

STEELCASE INC
Form DEF 14A
May 18, 2006

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OMB APPROVAL

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

STEELCASE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
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NOTICE OF ANNUAL MEETING

The Board of Directors of Steelcase Inc. cordially invites all shareholders to attend the Company's 2006 Annual Meeting as follows:

Date: June 22, 2006
Time: 11:00 a.m. Eastern Daylight Time
Location: Steelcase Town Hall
1111 44th Street SE
Grand Rapids, Michigan 49508

The Annual Meeting is being held to allow you to vote on any matter properly brought before the shareholders, including the following proposal for the election of directors nominated to a three-year term by the Board of Directors:

William P. Crawford
Elizabeth Valk Long
Robert C. Pew III
Cathy D. Ross

If you were a shareholder of record as of the close of business on April 26, 2006, you are eligible to vote. You may either vote at the meeting or by proxy, which allows your shares to be voted at the meeting even if you are not able to attend. If you choose to vote by proxy:

Please carefully review the enclosed proxy statement and proxy card.

Select your preferred method of voting, including by telephone, Internet or signing and mailing the proxy card.

You can withdraw your proxy and vote your shares at the meeting if you decide to do so. Every vote is important, and you are urged to vote your shares as soon as possible. We look forward to seeing you at the meeting.

By Order of the Board of Directors,

Jon D. Botsford
Senior Vice President, Secretary
and Chief Legal Officer

May 18, 2006

Steelcase Inc., P.O. Box 1967, Grand Rapids, MI 49501-1967 USA www.steelcase.com

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QUESTIONS AND ANSWERS

What am I voting on?

You are being asked to vote on the election of nominees to serve on our Board of Directors and any other business properly coming before the 2006 Annual Meeting of Shareholders (the Meeting).

How does the Board of Directors recommend I vote?

The Board of Directors recommends that you vote FOR each of the nominees for director listed on pages 3 and 4.

Who is entitled to vote?

Shareholders of record of Class A Common Stock or Class B Common Stock at the close of business on April 26, 2006 may vote at the Meeting.

How many shares can be voted at the Meeting?

At the close of business on April 26, 2006, there were 77,169,035 shares of Class A Common Stock and 72,774,442 shares of Class B Common Stock outstanding.

How many votes do I have?

Each shareholder has one vote per share of Class A Common Stock and ten votes per share of Class B Common Stock owned of record at the close of business on April 26, 2006.

How do I vote?

If you are a registered shareholder (that is, if you hold your Steelcase stock directly in your name), you may vote by telephone, Internet or mail or by attending the Meeting and voting in person.

To vote by telephone or Internet: Please follow the instructions on the proxy card. The deadline for voting by telephone or Internet is 11:59 p.m. Eastern Daylight Time on June 21, 2006.

To vote by mail: Please complete, sign and date the accompanying proxy card and return it in the enclosed postage-paid envelope. Only cards received and processed before 11:00 a.m. Eastern Daylight Time on June 22, 2006 will be voted.

If you hold your stock in street name (that is, your shares are registered in the name of a bank, broker or other nominee, which we will collectively refer to as your broker), you must vote your shares in the manner required by your broker.

Whether you vote by telephone, Internet or mail, you may specify whether your shares should be voted for all, some or none of the nominees for director.

If you do not specify a choice and you use the enclosed proxy card, your shares will be voted FOR the election of all nominees for director listed under *Proposal Requiring Your Vote Election of Directors* on pages 3 and 4.

If you do not specify a choice and you use a ballot card supplied by your broker, the rules of the New York Stock Exchange (NYSE) provide that your broker can vote as they wish on the election of nominees for director.

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What should I do if I received more than one proxy card?

If you received more than one proxy card, it is likely that your shares are registered differently or are in more than one account. You should sign and return all proxy cards to ensure all of your shares are voted.

How will voting on any other business be conducted?

