

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended July 4, 2015

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 52761-0071
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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
Common Shares, \$1 Par Value

Outstanding at July 4, 2015 44,350,077

HNI CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

	Page
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets - July 4, 2015 and January 3, 2015	3
Condensed Consolidated Statements of Comprehensive Income - Three Months and Six Months Ended July 4, 2015 and June 28, 2014	5
Condensed Consolidated Statements of Cash Flows - Six Months Ended July 4, 2015 and June 28, 2014	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	21
Item 4. Controls and Procedures	22

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	23
Item 1A. Risk Factors	23
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3. Defaults Upon Senior Securities - None	-
Item 4. Mine Safety Disclosures - Not Applicable	-
Item 5. Other Information - None	-
Item 6. Exhibits	23
SIGNATURES	24
EXHIBIT INDEX	25

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HNI CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	July 4, 2015	January 3, 2015
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,438	\$ 34,144
Short-term investments	5,252	3,052
Receivables	274,606	240,053
Inventories	164,684	121,791
Deferred income taxes	16,915	17,310
Prepaid expenses and other current assets	28,152	39,209
Total Current Assets	<u>523,047</u>	<u>455,559</u>
PROPERTY, PLANT, AND EQUIPMENT		
Land and land improvements	28,603	27,329
Buildings	298,637	298,170
Machinery and equipment	511,004	492,646
Construction in progress	23,329	27,704
	<u>861,573</u>	<u>845,849</u>
Less accumulated depreciation	<u>540,851</u>	<u>534,841</u>
Net Property, Plant, and Equipment	320,722	311,008
GOODWILL	279,374	279,310
OTHER ASSETS	<u>201,820</u>	<u>193,457</u>
Total Assets	<u>\$ 1,324,963</u>	<u>\$ 1,239,334</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	July 4, 2015	January 3, 2015
	(In thousands, except share and per share value data)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 404,685	\$ 453,754
Note payable and current maturities of long-term debt and capital lease obligations	304,326	160
Current maturities of other long-term obligations	4,225	3,419
Total Current Liabilities	713,236	457,333
LONG-TERM DEBT	9	197,736
OTHER LONG-TERM LIABILITIES	84,054	80,353
DEFERRED INCOME TAXES	92,529	89,411
COMMITMENTS AND CONTINGENCIES		
EQUITY		
HNI Corporation 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 -		
July 4, 2015 – 44,350,077 shares;		
January 3, 2015 – 44,165,676 shares	44,350	44,166
Additional paid-in capital	11,167	867
Retained earnings	383,931	374,929
Accumulated other comprehensive income	(4,661)	(5,375)
Total HNI Corporation shareholders' equity	434,787	414,587
Noncontrolling interest	348	(86)
Total Equity	435,135	414,501
Total Liabilities and Equity	\$ 1,324,963	\$ 1,239,334

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
	(In thousands, except share and per share data)		(In thousands, except share and per share data)	
Net sales	\$ 568,226	\$ 509,143	\$ 1,091,703	\$ 961,344
Cost of sales	362,102	328,010	701,079	625,039
Gross profit	206,124	181,133	390,624	336,305
Selling and administrative expenses	167,278	155,288	335,982	300,498
(Gain) on sale of assets	—	(1,346)	—	(9,746)
Restructuring and impairment	(560)	10,282	(183)	10,254
Operating income	39,406	16,909	54,825	35,299
Interest income	119	146	209	216
Interest expense	1,968	2,187	3,957	4,389
Income before income taxes	37,557	14,868	51,077	31,126
Income taxes	13,680	5,203	18,748	10,445
Net income	23,877	9,665	32,329	20,681
Less: Net (loss) attributable to the noncontrolling interest	(2)	(40)	(28)	(120)
Net income attributable to HNI Corporation	\$ 23,879	\$ 9,705	\$ 32,357	\$ 20,801
Net income attributable to HNI Corporation per common share – basic	\$ 0.54	\$ 0.22	\$ 0.73	\$ 0.46
Average number of common shares outstanding – basic	44,416,008	45,019,783	44,359,898	45,029,148
Net income attributable to HNI Corporation per common share – diluted	\$ 0.52	\$ 0.21	\$ 0.71	\$ 0.45
Average number of common shares outstanding – diluted	45,620,984	45,867,927	45,573,952	45,843,118
Cash dividends per common share	\$ 0.265	\$ 0.25	\$ 0.515	\$ 0.49
Other comprehensive income, net of tax: three months 2015 \$185; 2014 \$30; six months 2015 \$319; 2014 \$(18)	396	(49)	715	398
Comprehensive income	24,273	9,616	33,044	21,079
Less: Comprehensive (loss) attributable to noncontrolling interest	(2)	(40)	(28)	(120)
Comprehensive income attributable to HNI Corporation	\$ 24,275	\$ 9,656	\$ 33,072	\$ 21,199

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	July 4, 2015	June 28, 2014
	(In thousands)	
Net Cash Flows From (To) Operating Activities:		
Net income	\$ 32,329	\$ 20,681
Noncash items included in net income:		
Depreciation and amortization	27,795	26,952
Other postretirement and post employment benefits	881	620
Stock-based compensation	6,262	4,752
Excess tax benefits from stock compensation	(1,552)	(144)
Deferred income taxes	3,437	1,550
(Gain) loss on sale, retirement and impairment of long-lived assets and intangibles, net	183	(581)
Other – net	2,012	1,255
Net increase (decrease) in operating assets and liabilities	(106,618)	(62,432)
Increase (decrease) in other liabilities	3,367	355
Net cash flows from (to) operating activities	<u>(31,904)</u>	<u>(6,992)</u>
Net Cash Flows From (To) Investing Activities:		
Capital expenditures	(33,732)	(34,710)
Proceeds from sale of property, plant and equipment	124	13,588
Capitalized software	(16,150)	(16,412)
Purchase of investments	(798)	(798)
Sales or maturities of investments	1,550	4,770
Net cash flows from (to) investing activities	<u>(49,006)</u>	<u>(33,562)</u>
Net Cash Flows From (To) Financing Activities:		
Proceeds from sales of HNI Corporation common stock	10,457	3,143
Withholdings related to net share settlements of equity based awards	(171)	(79)
Purchase of HNI Corporation common stock	(15,203)	(13,051)
Proceeds from note and long-term debt	347,929	100,473
Payments of note and long-term debt and other financing	(241,467)	(63,787)
Excess tax benefits from stock compensation	1,552	144
Dividends paid	(22,893)	(22,041)
Net cash flows from (to) financing activities	<u>80,204</u>	<u>4,802</u>
Net increase (decrease) in cash and cash equivalents	(706)	(35,752)
Cash and cash equivalents at beginning of period	34,144	65,030
Cash and cash equivalents at end of period	<u>\$ 33,438</u>	<u>\$ 29,278</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

July 4, 2015

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 notes required by generally accepted accounting principles for complete financial statements. The January 3, 2015 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 statement have been included. Operating results for the six -month period ended July 4, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending January 2, 2016 . For further information, refer to the consolidated financial statements and accompanying notes included in HNI Corporation's (the "Corporation") Annual Report on Form 10-K for the fiscal year ended January 3, 2015 . Certain reclassifications have been made to the condensed consolidated financial statements of prior periods to conform to the current period presentation.

Note B. Stock-Based Compensation

The Corporation measures stock-based compensation expense at grant date, based on the fair value of the award, and recognizes expense over the employee requisite service period. For the three months and six months ended July 4, 2015 and June 28, 2014 , the Corporation recognized \$2.8 million and \$6.3 million and \$2.1 million and \$4.8 million , respectively, of stock-based compensation expense for the cost of stock options and time-based restricted stock units issued under the HNI Corporation 2007 Stock-Based Compensation Plan and shares issued under the HNI Corporation 2002 Members' Stock Purchase Plan.

At July 4, 2015 , there was \$5.3 million of unrecognized compensation cost related to nonvested stock options, which the Corporation expects to recognize over a weighted-average remaining service period of 1.2 years and \$1.2 million of unrecognized compensation cost related to nonvested restricted stock units, which the Corporation expects to recognize over a weighted-average remaining service period of 0.7 years.

Note C. Inventories

The Corporation values its inventory at the lower of cost or market with approximately 72% valued by the last-in, first-out ("LIFO") costing method.

(In thousands)	July 4, 2015	January 3, 2015
Finished products	\$ 95,477	\$ 65,126
Materials and work in process	97,219	84,677
LIFO allowance	(28,012)	(28,012)
	<u>\$ 164,684</u>	<u>\$ 121,791</u>

Note D. Accumulated Other Comprehensive Income (Loss) and Shareholders' Equity

The following table summarizes the components of accumulated other comprehensive income (loss) and the changes in accumulated other comprehensive income (loss), net of tax, as applicable for the six months ended July 4, 2015 :

(In thousands)	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Marketable Securities	Pension Postretirement Liability	Derivative Financial Instruments	Accumulated Other Comprehensive Income (Loss)
Balance at January 3, 2015	\$ 2,223	\$ 37	\$ (6,763)	\$ (872)	\$ (5,375)
Other comprehensive income (loss) before reclassifications	145	(2)	—	(266)	(123)
Amounts reclassified from accumulated other comprehensive income	—	—	—	837	837
Balance at July 4, 2015	\$ 2,368	\$ 35	\$ (6,763)	\$ (301)	\$ (4,661)

All amounts are net-of tax. Amounts in parentheses indicate debits .

