hr, 100%	4,320
EC 45/hr 100%	7,200
Draftsman 32/hr 50%	2,560
CL Cabinet maker 62.5/hr 80%	8,000
Helper 37.5/hr 50%	3,000
Total salaries	32,280
Materials	4,000
Expenses: Travel, equipment, and misc	3,000
Rental and setup for large model	2,000
Subtotal	41,280
Twelve month total	495,360