For any other matter that properly comes before the Meeting, your shares will be voted in the discretion of the proxy holders. As of April 26, 2006, we do not know of any other matter to be considered at the Meeting.

Can I revoke my proxy?

If you appoint a proxy, you may revoke it at any time before it is exercised by notifying the Company's Secretary in writing, by delivering a later dated proxy to the Company's Secretary or by attending the Meeting and voting in person.

Who can attend the Meeting?

Shareholders of record of Class A Common Stock or Class B Common Stock may attend the Meeting.

Can I listen to the Meeting if I cannot attend?

You can listen to a live webcast of the Meeting on the Internet. Instructions for listening to the webcast will be available on the Webcasts & Presentations page of the Investor Relations section of our website, located at www.steelcase.com/ir, approximately one week before the Meeting. An audio replay of the Meeting will be available on our website within two hours after the Meeting and until September 22, 2006.

When and how are shareholder proposals for next year's Annual Meeting to be submitted?

We must receive any shareholder proposals to be included in our proxy statement for the 2007 Annual Meeting of Shareholders by January 18, 2007. Shareholder proposals to be presented from the floor of the 2007 Annual Meeting must be received no earlier than March 26, 2007 and no later than April 13, 2007. All shareholder proposals must be sent in the manner and meet the requirements specified in our by-laws.

What if I have the same address as another shareholder?

We send a single copy of our annual report and proxy statement to any household at which two or more shareholders reside if they appear to be members of the same family. This practice is known as householding and helps reduce our printing and postage costs. Any shareholder residing at the same address as another shareholder who wishes to receive a single document or separate documents should call (800) 542-1061 or write to ADP Householding Department, 51 Mercedes Way, Edgewood, New York 11717, and we will deliver the requested documents promptly.

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PROPOSAL REQUIRING YOUR VOTE ELECTION OF DIRECTORS

Our Board of Directors currently has eleven members and is divided into three classes serving staggered three-year terms.

There are four nominees for election this year. Each is currently a member of our Board and is nominated to serve as a Class II director for a term that will expire at the 2009 Annual Meeting.

Our Board of Directors met four times during fiscal year 2006 (February 26, 2005 February 24, 2006). Each of our directors attended at least 75% of the total number of meetings of the Board and the committees on which they served during the year. Our Board's policy is that each director is expected to attend our annual meeting of shareholders. Eight of the ten directors serving at the time of our 2005 Annual Meeting attended that meeting.

The Board of Directors recommends that you vote FOR each of the nominees.

OUR BOARD OF DIRECTORS

Nominees for Election as Class II Directors for the Term Expiring in 2009:

William P. Crawford

Director since 1979

Mr. Crawford held various positions at Steelcase from 1979 until his retirement in 2000, including President and Chief Executive Officer of the Steelcase Design Partnership. Mr. Crawford is also a director of Fifth Third Bank a Michigan banking corporation. Age 63.

Elizabeth Valk Long

Director since 2001

Ms. Long held various management positions at Time Inc., a magazine publisher, until her retirement in 2001, including Executive Vice President of Time Inc. from 1995 to 2001. Ms. Long also serves on the Board of Directors of Belk, Inc. and The J.M. Smucker Company. Age 56.

Robert C. Pew III

Director since 1987

Mr. Pew has been a private investor since 2004 and operated Cane Creek Farm from 1995 to 2003. From 1974 to 1984 and from 1988 to 1994, Mr. Pew held various positions at Steelcase, including President, Steelcase North America and Executive Vice President, Operations. Mr. Pew has served as Chair of our Board of Directors since June 2003. Age 55.

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Cathy D. Ross

Director since 2006

Ms. Ross has been Senior Vice President and Chief Financial Officer of Federal Express Corporation, an express transportation company and subsidiary of FedEx Corporation, since 2004. Ms. Ross also held a variety of other positions at FedEx, including Vice President, Express Financial Planning from 1998 to 2004. Age 48.

