

## Insiders at Herman Miller Are Selling

By NAUREEN S. MALIK

**HERMAN MILLER BECAME FAMOUS** during the 1990s for its pricey ergonomic chairs found in the offices of many dot-com start-ups.

After taking a fall, along with many of its dot-com clients, the office-furniture company has been making steady progress in recent years.

But as the stock now approaches record highs, a slew of insiders have been selling shares, suggesting that regular investors may want to sit back and take some profits.

In the past 90 days, five top executives and two directors sold more than 269,400 shares in the open market for \$9.1 million at prices ranging from \$28.19 to \$34.75, according to the Securities and Exchange Commission.

Among the sales, 62% of the shares were acquired through options exercised by two insiders for \$4.3 million, or \$20.06 to \$29.75 a share. The options expiration dates ranged from July 2007 to June 2013.

Ben Silverman, director of research at InsiderScore.com, says: "Perhaps the guidance is now priced into the stock and insiders perhaps are sending a signal that it's a good time to take profits."

"One thing to keep an eye on in the next couple quarters is trends in business spending," he adds.

The bulk of these transactions took place in the last 10 days after [Herman Miller](#) reported better-than-expected first-quarter earnings and issued a strong forecast.

Mark Schurman, Herman Miller's director of external communications, says record corporate profits, strong nonresidential construction and the rise in the white-collar payroll is fueling demand domestically and internationally.

Herman Miller is using its marquee ergonomic chairs (which can cost over \$1,000 if purchased individually) as the brand's international ambassador. Office-furniture tastes vary greatly across customers. For example, Schurman says Japanese clients prefer more open environments while many Americans prefer the privacy of cubicles, which the company could be credited for inventing in the 1960s.

Herman Miller shares have outperformed its peers and the broader market since early 2005, gaining 23% year-to-date and more than doubling since sinking to \$15 in 2003. The stock closed at \$34.68 Thursday, pennies shy of a record high (adjusted for a 2-for-1 split in March 1998).

Regarding the recent selling, Schurman notes: "Obviously there's a lot of factors and they would vary by individuals, but the stock is up 15% in a matter of a few days."

Schurman says that corporate-governance guidelines require executives and directors to hold a multiple of their compensations in stock. "If anyone is involved in a net decrease [through these recent sales], then they have already met ownership requirements," he adds.

Gary S. Miller, an executive vice president, sold 72,800 shares for \$2.5 million, cutting his direct holdings to about 69,000 shares.

Thomson Financial data indicate the company's stock fell an average 2.2% in the six months following his previous 12 sales.

Meanwhile, Chairman Michael Volkema grossed \$946,600 selling 28,000 shares, decreasing his holdings to about 222,000 shares.

Herman Miller Chief Executive Brian Walker sold 5,122 shares for nearly \$157,000, trimming his holdings to about 345,000 shares. Chief

Financial Officer Elizabeth Nickels sold 500 shares for nearly \$17,000. She holds about 55,300 shares.

Thomas Pratt, a director, sold 4,400 shares for \$125,000.

Some of the options exercised were used to cover tax expenses and were nearing expiration dates, says Herman Miller's Schurman. Trading windows restrict when insiders can buy and sell shares in the open market.

For instance, Andrew Lock, Herman Miller's chief administrative officer, actually increased his direct holdings through options. He spent \$2.3 million to exercise options on 95,000 shares before selling 80,300 of them for \$2.65 million. SEC filings indicate he beneficially owns about 37,000 shares.

James Christenson, senior vice president of legal services, acquired 74,304 through options for nearly \$2 million and sold 78,244 shares for \$2.7 million. He holds 165,000 shares directly.

Michael Painchaud, managing director of research of Market Profile Theorems, says this round of selling is bearish based on historical trends, creating a "disconnect" against bullish analysts and a strong technical model.

"My bet is that the insiders are going to be correct -- that when we look at the share price a month or two from now it will be at or lower than we are now," he adds.

He points to a round of selling earlier this year where sales in March through April preceded a sharp decline in the stock. A subsequent improvement in sentiment as insiders stopped selling shares in July and August also took place before the stock began its current rally.

The last open-market purchase of Herman Miller shares took place in August 2004 by a director while CFO Nickels made the last purchase by an executive in April 2001.