The following table details the reclassifications from accumulated other comprehensive income (loss) for the three and six months ended July 4, 2015 and June 28, 2014 (in thousands):

Details about Accumulated Other Comprehensive Income (Loss) Components	Affected Line Item in the Statement Where Net Income Is Presented	Three Months Ended		Six Months Ended	
		July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Derivative financial instruments					
Diesel hedge	Selling and administrative expenses	\$ (612)	\$ 32	\$ (1,307)	\$ 87
	Tax (expense) or benefit	229	(12)	470	(32)
	Net of tax	\$ (383)	\$ 20	\$ (837)	\$ 55

Amounts in parentheses indicate reductions to profit.

During the six months ended July 4, 2015 , the Corporation repurchased 305,000 shares of its common stock at a cost of approximately \$15.2 million . As of July 4, 2015 , \$204.2 million of the Corporation's Board of Directors' ("Board") current repurchase authorization remained unspent. These share repurchases, offset by shares issued under the member stock purchase plan and stock awards, account for the change in Additional paid-in capital balance for the six months ended July 4, 2015.

During the six months ended July 4, 2015 , the Corporation paid dividends to shareholders of \$0.515 per share.

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		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Numerators:				
Numerator for both basic and diluted EPS attributable to HNI Corporation net income	\$ 23,879	\$ 9,705	\$ 32,357	\$ 20,801
Denominators:				
Denominator for basic EPS weighted-average common shares outstanding	44,416	45,020	44,360	45,029
Potentially dilutive shares from stock-based compensation plans	1,205	848	1,214	813
Denominator for diluted EPS	45,621	45,868	45,574	45,843
Earnings per share – basic	\$ 0.54	\$ 0.22	\$ 0.73	\$ 0.46
Earnings per share – diluted	\$ 0.52	\$ 0.21	\$ 0.71	\$ 0.45

The weighted average common stock equivalents presented above do not include the effect of 441,211 and 354,852 common stock equivalents for the three months ended July 4, 2015 and June 28, 2014 and 945,338 and 999,423 common stock equivalents for the six months ended July 4, 2015 and June 28, 2014 because their inclusion would be anti-dilutive.

Note F. Restructuring Reserve and Plant Closures

As a result of the Corporation's ongoing business simplification and cost reduction strategies, the Corporation has closed, consolidated, and realigned a number of its office furniture facilities during the past few years. During the three months ended July 4, 2015, in connection with the closures, consolidations, and realignments, the Corporation recorded a \$0.6 million reduction of restructuring costs due to lower than anticipated postemployment costs.

The following is a summary of changes in restructuring accruals during the six months ended July 4, 2015.

(In thousands)	Severance	Facility Exit Costs & Other	Total
Balance as of January 3, 2015	\$ 1,213	\$ —	\$ 1,213
Restructuring charges	(788)	605	(183)
Cash payments	(284)	(589)	(873)
Balance as of July 4, 2015	\$ 141	\$ 16	\$ 157

Note G. Goodwill and Other Intangible Assets

The table below summarizes amortizable definite-lived intangible assets as of July 4, 2015 and January 3, 2015, which are reflected in the "Other Assets" line item in the Corporation's Condensed Consolidated Balance Sheets:

(In thousands)	July 4, 2015	January 3, 2015
Patents	\$ 18,945	\$ 18,945
Less: accumulated amortization	18,747	18,724
Net patents	198	221
Software	107,224	93,343
Less: accumulated amortization	19,379	17,711
Net software	87,845	75,632
Customer lists and other	126,750	125,095
Less: accumulated amortization	63,572	59,743
Net customer lists and other	63,178	65,352
Net definite lived intangible assets	\$ 151,221	\$ 141,205

Aggregate amortization expense for the six months ended July 4, 2015 and June 28, 2014 was \$5.5 million and \$5.1 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)	2015	2016	2017	2018	2019
Amortization Expense	\$ 10.8	\$ 11.4	\$ 15.9	\$ 15.8	\$ 15.6

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

The Corporation also owns certain trademarks and trade names with a net carrying amount of \$41.0 million as of July 4, 2015 and January 3, 2015. These trademarks and trade names 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 January 3, 2015 are as follows by reporting segment:

(In thousands)	Office Furniture	Hearth Products	Total
Balance as of January 3, 2015			
Goodwill	\$ 149,713	\$ 181,901	\$ 331,614
Accumulated impairment losses	(52,161)	(143)	(52,304)
Net goodwill balance as of January 3, 2015	97,552	181,758	279,310
Goodwill acquired	—	59	59
Foreign currency translation adjustments	5	—	5
Balance as of July 4, 2015			
Goodwill	149,718	181,960	331,678
Accumulated impairment losses	(52,161)	(143)	(52,304)
Net goodwill balance as of July 4, 2015	\$ 97,557	\$ 181,817	\$ 279,374

The Corporation evaluates its goodwill and indefinite-lived intangible assets for impairment on an annual basis during the fourth quarter, or whenever indicators of impairment exist. The Corporation estimates the fair value of its reporting units using various valuation techniques, with the primary technique being a discounted cash flow method. This method employs market participant based assumptions. The increase in the hearth segment relates to a purchase price allocation adjustment for an acquisition completed during the fourth quarter of 2014. The purchase price allocation adjustments did not have a significant impact on the Corporation's Condensed Consolidated Balance Sheet as of July 4, 2015 or its Condensed Consolidated Statement of Comprehensive Income

for the three months and six months ended July 4, 2015. Therefore, the Corporation has not retrospectively adjusted this financial information. The Corporation will record the final purchase price allocation during the third quarter 2015 upon finalization of deferred taxes associated with the acquisition.

Note H. Product Warranties

The Corporation issues certain warranty policies on its office 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. Reserves have been established for the various costs associated with the Corporation's warranty programs.

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 periods noted:

(In thousands)	Six Months Ended	
	July 4, 2015	June 28, 2014
Balance at beginning of period	\$ 16,719	\$ 13,840
Accruals for warranties issued during period	10,535	10,465
Adjustments related to pre-existing warranties	349	(14)
Settlements made during the period	(11,139)	(9,248)
Balance at end of period	\$ 16,464	\$ 15,043

The portion of the reserve for estimated settlements expected to be paid in the next twelve months was \$8.1 million and \$7.7 million as of July 4, 2015 and June 28, 2014, respectively, and is included in "Accounts payable and accrued expenses" in the Condensed Consolidated Balance Sheets. The portion of the reserve for settlements expected to be paid beyond one year was \$8.4 million and \$7.4 million, as of July 4, 2015 and June 28, 2014, respectively, and is included in "Other Long-Term Liabilities" in the Condensed Consolidated Balance Sheets.

Note I. Postretirement Health Care

The following table sets forth the components of net periodic benefit cost included in the Corporation's Condensed Consolidated Statements of Comprehensive Income for:

(In thousands)	Three Months Ended		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Service cost	\$ 201	\$ 126	\$ 402	\$ 252
Interest cost	204	184	408	368
Amortization of (gain)/loss	12	—	71	—
Net periodic benefit cost	\$ 417	\$ 310	\$ 881	\$ 620

Note J. Income Taxes

The provision for income taxes for the three months ended July 4, 2015 reflects an effective tax rate of 36.4 percent compared to 35.0 percent for the same period last year. The provision for income taxes for the six months ended July 4, 2015 reflects an effective tax rate of 36.7 percent compared to 33.6 percent for the same period last year.

Note K. Derivative Financial Instruments

The Corporation uses derivative financial instruments to reduce its exposure to adverse fluctuations in diesel fuel prices. On the date a derivative is entered into, the Corporation designates the derivative as (i) a fair value hedge, (ii) a cash flow hedge, (iii) a

hedge of a net investment in a foreign operation or (iv) a risk management instrument not designated for hedge accounting. The Corporation recognizes all derivatives on its Condensed Consolidated Balance Sheets at fair value.

Diesel Fuel Risk

Independent freight carriers, used by the Corporation to deliver its products, charge the Corporation a basic rate per mile that is subject to a mileage surcharge for diesel fuel price increases. The Corporation enters into variable to fixed rate commodity swap agreements with two financial counterparties to manage fluctuations in fuel costs. The Corporation hedges approximately 50% of its diesel fuel surcharge exposure for the next twelve months. The Corporation uses the hedge agreements to mitigate the volatility of diesel fuel prices and related fuel surcharges, and not to speculate on the future price of diesel fuel. The hedge agreements are designed to add stability to the Corporation's costs, enabling the Corporation to make pricing decisions and lessen the economic impact of abrupt changes in diesel fuel prices over the term of the contract. The hedging instruments consist of a series of financially settled fixed forward contracts with expiration dates ranging up to twelve months. The contracts have been designated as cash flow hedges of future diesel purchases, and as such, the net amount paid or received upon monthly settlements is recorded as an adjustment to freight expense, while the effective change in fair value is recorded as a component of Accumulated other comprehensive income in the equity section of the Corporation's Condensed Consolidated Balance Sheets.