Class III Directors Continuing in Office for the Term Expiring in 2007:

James P. Hackett

Director since 1994

Mr. Hackett has been President and Chief Executive Officer of Steelcase since 1994. Mr. Hackett also serves as a member of the Board of Trustees of The Northwestern Mutual Life Insurance Company and the Board of Directors of Fifth Third Bancorp. Age 51.

David W. Joos

Director since 2001

Mr. Joos has been President and Chief Executive Officer of CMS Energy Corporation, an energy company, and its primary electric utility, Consumers Energy Company, since 2004. Mr. Joos served as President and Chief Operating Officer of CMS Energy Corporation from 2001 to 2004 and as Executive Vice President and Chief Operating Officer-Electric from 2000 to 2001. Mr. Joos serves on the Board of Directors of CMS Energy Corporation and Consumers Energy Company. Age 53.

P. Craig Welch, Jr.

Director since 1979

Mr. Welch has been Manager and a member of Honzo LLC, an investment/venture capital firm, since 1999. From 1967 to 1987, Mr. Welch held various positions at Steelcase, including Director of Information Services and Director of Production Inventory Control. Age 61.

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Class I Directors Continuing in Office for the Term Expiring in 2008:

Earl D. Holton

Director since 1998

Mr. Holton served as Vice Chairman and member of the Board of Directors of Meijer, Inc., a Grand Rapids, Michigan-based operator of retail food and general merchandise stores, from 1999 until his retirement in 2004. He also held a variety of other positions at Meijer, including President from 1980 until 1999.

Mr. Holton also serves on the Board of Directors of CMS Energy Corporation and Consumers Energy Company and has acted as the presiding director at executive sessions of those Boards since 2002. Age 72.

Michael J. Jandernoa

Director since 2002

Mr. Jandernoa has been a general partner of Bridge Street Capital Fund I, L.P., a Grand Rapids, Michigan venture capital fund, since 2004. He served as Chairman of the Board of Directors of Perrigo Company, a manufacturer of over-the-counter store-brand pharmaceutical and nutritional products, from 1991 through 2003. Mr. Jandernoa also served in various executive capacities with Perrigo Company, including Chief Executive Officer from 1988 to 2000. He is also a director of Perrigo Company and Fifth Third Bank a Michigan banking corporation. Age 56.

Peter M. Wege II

Director since 1979

Mr. Wege has been Chairman of the Board of Directors of Contract Pharmaceuticals Ltd., a manufacturer and distributor of prescription and over-the-counter pharmaceuticals, since 2000. From 1981 to 1989, he held various positions at Steelcase, including President of Steelcase Canada Ltd. Age 57.

Kate Pew Wolters

Director since 2001

Ms. Wolters has been engaged in philanthropic activities since 1996. She is currently President of the Kate and Richard Wolters Foundation and is a community volunteer and advisor. She also serves as Chair of the Board of Trustees of the Steelcase Foundation. Age 48.

Related Directors

Robert C. Pew III and Kate Pew Wolters are brother and sister and are first cousins of William P. Crawford and P. Craig Welch, Jr.; Mr. Crawford and Mr. Welch, Jr. are first cousins of each other.

Chairman Emeritus

Our Board has designated our former director Robert C. Pew II as Chairman Emeritus. As Chairman Emeritus, Mr. Pew II is invited to attend Board and committee meetings, but he does not have any right to vote as a director and does not receive any retainer or other meeting fees.

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In fiscal year 2006, we compensated our outside directors as follows:

Type of Compensation	Director	Board Chair
Board Compensation:		
Annual Retainer	\$ 25,000	\$ 90,000
Meeting Attendance Fee (per meeting)	\$ 2,000	
Committee Compensation:		
Audit Committee Chair Annual Retainer	\$ 7,500	
Other Committee Chair Annual Retainer	\$ 3,500	
Committee Chair Attendance Fee (per meeting)	\$ 1,500	
Committee Attendance Fee (per meeting)	\$ 1,000	

Our outside directors receive a minimum of 25% of their annual retainer in either:

a deemed investment in Class A Common Stock under our Non-Employee Director Deferred Compensation Plan or

Class A Common Stock issued under our Incentive Compensation Plan.

