ULTRAPAR HOLDINGS INC
Form 6-K
April 13, 2011

Form 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report Of Foreign Private Issuer
Pursuant To Rule 13a-16 Or 15d-16 Of
The Securities Exchange Act Of 1934

For the month of April, 2011

Commission File Number: 001-14950

ULTRAPAR HOLDINGS INC.
(Translation of Registrant's Name into English)

Avenida Brigadeiro Luis Antonio, 1343, 9º Andar
São Paulo, SP, Brazil 01317-910
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F X Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No X

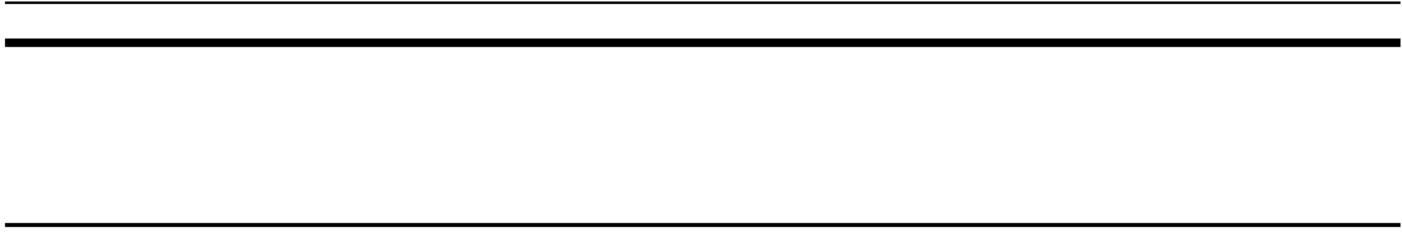
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No X

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A



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Item 1

Management proposal for Shareholders' Meetings
April 27th, 2011

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The management proposal presented herein contains certain differences compared with the one furnished to the Securities and Exchange Commission under Form 6-K on March 28th, 2011, which are basically (i) the inclusion of matters to be deliberated at an extraordinary shareholders' meeting and (ii) minor changes to Annexes III and VI.

Annex A - Matters to be deliberated at the Annual General Shareholders' Meeting

Publicly Traded Company

CNPJ nº 33.256.439/0001- 39
NIRE 35.300.109.724

Dear Shareholders,

In compliance with the information required by Article 9, 10 and 12 of CVM Instruction n° 481/2009, Ultrapar Participações S.A. ("Ultrapar" or "Company") hereby presents to the Company's shareholders the following documents and information regarding the matters to be voted in the General Shareholders' Meeting, to be held on April 27th, 2011 ("GSM"):

1) Financial statements form referring to the fiscal year ended on December 31st, 2010, including (i) the Management's Report on the Company's businesses and the main administrative facts of the fiscal year ended on December 31st, 2010; (ii) Report from our Independent Auditors and (iii) Report from our Fiscal Council (Annex I);

2) Management discussion and analysis on the financial conditions of the Company, under the terms of item 10 of the Reference Form (Annex II);

3) Destination of net earnings proposal for the fiscal year, in accordance with Annex 9-1-II of CVM Instruction nº 481/2009 (Annex III);

4) Information about the candidates for members of the Board of Directors and of the Fiscal Council indicated or supported by the management or by the controlling shareholders, under the terms of items 12.6 to 12.10 of the Reference Form (Annex IV);

5) Management and Fiscal Council compensation proposal (Annex V);

6) Information about the management compensation, under the terms of item 13 of the Reference Form (Annex VI); and

7) Glossary of the terms used in items 10, 12.6 to 12.10 and 13 of the Reference Form which are part of this document (Annex VII).

São Paulo, March 25th, 2011.

ANNEX I – FINANCIAL STATEMENTS

ANNEX II - ITEM 10 OF THE REFERENCE FORM

10. Management discussion & analysis

Introduction

You should read this discussion together with our consolidated financial statements, filed with the CVM on February 24th, 2011, including the notes thereto, and other financial information included elsewhere in this document.