As of July 4, 2015, \$0.3 million of deferred net losses, net of tax, included in equity ("Accumulated other comprehensive income" ("AOCI") in the Corporation's Condensed Consolidated Balance Sheets) related to the diesel hedge agreements are expected to be reclassified to current earnings ("Selling and administrative expenses" in the Corporation's Condensed Consolidated Statements of Comprehensive Income) over the next twelve months.

The location and fair value of derivative instruments reported in the Corporation's Condensed Consolidated Balance Sheets are as follows (in thousands):

	Balance Sheet Location	Asset (Liability) Fair Value	
		July 4, 2015	January 3, 2015
Diesel fuel swap	Accounts payable and accrued expenses	\$ (484)	\$ (1,374)
Diesel fuel swap	Prepaid expenses and other current assets	—	—
Net balance at end of period		\$ (484)	\$ (1,374)

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the three months ended July 4, 2015 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI Into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Diesel fuel swap	\$ (57)	Selling and administrative expenses	\$ (612)	Selling and administrative expenses	\$ —
Total	\$ (57)		\$ (612)		\$ —

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the six months ended July 4, 2015 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI Into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Diesel fuel swap	\$ (416)	Selling and administrative expenses	\$ (1,307)	Selling and administrative expenses	\$ —
Total	<u>\$ (416)</u>		<u>\$ (1,307)</u>		<u>\$ —</u>

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the three months ended June 28, 2014 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI Into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Diesel fuel swap	\$ 153	Selling and administrative expenses	\$ 32	Selling and administrative expenses	\$ (3)
Total	<u>\$ 153</u>		<u>\$ 32</u>		<u>\$ (3)</u>

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the six months ended June 28, 2014 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI Into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Diesel fuel swap	\$ 55	Selling and administrative expenses	\$ 87	Selling and administrative expenses	\$ (4)
Total	<u>\$ 55</u>		<u>\$ 87</u>		<u>\$ (4)</u>

The Corporation entered into master netting agreements with the two financial counterparties where they entered into commodity swap agreements that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event is allowed. The amounts under the master netting agreement are considered immaterial.

Note L. Fair Value Measurements

For recognition purposes, on a recurring basis the Corporation is required to measure at fair value its marketable securities and derivative instruments. The marketable securities are comprised of government securities, corporate bonds and money market funds. When available the Corporation uses quoted market prices to determine fair value and classifies such measurements within Level 1. Where market prices are not available, the Corporation makes use of observable market-based inputs (prices or quotes from published exchanges/indexes) to calculate fair value using the market approach, in which case the measurements are classified within Level 2.

Assets measured at fair value as of July 4, 2015 were as follows:

(In thousands)	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	\$ 9,063	\$ —	\$ 9,063	\$ —
Corporate bonds	\$ 2,210	\$ —	\$ 2,210	\$ —
Derivative financial instruments	\$ (484)	\$ —	\$ (484)	\$ —

Assets measured at fair value as of January 3, 2015 were as follows:

(In thousands)	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	\$ 9,835	\$ —	\$ 9,835	\$ —
Corporate bonds	\$ 2,205	\$ —	\$ 2,205	\$ —
Derivative financial instruments	\$ (1,374)	\$ —	\$ (1,374)	\$ —

In addition to the methods and assumptions the Corporation uses to record the fair value of financial instruments as discussed in the section above, it uses the following methods and assumptions to estimate the fair value of its financial instruments.

Cash and cash equivalents - Level 1

The carrying amount approximated fair value and includes money market funds.

Long-term debt (including current portion) - Level 2

The carrying value of the Corporation's outstanding variable-rate, long-term debt obligations at July 4, 2015 and January 3, 2015, the end of the Corporation's 2014 fiscal year, approximated the fair value. The fair value of the Corporation's outstanding fixed-rate, long-term debt obligations is estimated based on discounted cash flow method to be \$151 million at July 4, 2015 and \$154 million at January 3, 2015, compared to the carrying value of \$150 million. This debt is classified as current on the Condensed Consolidated Balance Sheet as of July 4, 2015 due to the timing of maturity. The Corporation plans to refinance at which point the debt classification will move back to long-term.

Note M. Commitments and Contingencies

The Corporation utilizes letters of credit in the amount of \$11 million to back certain 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 ordinary course of its business, including liabilities relating to pending litigation, environmental remediation, taxes, and other claims. It is the Corporation's opinion that liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, cash flows or on the Corporation's quarterly or annual operating results when resolved in a future period.

Note N. New Accounting Standards

In April 2014, the FASB issued accounting guidance which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The guidance is effective for fiscal years beginning on or after December 15, 2014 and interim periods within those annual periods with early adoption allowed. The Corporation adopted the guidance effective January 4, 2015, the beginning of the Corporation's 2015 fiscal year. The guidance did not have a material impact on the Corporation's financial statements.

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

The aggregated office furniture segment manufactures and markets a broad line of metal and wood office furniture which includes storage products, desks, credenzas, chairs, tables, bookcases, classroom solutions, freestanding office partitions and panel systems and other related products. The hearth products segment manufactures and markets a broad line of manufactured gas, electric, wood and biomass burning fireplaces, inserts and stoves, facings and accessories, 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. Management views interest income and expense as corporate financing costs and not as a reportable segment cost. In addition, management applies an effective income tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis. Identifiable assets by segment are those assets applicable to the respective industry segments. Corporate assets consist principally of cash and cash equivalents, short-term investments, long-term investments and corporate office real estate and related equipment.

No geographic information for revenues from external customers or for long-lived assets is disclosed since the Corporation's primary market and capital investments are concentrated in the United States.

Reportable segment data reconciled to the Corporation's condensed consolidated financial statements for the three and six month periods ended July 4, 2015 , and June 28, 2014 , is as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net Sales:				
Office Furniture	\$ 450,624	\$ 423,423	\$ 858,053	\$ 781,792
Hearth Products	117,602	85,720	233,650	179,552
	<u>\$ 568,226</u>	<u>\$ 509,143</u>	<u>\$ 1,091,703</u>	<u>\$ 961,344</u>
Operating Profit:				
Office furniture	39,791	18,242	59,943	34,735
Hearth products	11,162	8,481	23,663	20,189
Total operating profit	50,953	26,723	83,606	54,924
Unallocated corporate expense	(13,396)	(11,855)	(32,529)	(23,798)
Income before income taxes	<u>\$ 37,557</u>	<u>\$ 14,868</u>	<u>\$ 51,077</u>	<u>\$ 31,126</u>

Depreciation & Amortization Expense:				
Office furniture	\$ 10,263	\$ 12,472	\$ 20,640	\$ 21,971
Hearth products	2,047	1,158	4,005	2,334
General corporate	1,625	1,298	3,150	2,647
	<u>\$ 13,935</u>	<u>\$ 14,928</u>	<u>\$ 27,795</u>	<u>\$ 26,952</u>

Capital Expenditures (including capitalized software):				
Office furniture	\$ 11,848	\$ 16,348	\$ 26,399	\$ 29,836
Hearth products	1,993	1,187	4,397	2,698
General corporate	7,818	10,894	19,086	18,588
	<u>\$ 21,659</u>	<u>\$ 28,429</u>	<u>\$ 49,882</u>	<u>\$ 51,122</u>

(In thousands)	As of July 4, 2015	As of January 3, 2015
Identifiable Assets:		
Office furniture	\$ 788,899	\$ 724,293
Hearth products	359,992	341,315
General corporate	176,072	173,726
	<u>\$ 1,324,963</u>	<u>\$ 1,239,334</u>

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

Overview

The Corporation has two reportable segments: office furniture and hearth products. The Corporation is a leading global office furniture manufacturer and North America's leading manufacturer and marketer of gas and wood-burning fireplaces. The Corporation utilizes a split and focus, decentralized business model to deliver value to customers through various brands and selling models. The Corporation is focused on growing existing businesses while seeking out and developing new opportunities for growth.

Net sales for the second quarter of fiscal 2015 increased 11.6 percent to \$568.2 million when compared to the second quarter of fiscal 2014. The change was driven by an increase in office furniture sales across both the supplies-driven and contract channels as well as an increase in hearth product sales in the new construction channel, retail gas portion of the remodel-retrofit channel, and acquisition impact. Gross margin for the quarter increased from prior year levels due to higher volume, increased price realization, lower restructuring and transition charges and strong operational performance, partially offset by unfavorable product mix. Total selling and administrative expenses increased due to strategic investments, incentive based compensation, and acquisition impact.

Restructuring charges for the quarter were favorable \$0.6 million due to lower than anticipated postemployment costs. Second quarter 2014 included \$1.4 million of restructuring costs along with a goodwill impairment of \$8.9 million and a \$1.3 million gain on the sale of assets.