Our Board expects that any shares issued to outside directors under our Incentive Compensation Plan will be held by the directors while they serve on the Board.

Each outside director is also reimbursed for the out-of-pocket expenses he or she incurs to attend Board and committee meetings. James P. Hackett, as an employee, does not receive any compensation for his service as a director or committee member.

During fiscal year 2006, Michael J. Jandernoa earned an additional \$12,250 for services provided in his capacity as a member of the Board and the Audit Committee in connection with a special project. During fiscal year 2006, Peter M. Wege II and William P. Crawford also served on the board of one or more of our subsidiaries, and Mr. Wege II was paid \$2,000 and Mr. Crawford was paid \$4,500 for attending meetings of such boards. We also reimbursed Mr. Wege II and Mr. Crawford for the out-of-pocket expenses they incurred to attend those meetings.

Each of our outside directors is eligible to participate in our Non-Employee Director Deferred Compensation Plan. Under this plan, directors may defer all or part of their retainer and/or committee fees until they no longer serve on our Board. A participating director may elect to have the deferred amount deemed invested in Class A Common Stock or several other investment funds.

Each of our outside directors also participates in our Incentive Compensation Plan. The only awards made to our outside directors under this plan during fiscal year 2006 were to those directors electing to receive 25% or more of their annual retainer in Class A Common Stock.

William P. Crawford and Robert C. Pew III currently receive or are entitled to receive payments under supplemental retirement and/or deferred compensation arrangements that were in effect when their active employment with us ended. Mr. Crawford also participates in our retiree medical and life insurance benefit plans on the same terms as other North American-based retirees. Their rights to receive those payments and benefits are not conditioned on continued service on our Board.

During fiscal year 2006, each of our outside directors who is not a retiree of our Company was eligible to receive medical and dental care coverage under our Employee Benefit Plan, the cost of which is reported as taxable income for each participating director. The table below shows, for each outside director who participated in the plan during fiscal year 2006, the amount of taxable income relating to such participation.

Participating Directors		Fiscal Year 2006 Taxable Income
Robert C. Pew III	\$	12,629
Peter M. Wege II	\$	12,629
P. Craig Welch Jr.	\$	8,839
Kate Pew Wolters	\$	4,209

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CORPORATE GOVERNANCE

Our Board of Directors is committed to monitoring the effectiveness of policy and decision making at the Board and management levels. Fundamental to its corporate governance philosophy is the Board's commitment to upholding our reputation for honesty and integrity. Equally fundamental is its commitment to serving as an independent overseer of our management and operations.

Corporate Governance Principles

Our Board adopted our Corporate Governance Principles on December 18, 2002. These principles outline the goals, duties and responsibilities of the Board and its committees, as well as our Board's expectations of directors, including the following:

Our Board provides oversight to management that helps build long-term value for the Company's shareholders.

Our Board is responsible for monitoring the performance of the Company.

Our Board is responsible for selecting our Chief Executive Officer, evaluating his or her performance and engaging in succession planning for senior management.

Our directors are expected to spend the time and effort necessary to appropriately perform their responsibilities. Our Nominating and Corporate Governance Committee conducts an annual evaluation of directors' commitments to other boards to help ensure that our directors are able to devote the appropriate amount of time and effort to perform their duties.

Our directors are subject to mandatory retirement. After turning 75, a person shall not be nominated or re-elected as a director.

If a director has a significant change in responsibilities, including a change in employment, they are expected to volunteer to resign from the Board. Whether the Board accepts the resignation is dependent on the continued appropriateness of Board service.

Our Nominating and Corporate Governance Committee considers the issues of term limits in its nominating process and member rotation in making recommendations on committee assignments. In both instances, the Committee's goal is to ensure that our Board and its committees are open to new ideas and are willing to critically re-examine the status quo.