From the year ending December 31st, 2010 onwards, CVM made mandatory the adoption of the International Financial Reporting Standards ("IFRS") in the presentation of financial statements of the Brazilian publicly-held companies. Accordingly, Ultrapar's consolidated financial statements for the year ended December 31st, 2010, as well as the information of 2009 included in such statements, were prepared in compliance with the IFRS, which differs in certain aspects from the previous Brazilian accounting standards. Likewise, the financial information referring to the fiscal years ended December 31st, 2009 and 2010, as well as the balance sheet information of January 1st, 2009, are presented in this document according to the IFRS, except when otherwise indicated.

As allowed by CVM, the financial information referring to the fiscal year ended December 31st, 2008 is presented without the changes introduced by the new legislation, but with the format of such financial statements compatible to the IFRS. In order to provide comparability of information, the analysis of the main changes in the results for the years 2009 and 2008 included in item 10.1.h is presented according to accounting policies previously adopted in Brazil.

See "Item 10.4.a. Significant changes in accounting principles" and "Item 10.4.b. Significant effects of the changes in accounting practices". Our consolidated financial statements for the years ended December 31st, 2010, 2009 and 2008 were audited by the independent registered public accounting firm, KPMG Auditores Independentes.

10.1. Management discussion on:

a. General financial and equity conditions

Company overview

Ultrapar is a Brazilian business group with more than 70 years of history, with leading position in the markets in which it operates. Our four principal segments are:

- the LPG distribution business, conducted by Ultragaz;
- the fuels distribution business, conducted by Ipiranga;
- the chemical and petrochemical business, conducted by Oxiteno; and
- storage for liquid bulk, conducted by Ultracargo.

Ultragaz distributes LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV (natural gas for vehicles), fuel oil, kerosene and lubricants through a network of 5.7 thousand service stations and directly to large customers. Oxiteno produces ethylene oxide and its principal derivatives, and is also a major producer of specialty chemicals, particularly surfactants. It manufactures approximately 700 products used in various industrial sectors such as cosmetics, detergents, crop protection chemicals, packaging, textiles, paints and varnishes. Ultracargo is the largest provider of storage for liquid bulk in Brazil.

In June 2008, Ultrapar signed a sale and purchase agreement with Unipar for the acquisition of 100% of the shares of União Terminais, a company engaged in the storage and handling of liquid bulk. In October 2008, Ultrapar closed the acquisition in relation to the port terminals in Santos and Rio de Janeiro. In November 2008, it closed the acquisition of the 50% stake in União/Vopak, which owns a port terminal in Paranaguá (in the state of Paraná). The results of the businesses acquired were consolidated into Ultrapar's financial statements after their respective closing dates. Ultrapar's financial statements in periods prior to fourth quarter 2008 do not include the results of the businesses acquired.

In August 2008, Ultrapar announced the signing of an agreement for the acquisition of Texaco's fuel distribution business in Brazil. The acquisition was closed on March 31st, 2009. The results of Texaco started to be consolidated into Ultrapar's financial statements on April 1st, 2009 onwards, after the financial settlement of the transaction. Ultrapar's financial statements in periods prior to second quarter 2009 do not include Texaco's results.

On July 1st, 2010, Ultrapar concluded the sale of Ultracargo's in-house logistics, solid bulk storage, and road transportation businesses, with the transfer of shares of AGT – Armazéns Gerais e Transporte Ltda. and Petrolog Serviços e Armazéns Gerais Ltda. to Aqces Logística Internacional Ltda. The financial statements of Ultrapar and Ultracargo from the third quarter of 2010 onwards no longer include the businesses sold.

On October 26th, 2010, Ultrapar announced the signing of the sale and purchase agreement for the acquisition of 100% of the shares of DNP. Ultrapar's and Ipiranga's financial statements started to consolidate the results of the acquired business from the closing of the acquisition, occurred on November 1st, 2010.