Results of Operations

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

(In thousands)	Three Months Ended			Six Months Ended		
	July 4, 2015	June 28, 2014	Percent Change	July 4, 2015	June 28, 2014	Percent Change
Net sales	\$ 568,226	\$ 509,143	11.6 %	\$ 1,091,703	\$ 961,344	13.6 %
Cost of sales	362,102	328,010	10.4 %	701,079	625,039	12.2 %
Gross profit	206,124	181,133	13.8 %	390,624	336,305	16.2 %
Selling and administrative expenses	167,278	155,288	7.7 %	335,982	300,498	11.8 %
(Gain) loss on sale of assets	—	(1,346)	NM	—	(9,746)	NM
Restructuring and impairment charges	(560)	10,282	NM	(183)	10,254	NM
Operating income	39,406	16,909	133.0 %	54,825	35,299	55.3 %
Interest expense, net	1,849	2,041	(9.4)%	3,748	4,173	(10.2)%
Income before income taxes	37,557	14,868	152.6 %	51,077	31,126	64.1 %
Income taxes	13,680	5,203	162.9 %	18,748	10,445	79.5 %
Net income	\$ 23,877	\$ 9,665	147.0 %	\$ 32,329	\$ 20,681	56.3 %

Consolidated net sales for the second quarter of 2015 increased 11.6 percent or \$59.1 million compared to the same quarter last year. The change was driven by an increase in office furniture sales across both the supplies-driven and contract channels as well as an increase in hearth product sales driven by growth in the new construction channel, the retail gas portion of the remodel/retrofit channel, and acquisition impact.

Gross margin for the second quarter of 2015 increased to 36.3 percent compared to 35.6 percent for the same quarter last year. The increase in gross margin was driven by higher volume, increased price realization, lower restructuring and transition costs and strong operational performance, partially offset by unfavorable product mix. Second quarter 2015 included \$1.3 million of transition

costs related to previously announced closures, acquisition integration and structural realignment. Second quarter 2014 included \$3.4 million of accelerated depreciation and transition costs related to previously announced closures.

Total selling and administrative expenses as a percentage of net sales decreased to 29.4 percent compared to 30.5 percent for the same quarter last year. The benefit of higher volume was partially offset by strategic investments, incentive based compensation, and acquisition impact. In the second quarter of 2015, the Corporation recorded a \$0.6 million reduction in restructuring costs due to lower than anticipated postemployment costs on previously announced closures. Second quarter 2014 included \$1.4 million of restructuring costs on these closures along with a pre-tax goodwill impairment expense of \$8.9 million and a \$1.3 million pre-tax gain on the sale of assets.

The provision for income taxes for continuing operations for the three months ended July 4, 2015 reflects an effective tax rate of 36.4 percent compared to 35.0 percent for the same period last year, driven mainly by higher state taxes.

Net income attributable to the Corporation was \$23.9 million or \$0.52 per diluted share in the second quarter of 2015 compared to \$9.7 million or \$0.21 per diluted share in the second quarter of 2014 .

For the first six months of 2015 , consolidated net sales increased \$130.4 million , or 13.6 percent, to \$1.1 billion from \$1.0 billion from the first six months of 2014 driven by an increase in office furniture sales across both the supplies-driven and contract channels as well as an increase in hearth product sales driven by growth in the new construction channel, the retail gas portion of the remodel/retrofit channel, and acquisition impact. Gross margins increased to 35.8 percent from 35.0 percent for the same period last year driven by higher volume, increased price realization, lower restructuring and transition costs and strong operational performance, partially offset by unfavorable product mix.

For the first six months of 2015, total selling and administrative expenses as a percentage of net sales decreased to 30.8 percent compared to 31.3 percent for the same period last year. The benefit of higher volume was partially offset by strategic investments, incentive based compensation and acquisition impact. In 2015, the Corporation recorded a \$0.2 million reduction in restructuring costs associated with expense from previously announced closures which was more than offset by lower than anticipated postemployment costs. In the same period last year, the Corporation recorded \$1.4 million of restructuring expenses associated with facility closures, a goodwill impairment of \$8.9 million and \$9.7 million in gains on the sale of assets.

Net income attributable to HNI Corporation was \$32.4 million for the first six months of 2015 compared to \$20.8 million for the first six months of 2014. Earnings per share increased to \$0.71 per diluted share compared to \$0.45 per diluted share for the same period last year.

Office Furniture

Second quarter 2015 sales for the office furniture segment increased 6.4 percent or \$27.2 million to \$450.6 million from \$423.4 million for the same quarter last year. Sales for the quarter increased across both the supplies-driven and contract channels. Second quarter 2015 operating profit prior to unallocated corporate expenses increased 118.1 percent or \$21.5 million to \$39.8 million from \$18.2 million in the prior year quarter as a result of higher volume, increased price realization, lower restructuring and transition costs and strong operational performance. These factors were partially offset by by unfavorable product mix, strategic investments and incentive based compensation. In the second quarter of 2015, the office furniture segment recorded \$0.2 of restructuring and transition costs associated with previously announced facility closures. In the second quarter of 2014, the office furniture segment recorded \$4.8 million of restructuring and transition costs for these closures along with an \$8.9 million goodwill impairment.

Net sales for the first six months of 2015 increased 9.8 percent or \$76.3 million to \$858.1 million compared to \$781.8 million for the same period in 2014 driven by growth in both channels. Operating profit for the first six months of 2015 increased 72.6 percent or \$25.2 million to \$59.9 million compared to \$34.7 million for the same period in 2014 driven by the same drivers experienced in the current quarter plus an \$8.4 million gain on the sale of a vacated facility during the first quarter of 2014 .

Hearth Products

Second quarter 2015 net sales for the hearth products segment increased 37.2 percent or \$31.9 million to \$117.6 million from \$85.7 million for the same quarter last year. The change was driven by continued growth in the new construction channel along with growth in the retail gas portion of the remodel/retrofit channel. The Vermont Castings Group acquisition increased sales \$25.0 million compared to the prior year quarter. Operating profit prior to unallocated corporate expenses increased 31.6 percent

or \$2.7 million to \$11.2 million compared to \$8.5 million in the prior year quarter due to higher volume and better price realization, partially offset by strategic investments and acquisition integration.

Net sales for the first six months of 2015 increased 30.1 percent or \$54.1 million to \$233.7 million compared to \$179.6 million for the same period in 2014 . The Vermont Castings Group acquisition increased sales \$44.0 million compared to prior year. Operating profit for the first six months of 2015 increased \$3.5 million to \$23.7 million compared to \$20.2 million for the same period in 2014 . The year-to-date increases in sales and operating profit were driven by the same drivers experienced in the current quarter.

Liquidity and Capital Resources

Cash Flow – Operating Activities

Operating activities used \$31.9 million of cash in the first six months of 2015 compared to \$7.0 million in the first six months of 2014 . Working capital resulted in a \$106.6 million use of cash in the first six months of the current fiscal year compared to a \$62.4 million use of cash in the same period of the prior year. The increased use of cash compared to prior year is due to timing of expenses resulting in lower Accounts Payable and Accruals and higher sales volume driving an increase in Accounts Receivable. Cash flow from operating activities is expected to be positive for the year.

Cash Flow – Investing Activities

Capital expenditures, including capitalized software, for the first six months of fiscal 2015 were \$49.9 million compared to \$51.1 million in the same period of fiscal 2014 and were primarily for tooling, equipment and capacity for new products, continuous improvements in manufacturing processes and the on-going implementation of new integrated information systems to support business process transformation. For the full year 2015 , capital expenditures are expected to be approximately \$110 to \$115 million, primarily related to new products, operational process improvements and capabilities and the business process transformation project referred to above.

During the first quarter of 2014 the Corporation completed the sale of a facility located in South Gate, California. The proceeds from the sale of \$12.0 million are reflected in the Condensed Consolidated Statement of Cash Flows as "Proceeds from sale of property, plant and equipment".

Cash Flow – Financing Activities

The Corporation, certain subsidiaries of the Corporation, the lenders and Wells Fargo Bank, National Association, as administrative agent, entered into a second Amended and Restated Credit Agreement (the "Credit Agreement") on June 9, 2015. The Credit Agreement amends and restates the Corporation's existing revolving credit facility dated September 28, 2011 (the "Existing Facility").

The Corporation's borrowing capacity under the Credit Agreement remained at \$250 million with the option to increase its borrowing capacity by an additional \$150 million versus \$100 million in the Existing Facility to the maturity date of the Corporation's Senior Notes (April 6, 2016), subject to certain exceptions.

The net borrowings under the revolving credit agreement at the end of the second quarter were \$154 million of which all are classified as current. The Corporation also extended the term of the Existing Facility under the Credit Agreement from September 28, 2016 to the earlier of June 9, 2020 or 90 days prior to the maturity date of the Corporation's senior notes (April 6, 2016), unless the Corporation's senior notes are refinanced by January 6, 2016 or the Corporation has \$225 million in liquidity available (as defined in the Credit Agreement) as of that date.