We conduct an orientation for new Board members.

Our directors are expected to participate in continuing educational programs to maintain the necessary level of expertise to perform their responsibilities as directors.

Our Board and our Audit, Compensation and Nominating and Corporate Governance Committees conduct annual self-evaluations.

Director Independence

A majority of the members of our Board of Directors must be independent, as defined by the NYSE listing standards.

Our Board considers all relevant facts and circumstances in determining whether a director is independent and adopted the following categorical standards to guide that determination. Under these standards, none of the following is considered a material relationship impairing a director's independence:

the director is currently employed in any capacity by, or is an equity owner in, another company that has done or does business with the Company, provided that:

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the amount of business with the Company is less than the greater of \$1,000,000 or 1% of the other company's annual gross revenue, or

the director's ownership interest does not exceed 5% of the total equity interests in the other company; the director is currently serving solely as a director, advisory director, consultant or in a similar non-employee position with another company that has done or does business with the Company, regardless of the amount;

the director is currently employed as an executive officer of a charitable institution that has received contributions from the Company or the Steelcase Foundation, provided that the amount of the contributions in any of the last three years is less than the greater of \$1,000,000 or 2% of the charitable institution's annual gross revenue;

the director is currently serving solely as a director, trustee, volunteer, committee member or in a similar position (and not as an executive officer) of a charitable institution that has received contributions in any amount from the Company or the Steelcase Foundation during any of the past three years;

the Company has employed a member of the director's immediate family within the last three years, provided such employment was not as a board-elected officer;

the director, as part of his or her service on our Board of Directors also serves as a trustee of the Steelcase Foundation and/or a director of a subsidiary or affiliate; or

the Company previously employed the director in any capacity, provided that the director's employment ceased more than five years ago.

As used in the above categorical standards, "business with the Company" includes the Company selling products or services to the other company, either directly or through an independently owned dealer, and the Company buying products or services from the other company during the last three years. Unless the context otherwise requires, "director" includes the director and his or her immediate family members as defined in the NYSE listing standards.

Applying the NYSE listing standards and the Board's categorical standards and considering all the relevant facts and circumstances, our Board of Directors determined that William P. Crawford, Earl D. Holton, Michael J. Jandernoa, David W. Joos, Elizabeth Valk Long, Robert C. Pew III, Cathy D. Ross, Peter M. Wege II, P. Craig Welch, Jr. and Kate Pew Wolters are independent. James P. Hackett was found to be not independent because of his executive management position.

Audit Committee Matters

Our Corporate Governance Principles prohibit any member of our Audit Committee from sitting on the audit committees of more than two other public companies. Additionally, the Board of Directors has designated Michael J. Jandernoa as an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission (the "SEC"), based on his financial and accounting education and experience.

Compensation Committee Interlocks and Insider Participation

Earl D. Holton, Michael J. Jandernoa, David W. Joos, P. Craig Welch, Jr. and Kate Pew Wolters currently serve as members of our Compensation Committee, and there is no insider participation.

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Executive Sessions of Non-Management Directors

The only member of our Board who is also a member of management is James P. Hackett, our President and Chief Executive Officer. Our Board meets quarterly in executive session without Mr. Hackett present. During these sessions, Robert C. Pew III, as Chair of the Board, presides. Our Corporate Governance Principles provide that if the Chair of the Board is a member of management, the outside directors will designate a member to preside at executive sessions. You may contact the Chair of the Board (or the lead non-management director, if one is subsequently appointed) by sending a certified letter to:

Chair of the Board/Lead Non-Management Director
c/o Steelcase Inc.
P.O. Box 1967
Grand Rapids, MI 49501-1967

Code of Ethics, Code of Business Conduct and Board Committee Charters

Our Board has adopted a Code of Ethics applicable to our chief executive and senior financial officers, as well as a Code of Business Conduct that applies to all of our employees and directors. Only our Nominating and Corporate Governance Committee may grant any waivers of either code for a director or executive officer. Each of these codes, the charters of our Audit, Compensation and Nominating and Corporate Governance Committees, and our Corporate Governance Principles are available in the Corporate Governance section (found under Our Company About Steelcase) of our Internet website, located at *www.steelcase.com*. If any amendment to, or waiver from, a provision of our Code of Ethics is made for our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, we will also post such information in the Corporate Governance section of our website.