2010

The year 2010 was marked by the strong growth of the Brazilian economy, with highlights to the low unemployment rates, expansion in income and total wages and higher credit availability, which reached in December a record level of 47% of the GDP. The gross domestic product grew by 7.5% in the year, driven by the good performance of the retail, automotive and civil construction sectors. The strong growth of the Brazilian economy, associated with larger scale of operations, derived from investments made in the last years, with the prudence in financial management and with results- and value creation oriented culture enabled Ultrapar to achieve record levels of results in 2010. In the year,

Ultrapar's net sales and services amounted to R$ 42.5 billion, EBITDA amounted to R$ 1,776.3 million and net earnings amounted to R$ 765.2 million. The 2010 net debt to EBITDA ratio was 1.2

– lower than the 1.5 ratio of the end of 2009 – reflecting the increase in earnings and cash generation. Ultrapar ended 2009 with total assets of R$ 13.0 billion and shareholders' equity of R$ 5.2 billion.

2009

The year 2009 was marked by the effects of the global financial crisis, more intense during the first quarter of 2009, period when the Brazilian gross domestic product decreased by 2.1% compared with 2008. During the following quarters, measures adopted by the Brazilian government to minimize the impacts of the crisis started to reflect on the economy, leading to a gradual recovery of the GDP. Even in the instable economic environment seen particularly in the first half of 2009, the Company reported growth in its results quarter after quarter, while keeping a sound and prudent management of its cash generation and indebtedness levels. In 2009, Ultrapar's net sales and services amounted to R$ 36.1 billion, EBITDA amounted to R$ 1,430.4 million and net earnings amounted to R$ 440.7 million. The Company's net debt to EBITDA ratio was 1.5 times in December through the achievement of cash generation established goals. Ultrapar, which had already been assigned the investment grade rating by Moody's, was also assigned investment grade by Standard & Poor's in October 2009. Ultrapar ended 2009 with total assets of R$ 11.5 billion and shareholders' equity of R$ 4.8 billion.

2008

In 2008, Ultrapar concluded a cycle of major investments, continuing its strategy of expanding its scale and improving the competitiveness of its businesses. In the fuel distribution segment, Ultrapar continued its growth strategy initiated in 2007 with the acquisition of Ipiranga's distribution business in the South and Southeast regions of Brazil, and entered into an agreement in August 2008, to acquire Texaco's fuel distribution business in Brazil. In the logistic segment, Ultracargo concluded the acquisition of União Terminais in November, a milestone in its transformation process, with the objective to consolidate itself as the largest and most complete provider of integrated logistic solutions for special bulk cargo in Brazil. In Oxiteno, relevant investments were completed in 2008, significantly increasing the company's specialty chemical production capacity. With the acquisitions and investments in organic expansion, we ended 2008 with net sales of R$ 28.3 billion, EBITDA of R$ 1.1 billion and net earnings of R$ 390.3 million. Ultrapar ended 2008 with total assets of R$ 9.7 billion and shareholders' equity of R$ 4.7 billion.

See "Item 10.2.c. Effect of inflation, changes in prices of main feedstocks and products, foreign exchange and interest rates on operating and financial results" for trend information.

b. Capital structure and possibility of redemption of shares

Capital structure

Our paid up capital as of December 31st, 2010 amounted to R$ 3,696.8 million, composed by 544,383,996 shares, without par value, of which 197,719,588 are common shares and 346,664,408 are preferred shares. The number of shares is already adjusted to reflect the 1:4 stock split approved in the Special Shareholders' Meeting held on February 10th, 2011.

2010

Ultrapar ended the fiscal year 2010 with a gross debt of R$ 5.396,0 million and a gross cash position of R$ 3,220.4 million, resulting in a net debt of R$ 2,175.7 million, 2% higher than the Company's net debt position of 2009. On December 31st, 2009, shareholders' equity amounted to R$ 5,175.6 million, resulting in a net debt to shareholders' equity ratio of 42%.

2009

Ultrapar ended the fiscal year 2009 with a gross debt of R$ 4,466.7 million and a gross cash position of R$ 2,334.9 million, resulting in a net debt of R$ 2,131.8 million, 18% lower than the net debt on March 31st, 2009, the date of the payment for the acquisition of Texaco. On December 31st, 2009, shareholders' equity amounted to R$ 4,845.3 million,

resulting in a net debt to shareholders' equity ratio of 44%.