The Credit Agreement governing the Corporation's revolving credit facility contains a number of covenants, including covenants requiring maintenance of the following financial ratios as of the end of any fiscal quarter:

- a consolidated interest coverage ratio of not less than 4.0 to 1.0, based upon the ratio of (a) consolidated EBITDA (as defined in the Credit Agreement) for the last four fiscal quarters to (b) the sum of consolidated interest charges; and
- a consolidated leverage ratio of not greater than 3.5 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness (as defined in the Credit Agreement) to (b) consolidated EBITDA for the last four fiscal quarters.

The note purchase agreement pertaining to the Corporation's Senior Notes also contains a number of covenants, including a covenant requiring maintenance of consolidated debt to consolidated EBITDA (as defined in the note purchase agreement) of not greater than 3.5 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness (as defined in the note purchase agreement) to (b) consolidated EBITDA for the last four fiscal quarters.

Additional borrowing capacity of \$96.0 million is available through the revolving credit facility. The revolving credit facility is the primary source of committed funding from which the Corporation finances its planned capital expenditures and strategic initiatives, such as acquisitions, repurchases of common stock and certain working capital needs. Non-compliance with the various financial covenant ratios in the revolving credit facility or the Senior Notes could prevent the Corporation from being able to access further borrowings under the revolving credit facility, require immediate repayment of all amounts outstanding with respect to the revolving credit facility and Senior Notes and/or increase the cost of borrowing.

The most restrictive of the financial covenants is the consolidated leverage ratio requirement of 3.5 to 1.0 included in the Credit Agreement. Under the Credit Agreement, consolidated EBITDA is defined as consolidated net income before interest expense, income taxes and depreciation and amortization of intangibles, as well as non-cash, nonrecurring charges and all non-cash items increasing net income. At July 4, 2015, the Corporation was well below the maximum allowable ratio and was in compliance with all of the covenants and other restrictions in the Credit Agreement and the note purchase agreement. The Corporation currently expects to remain in compliance over the next twelve months.

On May 5, 2015 the Corporation's Board of Directors ("Board") approved a 6.0 percent increase in the common stock quarterly cash dividend from \$0.25 per share to \$0.265 per share. The dividend was paid May 29, 2015 to shareholders of record at the close of business on May 15, 2015.

During the six months ended July 4, 2015, the Corporation repurchased 305,000 shares of common stock at a cost of \$15.2 million, or an average price of \$49.84 per share. As of July 4, 2015, \$204.2 million of the Board's current repurchase authorization remained unspent.

Cash, cash equivalents and short-term investments, coupled with cash from future operations, borrowing capacity under the existing facility and the ability to access capital markets, are expected to be adequate to fund operations and satisfy cash flow needs for at least the next twelve months.

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 the Corporation's 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 January 3, 2015. During the first six months of fiscal 2015, 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 ordinary course of 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, cash flows or on the Corporation's quarterly or annual operating results when resolved in a future period.

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 by management 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 January 3, 2015 .

New Accounting Standards

In May 2014, the FASB issued accounting guidance which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. In July 2015, the FASB deferred the effective date of this guidance by one year, with early adoption permitted on the original effective date. The Corporation is currently evaluating the impact of adopting this standard and the method of adoption on its financial statements.

Looking Ahead

Management remains optimistic about the office furniture and hearth products markets. Management believes the Corporation is well positioned to drive sales and significantly increase profits in 2015.

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 continuing to execute its long-standing continuous improvement discipline 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, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and 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," "hope," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "will," "would" 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, including its business system transformation, (c) investments in strategic acquisitions, production capacity, new products and brand building, (d) investments in distribution and rapid continuous improvement, (e) ability to maintain its effective tax rate, (f) repurchases of common stock and (g) consolidation and logistical realignment initiatives; uncertainty related to the availability of cash and credit, and the terms and interest rates on which credit would be available, to fund operations and future growth; lower than expected demand for the Corporation's products due to uncertain political and economic conditions, slow or negative growth rates in global and domestic economies or in the domestic 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; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials; higher costs for energy and fuel; changes in the mix of products sold and of customers purchasing; relationships with distribution channel partners, including the financial viability of distributors and dealers; 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of July 4, 2015 , 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 January 3, 2015 .

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure information required to be disclosed by the Corporation in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") 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 carried out an evaluation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rules 13a – 15(e) and 15d – 15 (e). As of July 4, 2015 , based on this evaluation, the chief executive officer and chief financial officer have concluded these disclosure controls and procedures are effective.

Changes in Internal Controls

There have been no changes in the Corporation's internal control over financial reporting during the fiscal quarter covered by this quarterly report on 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 other than ordinary routine litigation incidental to the business.

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 January 3, 2015 .

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 quarter ended July 4, 2015 .

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
04/05/15 – 05/02/15	6,100	\$ 49.61	6,100	\$ 213,782,067
05/03/15 – 05/30/15	115,900	\$ 48.86	115,900	\$ 208,119,729
05/31/15 – 07/04/15	79,300	\$ 49.73	79,300	\$ 204,175,864
Total	201,300		201,300	

(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 November 9, 2007, providing share repurchase authorization of \$200,000,000 with no specific expiration date, with increase announced November 7, 2014, providing additional share repurchase authorization of \$200,000,000 with no specific expiration date.
- No repurchase plans expired or were terminated during the second quarter of fiscal 2015 , 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

Date: August 4, 2015

By: /s/ Kurt A. Tjaden

Kurt A. Tjaden

Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

(10.1)	HNI Corporation Executive Deferred Compensation Plan, as amended
(10.2)	HNI Corporation Directors Deferred Compensation Plan, as amended
(10.3)	HNI Corporation 2007 Stock-Based Compensation Plan, as amended (incorporated by reference to Appendix A to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)
(10.4)	HNI Annual Incentive Plan, as amended (incorporated by reference to Appendix B to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)
(10.5)	HNI Corporation Long-Term Performance Plan, as amended (incorporated by reference to Appendix C to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)
(10.6)	Equity Plan for Non-Employee Directors of HNI Corporation, as amended (incorporated by reference to Appendix D to the Corporation's Definitive Proxy Statement filed with the SEC March 23, 2015)
(10.7)	Second Amended and Restated Credit Agreement, including all schedules and exhibits, dated as of June 9, 2015 by and among HNI Corporation, as borrower, certain domestic subsidiaries of HNI Corporation, as guarantors, certain lenders and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K filed with the SEC June 12, 2015)
(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
101	The following materials from HNI Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2015 are formatted in XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Condensed Consolidated Financial Statements

**HNI CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

As Amended and Restated Effective November 19, 2009
and Further Amended May 5, 2015

TABLE OF CONTENTS

	<u>Page</u>
I. AMENDMENT AND RESTATEMENT	1
1.1 Amendment and Restatement.....	1
1.2 Purpose.....	1
1.3 Application of the Plan.....	1
II. DEFINITIONS	1
2.1 Definitions.....	1
2.2 Gender and Number.....	6
III. ELIGIBILITY AND PARTICIPATION	6
3.1 Eligibility.....	6
3.2 Participation.....	6
3.3 Missing Persons.....	6
IV. ESTABLISHMENT AND ENTRIES TO ACCOUNTS	6
4.1 Accounts.....	6
4.2 Deferral Election Agreement.....	7
4.3 Adjustments to Accounts.....	9
4.4 Commencement and Form of Distribution of Sub-Accounts.....	9
4.5 Exceptions to Payment Terms.....	14
4.6 Death Benefit.....	16
4.7 Funding.....	16
V. ADMINISTRATION	17
5.1 Administration.....	17
5.2 Actions of the Committee.....	17
5.3 Delegation.....	17
5.4 Expenses.....	17
5.5 Reports and Records.....	18
5.6 Valuation of Accounts and Account Statements.....	18
5.7 Indemnification and Exculpation.....	18
VI. BENEFICIARY DESIGNATION	18
6.1 Designation of Beneficiary.....	18
6.2 Death of Beneficiary.....	18
6.3 Ineffective Designation.....	18
VII. WITHHOLDING	18
VIII. CHANGE IN CONTROL, AMENDMENT, AND TERMINATION .	19
8.1 Change in Control.....	19
8.2 Plan Amendment and Termination.....	19
IX. CLAIMS PROCEDURE	19
X. MISCELLANEOUS	20
10.1 Rights as a Stockholder.....	20

10.2	Governing Law.....	20
10.3	No Limit on Compensation Plans or Arrangements.....	20
10.4	No Rights to Employment.....	20
10.5	Severability.....	21
10.6	Securities Matters.....	21
10.7	No Fractional Shares.....	21
10.8	Headings.....	21
10.9	Nontransferability.....	21
10.10	Unfunded Plan.....	21
10.11	No Other Agreements.....	21
10.12	Incapacity.....	21
10.13	Release.....	22
10.14	Notices.....	22
10.15	Successors.....	22

HNI CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN

I. AMENDMENT AND RESTATEMENT

1.1 Amendment and Restatement. HNI Corporation, an Iowa corporation (the "Corporation"), established this HNI Corporation Executive Deferred Compensation Plan (the "Plan"), effective February 13, 1986. The Corporation has amended and restated the Plan from time to time, most recently effective January 1, 2005. The Corporation hereby again amends and restates the Plan, effective November 19, 2009 (the "Restatement Date"), to accomplish certain changes to its form and operation. The Corporation hereby amends Section 4.4 of the Plan, effective May 5, 2015.