We will provide a printed copy of any of these materials to you upon request and without charge. Please send any such requests to us by email at *ir@steelcase.com* or by mail at:

Steelcase Inc.
Investor Relations
GH-3C
P.O. Box 1967
Grand Rapids, MI 49501-1967

Contacting Our Board

Our Board has adopted a process for our shareholders to send communications to the Board. To contact the Board, any of its committees or any of our directors, please send a certified letter addressed to:

Board of Directors
c/o Jon Botsford, Secretary
Steelcase Inc.
P.O. Box 1967
Grand Rapids, MI 49501-1967

All such letters will be opened by the Company's Secretary. Any contents that are not in the nature of advertising, promotions of a product or service or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any committee or group of directors, the Secretary will make sufficient copies of the contents and send them to each director who is a member of the committee or group to which the envelope is addressed.

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The Steelcase Foundation

The Steelcase Foundation is included in the categorical independence standards described on pages 7 and 8. The Foundation was established in 1951 to make grants to non-profit organizations, projects and programs in the communities where our employees live and work. Established by the founders of Steelcase Inc., the Foundation seeks to give back to the communities that have been instrumental to the Company's operations and growth. From time to time, the Company has donated a portion of its earnings to the Foundation. Our Board of Directors determines whether a donation will be made to the Foundation and determines the amount. Several of our directors also serve as Foundation Trustees, including James P. Hackett, Earl D. Holton, Robert C. Pew III and Kate Pew Wolters, who serves as Chair of the Board of Trustees. The other Trustees of the Foundation include David D. Hunting, Jr., Mary Goodwillie Nelson, Peter M. Wege and James C. Welch. During fiscal year 2006, Fifth Third Bank also served as a trustee and was compensated for its services in connection with the Foundation, but individual trustees are not compensated for their service.

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COMMITTEES OF THE BOARD OF DIRECTORS

Four standing committees assist our Board of Directors in fulfilling the responsibilities summarized below. Each committee has the power to conduct or authorize investigations or studies of matters within the scope of its responsibilities and may, at the Company's expense, retain independent counsel or other consultants or advisors as deemed necessary. Each committee also has the sole authority to retain or terminate its consultants and approve the payment of fees.

Audit Committee

Current Members:

Michael J. Jandernoa (Chair)
Earl D. Holton
Elizabeth Valk Long
Robert C. Pew III
Cathy D. Ross
Peter M. Wege II

Responsibilities:

Appoints the independent auditor and reviews and approves its services and fees in advance

Reviews the performance of our independent auditor and, if circumstances warrant, makes decisions regarding its replacement or termination

Evaluates the independence of the independent auditor

Reviews the appointment, replacement, reassignment or dismissal of the head of our internal audit function, as well as the function's budget and staffing

Reviews the scope of the internal and independent annual audit plans and monitors progress and results

Reviews our critical accounting policies and practices

Reviews the adequacy and effectiveness of our accounting and internal control policies and procedures

Reviews our financial reporting, including the results of the annual audit and interim financial statements, as well as the type of information included in our earnings press releases

Reviews the process by which we monitor, assess and manage our exposure to risk

Reviews compliance with our Global Business Standards, as well as legal and regulatory compliance

Performs an annual self-evaluation of the Committee, as well as other duties specified in its charter

Reports to our Board of Directors about these and other matters undertaken by the Committee

**Number of Meetings
in Fiscal Year 2006: 7**

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Compensation Committee

Current Members:

David W. Joos (Chair)
Earl D. Holton
Michael J. Jandernoa
P. Craig Welch, Jr.
Kate Pew Wolters