2008

Ultrapar ended the fiscal year 2008 with gross debt of R$ 3,671.9 million and gross cash position of R$ 2,133.6 million, resulting in a net debt of R$ 1,538.3 million, 7% higher than the Company's net

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debt position at the end of 2007. On December 31st, 2008, shareholders' equity amounted to R$ 4,650.1 million, resulting in a net debt to shareholders' equity ratio of 33%.

	Year ended December 31st					
(R$ million)	2010	% of shareholders' equity	2009	% of shareholders' equity	2008	% of shareholders' equity
Gross debt	5,396.0	104 %	4,466.7	92 %	3,671.9	79 %
Cash and cash equivalents	3,220.4	62 %	2,334.9	48 %	2,133.6	46 %
Net debt	2,175.7	42 %	2,131.8	44 %	1,538.3	33 %

i. Hypothesis for the redemption of shares

There is no hypothesis for the redemption of shares issued by the Company, in addition to those legally provided.

ii. Calculation for redemption value

Not applicable.

c. Capacity to meet our financial commitments

Our principal sources of liquidity derive from (i) cash and cash equivalents, (ii) cash generated from operations and (iii) loans. We believe that these sources will continue to be sufficient to satisfy our current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends.

From time to time, we assess opportunities for acquisitions and investments. We consider different types of investments, either direct or through our subsidiaries, joint ventures, or affiliated companies. We finance such investments through cash generated from our operations, through new loans and financings, through capital increases or through a combination of these methods.

We believe we have sufficient working capital for our present requirements. We have R$ 820.5 million in debt maturing from January 2011 to December 2011. Additionally we have a R$ 1,044 million capital expenditures budgeted for 2011. As of December 31st, 2010, we had R$ 3,220.4 million in cash, cash equivalents, short- and long-term investments.

We anticipate that we will spend approximately R$ 9.3 billion in the next five years to meet long-term contractual obligations, including the amortization and payment of interests, as well as the capital expenditures budgeted for 2011.

(R$ million)	2011-2015
Contractual obligations	1,572.2
Investment plan for 2011	1,044.0
Financing	5,308.4
Estimated interest payments on financing1	1,388.2

Total	9,313.1

1 Includes estimated interest payments on our short- and long-term debt. Information of our derivative instruments is not included. The fair value information of such derivatives is available in note 20 of our financial statements, filed with the CVM on February 24th, 2011. The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, (i) 11% CDI interest rate, (ii) 4.0% weaker real in relation to the U.S. dollar and (iii) 6.0% TJLP rate.

See "Item 10.1.f. Indebtedness level and debt profile", "Item 10.8.b. Other off-balance sheet arrangements" and "Item 10.10.a.i. Quantitative and qualitative description of the investments in progress and the estimated investments" for further information.

We expect to meet these cash requirements through a combination of cash flows generated from operating and financing activities, including new debt financing and the refinancing of some of our indebtedness as it becomes due.

d. Sources for financing working capital and investments in non-current assets

We generated cash flow from operations of R$ 1,508.2 million, R$ 1,742.1 million and R$ 623.4 million for 2010, 2009 and 2008, respectively. In 2010, our cash flow from operations decreased R$ 233.9 million from 2009, despite the growth of R$ 674.5 million in the cash flow from operating activities, due to the higher investment in working capital in 2010, resulting from the growth in all businesses, and from the decrease of working capital in 2009. Our cash flow from operations increased by R$ 1,118.7 million in 2009 compared to 2008, mainly reflecting (i) a decrease in working capital due to the inventory realization process at Oxiteno and the decrease in the diesel cost at Ipiranga from June 2009 on, (ii) a higher depreciation resulting from the investments made and (iii) an increase in net earnings, as a result of the increase in EBITDA.