1.2 Purpose. The purpose of the Plan is to give eligible executive members 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. Except as otherwise set forth herein, the terms of the Plan, as amended and restated herein, apply to all amounts deferred under the Plan, whether before, on, or after the Restatement Date.

II. 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 Incentive,”** of a Participant for a Plan Year, means the incentive compensation 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 Annual Incentive Plan, or any predecessor 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 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”** 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 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 during a 12-month period 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 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 Voting Securities; (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 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, if such change in the members of the Board was not indorsed by a majority of the members of the Incumbent Board.

(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 or a delegate of such Committee.

(i) **“Compensation”** means the remuneration paid or awarded to the Participant by an Employer as Base Salary, Annual Incentive, LTTP Award or Supplemental Income Plan payment.

(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, 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 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 10.15.

(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 member'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 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 shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, 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) **“LTPP 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 LTPP 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. 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 the outcome is substantially uncertain at the time the criteria are established. Performance-based compensation may include payment based on performance criteria not approved by the Board or the Committee or by the stockholders of the Corporation. Performance-based Compensation does not include any amount or portion of any amount that will be paid either regardless of performance or based upon a level of performance that is substantially certain to be met at the time the criteria are established.

- (t) **“Plan Year”** means the consecutive 12-month period beginning each January 1 and ending December 31.
- (u) **“Prime Rate”** [means the prime interest rate published in the Wall Street Journal or its web site as of the first business day coincident with or immediately following the third Monday in January.](#)
- (v) **“Qualified Domestic Relations Order”** has the same meaning as in Section 414(p) of the Code, but without regard to Section 414(p)(9) of the Code.
- (w) **“Restatement Date”** means November 19, 2009.
- (x) **“Retirement,”** of a Participant, means the Participant's Separation from Service on or after the attainment of age 55 with ten years of service with an Employer. The Chief Executive Officer of the Corporation or, with respect to the Chief Executive Officer if the Chief Executive Officer is a Participant, the Committee, in his, her or its discretion, may waive or reduce the ten-year service requirement with respect to a Participant; provided any such waiver or reduction is made before the eligible executive member 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 re-employment 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 any corporation, joint venture, partnership, limited liability company, 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 50 percent or more of the total combined voting or other decision-making power.

(ab) **“Supplemental Income Plan”** means the HNI Corporation Supplemental Income Plan, as may be amended from time to time, or any predecessor thereto.

(ac) **“Stock”** means the Corporation's common stock, \$1.00 par value.

(ad) **“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.

III. ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. Participation in the Plan shall be limited to those executive members of an Employer who are eligible to participate in the HNI Corporation Annual Incentive Plan.

3.2 Participation. An eligible executive member 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, a member 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.

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 due to be paid to the Participant or Beneficiary have been paid to him or her. If, after having made reasonable efforts to do so, the Corporation is unable to locate the Participant or Beneficiary for purposes of making a distribution, the amount of the Participant's benefits under the Plan that would otherwise be considered as nonforfeitable will be forfeited. If the missing Participant or Beneficiary is located after the date of the forfeiture, the benefits for the Participant or Beneficiary will not be reinstated. In no event will a Participant's or Beneficiary's benefits be paid to him or her later than the date otherwise required by the Plan and Code Section 409A.

IV. 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 the Participant has elected to allocate to that Account under his or her Deferral Election Agreement(s) pursuant to Section 4.2, increased by earnings thereon pursuant to Section 4.3(a) and reduced by 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 the Participant has elected to allocate to that Account under his or her Deferral Election Agreement(s) pursuant to Section 4.2, increased with earnings (including dividend equivalents) thereon and converted to Stock Units pursuant to Section 4.3(b) and reduced by 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 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 Incentive, LTTP Award and Supplemental Income Plan payment, 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 a member first becomes eligible to participate in the Plan, the Committee may, in its discretion, allow the member 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 member 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 Incentive) 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 a member 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, incentive compensation (other than Performance-Based Compensation) and Supplemental Income Plan payments 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 percentage of each component of Compensation, i.e., Base Salary, Annual Incentive, LTPP Award or Supplemental Income Plan payment, the Participant wishes to contribute as an Elective Deferral;

(b) The manner (by percentage) in which the amounts in (a), above, are to be allocated between the Participant's Cash Account and Stock Account; provided, however, 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.

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 day (the "conversion 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 otherwise payable to the Participant but for 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 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-Accounts.

(a) **For Plan Years Commencing Before January 1, 2010.** For Elective Deferrals made for Plan Years commencing before January 1, 2010, the following rules set forth in this Section 4.4(a) shall apply. 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 December 31 of the Plan Year immediately after 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:

- (1) a single lump-sum payment; or
- (2) monthly, quarterly or annual installment payments:
 - (A) in the case of a Cash Sub-Account,
 - (i) of a specified dollar amount; or
 - (ii) over a specified period; and
 - (B) in the case of a Stock Sub-Account,
 - (i) of a number of shares of Stock equal to a specified dollar amount;
 - (ii) of a specified number of shares of Stock; or
 - (iii) 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).

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.

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(a) 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) equaling 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 on 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 or change the method of payment to another method permitted under the Plan. In specifying a new commencement date, the Participant may elect that if the Participant is employed at or after the attainment of age 55 with ten years of service with an Employer, other than as provided in Section 4.6 on account of death, the commencement date shall be of the later or earlier of (i) a specified future commencement date, or (ii) the date of the Participant's future Separation from Service (including as a result of Retirement and other than on account of death).

In order to be effective, any 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 the new distribution commencement date can in no event be any earlier than five years after the original distribution date. For purposes hereof, if the original or any other 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.

(b) For Plan Years Commencing On or After January 1, 2010.

(i) For Elective Deferrals made for Plan Years commencing on or after January 1, 2010, the rules set forth in this Section 4.4(b) shall apply. As part of his or her Deferral Election Agreement, a Participant shall elect:

(A) the Plan Year in which distribution of each Sub-Account established for him or her under the Plan is to commence,; and

(B) the method of distribution of each Sub-Account from the available distribution methods below.

(ii) In specifying a distribution commencement date, a Participant's election shall be subject to the following rules:

(A) The distribution commencement date cannot be earlier than the third Monday in January immediately after the end of the first Plan Year following the Plan Year in which the Compensation deferred under the Deferral Election Agreement would otherwise have been paid to the Participant

(B) The Participant's distribution commencement date shall be subject to the provisions of Section 4.5.

(C) The Participant's distribution commencement date shall be subject to the provisions of Section 4.6.

(D) In general, the Participant must elect a fixed date as his or her distribution commencement date. However, the Participant also may elect that if the Participant is employed at or after the attainment of age 55 with ten years of service with an Employer, the commencement date shall be any of the following:

(I) The later of a specified commencement date or the date of the Participant's Separation from Service (including as a result of Retirement and other than on account of death).

(II) The earlier of a specified commencement date or the date of the Participant's Separation from Service (including as a result of Retirement and other than on account of death).

(III) Upon the Participant's Separation from Service (including as a result of Retirement and other than on account of death).

(iii) In specifying a method of distribution of each Sub-Account a Participant shall be required to choose from the following available distribution methods:

(A) a single lump-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).

If a Participant elects a Sub-Account in the form of a lump sum, distribution shall be made to the Participant in a lump sum on the third Monday in January of the Plan Year elected by the Participant.

If a Participant elects to receive a Sub-Account in the form of installments, the initial installment payment shall be made on the third Monday in January of the Plan Year elected by the Participant for benefit commencement. The remaining annual installment payments shall be made on each anniversary of the commencement date during the payment period elected by the Participant. 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. 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.

(iv) If at any time the present value of any benefit under the Plan that would be considered a "single plan" under Treasury Regulation Section 1.409A-1(c)(2) together with the present value of any benefit required to be aggregated with such benefit under Treasury Regulation Section 1.409A-1(c)(2), is less than the dollar limit set forth in Section 402(g)(1)(B) of the Code, the Corporation may, in its discretion, distribute such benefit (or benefits) to the Participant in the form of a single lump sum, provided the payment results in the liquidation of the entirety of the Participant's interest under the "single plan," including all benefits required to be aggregated as part of the "single plan" under Treasury Regulation Section 1.409A-1(c)(2), and provided further the Corporation evidences its exercise of such discretion in writing no later than the date of such payment.

(v) A Participant may modify an election for payment of a Sub-Account to postpone the commencement date or change the method of payment to another method permitted under the Plan.

Any modification of the Participant's commencement date shall be made in a manner whereby the new commencement date is in compliance with clause (ii) of this Subsection (b). In addition, in order to be effective, any requested modification must:

(A) be in writing and be submitted to the Committee 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 Committee;

(C) be submitted to the Committee at least 12 months prior to the then scheduled distribution commencement date ("original distribution date"); and

(D) specify that the new distribution commencement date can in no event be any earlier than five years after the original distribution date.