**Number of Meetings in
Fiscal Year 2006: 7**

Responsibilities:

Establishes our compensation philosophy

Establishes the compensation of our Chief Executive Officer

Reviews the compensation of our executive officers

Reviews executive and non-executive compensation programs and benefit plans to assess their competitiveness, reasonableness and alignment with our compensation philosophy

Makes awards and takes other actions under our incentive compensation and equity-based compensation plans

Performs an annual self-evaluation of the Committee, as well as other duties specified in its charter

Reports to our Board of Directors about these and other matters undertaken by the Committee

Executive Committee

Current Members:

Earl D. Holton (Chair)
William P. Crawford
James P. Hackett
Robert C. Pew III
Peter M. Wege II
P. Craig Welch, Jr.

**Number of Meetings
in Fiscal Year 2006: 1**

Responsibilities:

Exercises the powers of our Board of Directors when necessary between regular meetings, subject to any legal or regulatory limitations

Performs other duties as assigned by our Board of Directors from time to time

Reports to our Board of Directors about these and other matters undertaken by the Committee

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Nominating and Corporate Governance Committee

Current Members:

Kate Pew Wolters (Chair)
William P. Crawford
Elizabeth Valk Long
Robert C. Pew III
Peter M. Wege II
P. Craig Welch, Jr.

**Number of Meetings in
Fiscal Year 2006: 2**

Responsibilities:

Establishes procedures for identifying and evaluating potential director nominees and recommends nominees for election to our Board of Directors

Reviews the suitability for continued service of directors when their terms are expiring or a significant change in responsibility occurs, including a change in employment

Reviews annually the composition of our Board of Directors to ensure that it reflects an appropriate balance of knowledge, experience, skills, expertise and diversity

Makes recommendations to our Board regarding its size, the frequency and structure of its meetings and other aspects of the governance procedures of our Board of Directors

Makes recommendations to our Board regarding the functioning and composition of Board committees

Reviews our Corporate Governance Principles at least annually and recommends appropriate changes to our Board of Directors

Oversees the annual self-evaluation of our Board of Directors and annual evaluation of our Chief Executive Officer

Reviews director compensation and recommends appropriate changes to our Board of Directors

Administers the Board's policy on disclosing and managing conflicts of interest

Considers any waiver request under our Code of Ethics and Code of Business Conduct

Performs an annual self-evaluation of the Committee, as well as other duties specified in its charter

Reports to our Board of Directors about these and other matters undertaken by the Committee

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NOMINATING AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Nominating and Corporate Governance Committee has six members, all of whom are independent under the NYSE listing standards. Our Committee performs the duties described in *Committees of the Board of Directors* on page 13 and operates under a written charter adopted by the Board of Directors that is reviewed and assessed at least annually.

Corporate Governance

Since its formation in June 2002, our Committee has focused on seeking out and implementing world class governance policies and practices. Some of the resulting policies and practices are summarized in *Corporate Governance* on pages 7 through 10.

Board Composition

Our Committee also identifies and recommends to the Board of Directors qualified candidates for election as directors. As a part of that responsibility, we conduct an annual review of the composition of the Board and evaluate whether it continues to reflect the balance of knowledge, experience, skills, expertise and diversity necessary to provide oversight and direction to management in a manner that builds long-term shareholder value.

Qualifications

Nominees for director are selected on the basis of several criteria, the most fundamental of which is integrity. We are committed to diversity, and a candidate's ability to add to the diversity of our Board is also considered. Directors are expected to be curious and demanding independent thinkers who possess appropriate business judgment and are committed to representing the long-term interests of shareholders. Directors must possess knowledge, experience, skills or expertise that will enhance our Board's ability to direct our business. They must also be willing and able to spend the time and effort necessary to effectively discharge their responsibilities. Directors must be prepared to resign from our Board in the event that they have a significant change in responsibilities, including a change in employment, as required by our Corporate Governance Principles.