For purposes hereof, if the original or any other 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 90 days following the Participant's Separation from Service. If the Participant has a Separation from Service due to death, the rules set forth in Section 4.6 shall apply.

(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 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 the Corporation's deduction with respect to such distribution otherwise would be limited or eliminated by application of Code Section 162(m). 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 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 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 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 as specified in Section 1.409A-3(j)(4)(3) of the Treasury Regulations. Distributions pursuant to a Qualified Domestic Relations Order shall be made according to administrative procedures established by the Corporation.

(ii) If the Participant 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 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 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.

(iv) For Elective Deferrals made for Plan Years commencing on or after January 1, 2010, 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 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 Account shall be paid to his or her Beneficiary, as designated in accordance with Article 6, in the form (single lump sum or installments) and time elected by the Participant under Sections 4.2 and 4.4, subject to Section 4.5 and Article 8. Notwithstanding the preceding sentence, for Elective Deferrals made for Plan Years beginning on or after January 1, 2010, if a Participant dies with all or a portion of his or her Account unpaid, the Account shall be paid to his or her Beneficiary, as designated in accordance with Article 6, in the form of a single lump sum, with distribution commencing to the Beneficiary within 90 days following the date of the Participant's death.

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 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. 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, any funds contained therein shall remain liable to the claims of the Corporation's general creditors.

V. 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 members, 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 member of the Corporation designated by the Committee, shall have the power to delegate specific duties and responsibilities to officers or other members 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 members 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.

VI. 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 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.

VII. 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.

VIII. CHANGE IN CONTROL, AMENDMENT, AND TERMINATION

8.1 Change in Control. The provisions of this Section 8.1 shall apply to Elective Deferrals made for Plan Years commencing before January 1, 2010.

(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 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 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 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 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 such termination and distribution comply with the requirements of Section 409A of the Code.

IX. 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, benefit distribution shall not be contingent upon a Participant's application for benefits. If the Committee determines 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 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 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.

In the case of a Participant's death, the same procedures shall apply to the Beneficiary.

X. MISCELLANEOUS

10.1 Rights as Stockholder . No person shall have any right as a stockholder of the Corporation with respect to any shares of Stock or other equity security of the Corporation payable under the Plan unless and until such person becomes a stockholder of record with respect to such shares or equity security.

10.2 Governing Law . The Plan 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.

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

10.4 No Right to Employment . Neither the adoption and maintenance of the Plan nor the execution by the Corporation of a Deferral Election Agreement with any Participant shall be construed as giving a Participant the right to be retained as a member 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, unless otherwise expressly provided in the Plan.

10.5 Severability . If any provision of the Plan or any Deferral Election Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Deferral Election Agreement 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 Deferral Election Agreement, such provision shall be stricken as to such jurisdiction or Deferral Election Agreement, and the remainder of the Plan or any such Deferral Election Agreement shall remain in full force and effect.

10.6 Securities Matters . The Corporation shall not be required to deliver any share of Stock 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.

10.7 No Fractional Shares . No fractional shares of Stock shall be issued or delivered pursuant to the Plan. Any fractional share otherwise payable under the Plan shall be settled in the form of cash.

10.8 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.

10.9 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.

10.10 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.

10.11 No Other Agreements . The terms and conditions set forth herein constitute the entire understanding of the Corporation, the Subsidiaries and the Participants with respect to the matters addressed herein.

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

10.13 Release . Any payment of benefits to or for the benefit of a Participant 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 and all Subsidiaries for benefits under the Plan to the extent of such payment.

10.14 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. Any such notice shall be effective as of the date of hand delivery or mailing.

10.15 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 or assets of the Corporation.

**HNI CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN**

As Amended and Restated Effective November 19, 2009
and Further Amended on May 5, 2015

TABLE OF CONTENTS

	<u>Page</u>
I. AMENDMENT AND RESTATEMENT.....	1
1.1 Amendment and Restatement.....	1
1.2 Purpose.....	1
1.3 Application of the Plan.....	1
II. DEFINITIONS.....	1
2.1 Definitions.....	1
2.2 Gender and Number.....	5
III. ELIGIBILITY AND PARTICIPATION.....	5
3.1 Eligibility.....	5
3.2 Missing Persons.....	5
IV. ESTABLISHMENT AND ENTRIES TO ACCOUNTS	5
4.1 Accounts.....	5
4.2 Deferral Election Agreement.....	6
4.3 Adjustments to Accounts.....	7
4.4 Commencement and Form of Distribution of Sub-Accounts.....	7
4.5 Exceptions to Payment Terms.....	10
4.6 Death Benefit.....	12
4.7 Funding.....	13
V. ADMINISTRATION	13
5.1 Administration.....	13
5.2 Actions of the Committee.....	13
5.3 Delegation.....	13
5.4 Expenses.....	14
5.5 Reports and Records.....	14
5.6 Valuation of Accounts and Account Statements.....	14
5.7 Indemnification and Exculpation.....	14
VI. BENEFICIARY DESIGNATION	14
6.1 Designation of Beneficiary.....	14
6.2 Death of Beneficiary.....	14
6.3 Ineffective Designation.....	14
VII. AMENDMENT AND TERMINATION	15
VIII. CLAIMS PROCEDURE.....	15
IX. MISCELLANEOUS	16
9.1 Rights as a Stockholder.....	16



9.2	Governing Law.....	16
9.3	No Limit on Compensation Plans or Arrangements.....	16
9.4	No Right to Remain a Director.....	16
9.5	Severability.....	16
9.6	Securities Matters.....	16
9.7	No Fractional Shares.....	16
9.8	Headings.....	16
9.9	Nontransferability.....	17
9.10	Unfunded Plan.....	17
9.11	No Other Agreements.....	17
9.12	Incapacity.....	17
9.13	Release.....	17
9.14	Notices.....	17
9.15	Successors.....	17

HNI CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

I. AMENDMENT AND RESTATEMENT

1.1 Amendment and Restatement. HNI Corporation, an Iowa corporation (the "Corporation"), established this HNI Corporation Directors Deferred Compensation Plan (the "Plan"), effective August 9, 1999. The Corporation has amended and restated the Plan from time to time, most recently effective January 1, 2005. The Corporation hereby again amends and restates the Plan, effective November 19, 2009 (the "Restatement Date"), to accomplish certain changes to its form and operation. The Corporation hereby amends Section 4.4 of the Plan, effective May 5, 2015.

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

1.3 Application of the Plan. Except as otherwise set forth herein, the terms of the Plan, as amended and restated herein, apply to all amounts deferred under the Plan, whether before, on or after the Restatement Date.

II. 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 a Participant, or, in the absence of such designation, the Participant's estate (pursuant to the rules specified in Article 6).

(c) **"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 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 during a 12-month period 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 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 Voting Securities; (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 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, if such change in the members of the Board was not indorsed by a majority of the members of the Incumbent Board.

- (e) **“Code”** means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.
- (f) **“Committee”** means the Human Resources and Compensation Committee of the Board or a delegate of such Committee.
- (g) **“Compensation,”** of a Participant, means the Participant's annual retainer, meeting fees (if any) 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.
- (h) **“Corporation”** means HNI Corporation, an Iowa corporation.
- (i) **“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, 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 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 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.
- (l) **“Fair Market Value,”** of a share of Stock, means the closing price 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, 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.
- (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) **“Prime Rate”** means the prime interest rate published in the Wall Street Journal or its web site as of the first business day coincident with or immediately following the third Monday in January .
- (q) **“Qualified Domestic Relations Order”** has the same meaning as in Section 414(p) of the Code, but without regard to Section 414(p)(9) of the Code.
- (r) **“Restatement Date”** means November 19, 2009, 2009.
- (s) **“Retirement,”** of a Participant, means the Participant's Separation from Service on or after the attainment of age 55 with at least ten years of service as a Board member. The Chairman of the Board or, with respect to the Chairman if the Chairman is a Participant, the Committee, in his, her or its discretion, may waive or reduce the ten-year service requirement with respect to a Participant; provided that any such waiver or reduction is made before the Outside Director 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.
- (t) **“Separation from Service,”** with respect to a Participant, has the meaning set forth in Treasury Regulation Section 1.409A-1(h), or any subsequent authority.
- (u) **“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.
- (v) **“Stock”** means the Corporation's common stock, \$1.00 par value.
- (w) **“Stock Unit”** means the notational unit representing the right to receive one share of Stock.
- (x) **“Subsidiary”** means any corporation, joint venture, partnership, limited liability company, 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 50 percent or more 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.

III. 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 due to be paid to the Participant or Beneficiary have been paid to him or her. If, after having made reasonable efforts to do so, the Corporation is unable to locate the Participant or Beneficiary for purposes of making a distribution, the amount of the Participant's benefits under the Plan that would otherwise be considered as nonforfeitable will be forfeited. If the missing Participant or Beneficiary is located after the date of the forfeiture, the benefits for the Participant or Beneficiary will not be reinstated. In no event will a Participant's or Beneficiary's benefits be paid to him or her later than the date otherwise required by the Plan and Code Section 409A.