In addition to the above qualifications, we also review the effectiveness of directors when determining whether to re-nominate a current member of our Board for an additional term.

Identification of Candidates for Director

Our Committee considers candidates suggested by its members, other directors and senior management in anticipation of potential or expected Board vacancies. After identifying a potential candidate, we collect and review publicly available information to assess whether they should be considered further. If the candidate warrants further consideration, the Chair or another member of our Committee will initiate a contact. Generally, if the person expresses a willingness to be considered, we request information from the candidate, review their qualifications and accomplishments and conduct one or more interviews with the candidate. Committee members may also contact references or others that have personal knowledge of the candidate's accomplishments.

We will also consider candidates recommended by shareholders for nomination by the Board, taking into consideration the needs of the Board and the qualifications of the candidate. Shareholders must submit recommendations to the Company's Secretary in writing and include the following information:

the recommending shareholder's name and evidence of ownership of our stock, including the number of shares owned and the length of time owned; and

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the candidate's name, resume or a listing of qualifications to be a director of the Company and the person's consent to be named as a director if selected by the Nominating and Corporate Governance Committee and nominated by the Board.

Shareholders may also make their own nominations for director by following the process specified in our by-laws.

Our Committee has the sole authority to retain search firms to assist in identifying candidates. During fiscal year 2006, we retained a third party firm, Boyden Global Executive Search, to assist us with identifying and evaluating potential candidates. Cathy D. Ross, who was appointed to our Board in March 2006 and is a nominee for re-election at this year's annual shareholder meeting, was identified as a potential candidate by Boyden Global Executive Search.

**Nominating and Corporate
Governance Committee**

Kate Pew Wolters (Chair)
William P. Crawford
Elizabeth Valk Long
Robert C. Pew III
Peter M. Wege II
P. Craig Welch, Jr.

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AUDIT COMMITTEE REPORT

The Audit Committee has six members, all of whom are financially literate as defined by the Board of Directors and are independent under the NYSE listing standards. Our Committee performs the duties described in *Committees of the Board of Directors* on page 11 and operates under a written charter adopted by the Board of Directors that is reviewed and assessed at least annually.

Management is responsible for the Company's financial reporting process and its internal controls regarding financial reporting, accounting, legal compliance and ethics. BDO Seidman, LLP, the Company's independent registered public accounting firm (independent auditor), is responsible for performing independent audits of the Company's consolidated financial statements and its internal control over financial reporting and issuing opinions on:

the conformity of those audited financial statements with accounting principles generally accepted in the United States of America,

the effectiveness of the Company's internal control over financial reporting, and

management's assessment of the effectiveness of the Company's internal control over financial reporting.

Our Committee's role is to serve as an independent and objective party to monitor these processes on behalf of the Board of Directors and to review the audit efforts of the Company's internal and independent auditors.

In this context, we discussed with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended. In addition, we received the written disclosures and letter from the independent auditor required by Independence Standards Board Standard No. 1 and reviewed, evaluated and discussed the written report and letter with that firm and its independence with respect to the Company.

We discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. We also reviewed and discussed with management the Company's audited financial statements. We met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control and the overall quality of the Company's financial reporting.

Based on the review and discussions referred to above, and relying on the representations of the Company's management and the independent auditor's report, our Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 24, 2006 for filing with the Securities and Exchange Commission.

Audit Committee

Michael J. Jandernoa (Chair)

Earl D. Holton

Elizabeth Valk Long

Robert C. Pew III

Cathy D. Ross

Peter M. Wege II

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BDO Seidman's fees for fiscal year 2006 (estimated) and fiscal year 2005 (actual) for work performed for us are as follows:

	Fiscal Year 2006	Fiscal Year 2005
Audit Fees (1)	\$ 1,797,000	\$ 1,667,000
Audit-Related Fees (2)	234,000	213,000
Tax Fees (3)	277,000	290,000
All Other Fees		
Total	\$ 2,308,000	\$ 2,170,000