IV. 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 the Participant has elected to allocate to that Account under his or her Deferral Election Agreement(s) pursuant to Section 4.2, increased by earnings thereon pursuant to Section 4.3(a) and reduced by 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 the Participant has elected to allocate to that Account under his or her Deferral Election Agreement(s) pursuant to Section 4.2, increased with earnings (including dividend equivalents) thereon and converted to Stock Units pursuant to Section 4.3(b) and reduced by 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 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.

For the Plan Year in which an individual first becomes an Outside Director, the Committee may, in its discretion, allow the Outside Director to enter into a Deferral Election Agreement within 30 days after he or she first becomes an Outside 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 Outside 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 percentage of Compensation the Participant wishes to contribute as an Elective Deferral;
- (b) The manner (by percentage) in which the amount in (a), above, is to be allocated between the Participant's Cash Account and Stock Account; provided, however, 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.

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(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) 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 day (the "conversion 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 otherwise payable to the Participant but for 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 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-Accounts.

(a) As stated in Section 4.2(c), above, as part of his or her Deferral Election Agreement, a Participant shall elect:

(i) The Plan Year in which distribution of each Sub-Account established for him or her under the Plan is to commence, (or, in the case of Elective Deferrals made for Plan Years prior to January 1, 2010, the date on which distribution is to commence); and

(ii) The method of distribution of each Sub-Account from the available distribution methods below.

(b) In specifying a distribution commencement date, a Participant's election shall be subject to the following rules:

(i) The distribution commencement date cannot be earlier than December 31 of the Plan Year immediately after the Plan Year in which the Compensation deferred under the Deferral Election Agreement would otherwise have been paid to the Participant; provided, however, for Elective Deferrals made for Plan Years commencing on or after January 1, 2010, the date may be no earlier than the third Monday in January immediately after the end of the first Plan Year following the Plan Year in which the Compensation deferred under the Deferral Election Agreement would otherwise have been paid to the Participant.

(ii) The Participant's distribution commencement date shall be subject to the provisions of Section 4.5.

(iii) The Participant's distribution commencement date shall be subject to the provisions of Section 4.6.

(iv) In general, the Participant must elect a fixed date as his or her distribution commencement date. However, for Elective Deferrals made in Plan Years beginning on and after January 1, 2010, the Participant also may elect that if the Participant is a Board member at or after the attainment of age 55 with ten years of service as a Board member, the distribution commencement date shall be any of the following:

(A) The later of a specified commencement date or the date of the Participant's Separation from Service (including as a result of Retirement and other than on account of death).

(B) The earlier of a specified commencement date or the date of the Participant's Separation from Service (including as a result of Retirement and other than on account of death).

(C) Upon the Participant's Separation from Service (including as a result of Retirement and other than on account of death).

(c) The form of distribution of each such Sub-Account from the available distribution forms set forth below:

(i) a single lump-sum payment, or

(ii) 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).

If a Participant elects payment in the form of a single lump sum, distribution shall be made to the Participant in a single lump sum on the commencement date elected by the Participant; provided, however, for Plan Years commencing on or after January 1, 2010, distribution will be made on the third Monday in January of the Plan Year 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; provided, however, for Elective Deferrals made for Plan Years commencing on or after January 1, 2010, the initial installment shall be made on the third Monday in January of the Plan Year elected by the Participant for benefit commencement. The remaining annual installment payments shall be made on each anniversary of the commencement date during the payment period elected by the Participant. 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. 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.

(d) 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.

Any modification of the Participant's commencement date shall be made in a manner whereby the new commencement date is in compliance with Subsection (b). In addition, in order to be effective, any requested modification must:

- (i) be in writing and be submitted to the Corporation at the time and in the manner specified by the Committee;
- (ii) not take effect for at least 12 months from the date on which it is submitted to the Committee;
- (iii) be submitted to the Committee at least 12 months prior to the then scheduled distribution commencement date ("original distribution date"); and
- (iv) specify that the new distribution commencement date that is can in no event be any earlier than five years after the original distribution date.

For purposes hereof, if the original or any other 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 before Scheduled Distribution Commencement Date**.

(i) **For Plan Years Commencing Before January 1, 2010**. For Elective Deferrals made for Plan Years commencing before January 1, 2010, the rules set forth in this Section 4.5(a)(i) shall apply. 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 90 days after the date on which the Separation from Service occurs. Except as specified in paragraph (b) of this Section 4.5 and Article 7, 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).

(ii) **For Plan Years Commencing On or After January 1, 2010**. For Elective Deferrals made for Plan Years commencing on or after January 1, 2010, the rules set forth in this Section 4.5(a)(ii) shall apply. If a Participant has a Separation from Service for any reason other than Retirement before the date on which distribution of a Sub-Account is scheduled to commence, distribution of the Sub-Account will be made in a single lump sum within 90 days after the date on which the Separation from Service occurs.

(b) **Small Payments**. If at any time the present value of any benefit under the Plan that would be considered a "single plan" under Treasury Regulation Section 1.409A-1(c)(2) together with the present value of any benefit required to be aggregated with such benefit under Treasury Regulation Section 1.409A-1(c)(2), is less than the dollar limit set forth in Section 402(g)(1)(B) of the Code, the Corporation may, in its discretion, distribute such benefit (or benefits) to the Participant in the form of a single lump sum, provided that the payment results in the liquidation of the entirety of the Participant's interest under the "single plan," including all benefits required to be aggregated as part of the "single plan" under Treasury Regulation Section 1.409A-1(c)(2), and provided further the Corporation evidences its exercise of such discretion in writing no later than the date of such payment.

(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 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 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 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 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 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 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 as specified in Section 1.409A-3(j)(4)(3) of the Treasury Regulations. Distributions pursuant to a Qualified Domestic Relations Order shall be made according to administrative procedures established by the Corporation.

(ii) If the Participant 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 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 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.

(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 single lump sum within 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 Account shall be paid to his or her Beneficiary, as designated in accordance with Article 6, in the form (single lump sum or installments) elected by the Participant under Sections 4.2 and 4.4, subject to Section 4.5(b) and Article 7, with distribution commencing to the Beneficiary within 90 days following the date of the Participant's death. Notwithstanding the preceding sentence, for Elective Deferrals made for Plan Years beginning on or after January 1, 2010, if a Participant dies with all or a portion of his or her Account unpaid, the Account shall be paid to his or her Beneficiary, as designated in accordance with Article 6, in the form of a single lump sum, with distribution commencing to the Beneficiary within 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 whatsoever in or to any investment reserves, accounts or funds 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, any funds contained therein shall remain liable to the claims of the Corporation's general creditors.

V. 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 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.

VI. 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 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.

VII. 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 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 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 such termination and distribution comply with the requirements of Section 409A of the Code.

VIII. 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, benefit distribution shall not be contingent upon a Participant's application for benefits. If the Committee determines 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 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 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.

In the case of a Participant's death, the same procedures shall apply to the Beneficiary.

IX. MISCELLANEOUS

9.1 Rights as Stockholder. No person shall have any right as a stockholder of the Corporation with respect to any shares of Stock or other equity security of the Corporation payable under the Plan unless and until such person becomes a stockholder of record with respect to such shares or equity security.

9.2 Governing Law. The Plan 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.

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

9.4 No Right to Remain a Director. Neither the adoption and maintenance of the Plan nor the execution by the Corporation of a Deferral Election Agreement with any Participant 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.

9.5 Severability. If any provision of the Plan or any Deferral Election Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Deferral Election Agreement 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 Deferral Election Agreement, such provision shall be stricken as to such jurisdiction or Deferral Election Agreement, and the remainder of the Plan or any such Deferral Election Agreement shall remain in full force and effect.

9.6 Securities Matters. The Corporation shall not be required to deliver any share of Stock 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.

9.7 No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan. Any fractional share otherwise payable under the Plan shall be settled in the form of cash.

9.8 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.

9.9 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.

9.10 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.

9.11 No Other Agreements. The terms and conditions set forth herein constitute the entire understanding of the Corporation, the Subsidiaries and the Participants with respect to the matters addressed herein.

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

9.13 Release. Any payment of benefits to or for the benefit of a Participant 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 and all Subsidiaries for benefits under the Plan to the extent of such payment.

9.14 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. Any such notice shall be effective as of the date of hand delivery or mailing.

9.15 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 or assets of the Corporation.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Sarbanes-Oxley Act Section 302

I, Stan A. Askren, certify that:

1. I have reviewed this quarterly 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 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: August 4, 2015

By: /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, Kurt A. Tjaden, certify that:

1. I have reviewed this quarterly 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 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: August 4, 2015

By: /s/ Kurt A. Tjaden

Name: Kurt A. Tjaden

Title: Senior 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 July 4, 2015, 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 Kurt A. Tjaden, as Senior 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.

By: /s/ Stan A. Askren
Name: Stan A. Askren
Title: Chairman, President and Chief Executive Officer
Date: August 4, 2015

By: /s/ Kurt A. Tjaden
Name: Kurt A. Tjaden
Title: Senior Vice President and Chief Financial Officer
Date: August 4, 2015