Cash flow of investing activities used an amount of R$ 1,903.6 million, R$ 1,609.0 million and R$ 1,276.4 million in the years ended December 31st, 2010, 2009 and 2008, respectively. In 2010, 2009 and 2008, we invested R$ 840.8 million, R$ 603.8 million and R$ 889.4 million in additions to fixed and intangible assets, net of disposals. In 2010, Ultrapar concluded the sale of the in-house logistics, solid bulk storage, and road transportation businesses of Ultracargo with a net receipt of R$ 80 million, that was partially offset by the initial disbursement of R$ 47 million settled in November 2010 for the acquisition of DNP. In 2009 and 2008, we invested R$ 1,355.5 million and R$ 432.4 million in equity investments, net of disposals, mainly due to the acquisitions of Texaco in 2009 and of União Terminais in 2008.

Net cash flow from financing activities totaled R$ 153.6 million, R$ 484.5 million and R$ 1,057.9 million in the years ended December 31st, 2010, 2009 and 2008, respectively, mainly from financing obtained with Banco Bradesco S.A., Banco do Brasil, Banco Nacional de Desenvolvimento Econômico e Social – BNDES and Caixa Econômica Federal. Net cash flow from financing activities reflected the increase in Ultrapar's gross debt due to the investments in organic growth, acquisitions and payment of dividends. As a consequence, cash and cash equivalents increased from R$ 1,887.5 million as of December 31st, 2009, to R$ 2,642.4 million as of December 31st, 2010, and from R$ 1,275.1 million as of December 31st, 2008 to R$ 1,887.5 million as of December 31st, 2009.

e. Sources for financing working capital and investments in non-current assets to be used to in case of deficiencies in liquidity

In 2010, 2009 and 2008, we did not present deficiencies in liquidity. We believe that Ultrapar has own resources and operational cash generation sufficient to finance its needs for working capital and investments estimated for 2011.

f. Indebtedness level and debt profile

Our gross debt increased by 21% during the year ended on December 31st, 2010, from R$ 4,466.7 million as of December 31st, 2009 to R$ 5,396.0 million as of December 31st, 2010. As of December 31st, 2008, our gross debt was R$ 3,671.9 million, 18% lower that the gross debt at the end of 2009. Our short term debt as of December 31st, 2010, 2009 and 2008 2007 was equivalent to 15%, 26% and 45% of our gross debt, respectively.

The table below shows our indebtedness for each period:

Loans	Currency	Weighted average financial charges as of December 31st, 2010	Principal amount of outstanding and accrued interest through December 31st		
			2010	2009 (R$ million)	2008
Foreign currency-denominated loans:					
Notes due in 2015	US$	7.2%	413.3	431.0	577.4
Syndicated loan	US$	US$ + LIBOR(1) + 1.2%	99.7	104.1	140.0
BNDES	US$	6.1%	67.2	46.9	46.5
Foreign currency advances delivered	US$	1.3%	64.1	72.1	—
Advances on foreign exchange contracts	US$	1.6%	41.6	118.6	184.2
Financial institutions	MX$(2)	MX$(2) + TIIE(2) + 2.6%	16.7	12.2	19.8
Financial institutions	US$	US$ + LIBOR(1) + 2.1%	6.7	9.6	48.9
Financial institutions — RPR	US$	0.9%	1.6	—	—
FINIMP	US$	7.0%	0.8	0.8	4.8
Financial institutions	Bs(3)	28.0%	0.02	1.0	6.0
BNDES	UMBNDES(4)	7.6%	—	0.5	3.5
FINIMP — RPR	US$	3.5%	—	16.6	—
Notes due in 2020			—	—	140.3
Reais-denominated loans:					
Banco do Brasil	R$	11.8%	1,916.3	532.2	516.7
Debentures/Promissory notes	R$	108.5% of CDI	1,196.1	1,187.9	1,203.8
BNDES	R$	TJLP(5) + 3.7%	1,178.1	1,027.4	401.8
Banco do Nordeste do Brasil	R$	8.5%(6)	99.4	112.6	103.5
Loan — MaxFácil	R$	100.0% of CDI	77.4	110.8	108.4
BNDES	R$	5.8%	65.1	12.3	—
FINEP	R$	TJLP(5)+ 0.6%	61.7	68.1	60.4
Working capital loan — União Vopak/RPR	R$	116.2% of CDI	23.8	18.5	37.2
FINAME	R$	TJLP(5) + 2.9%	5.9	16.7	39.1
Floating finance leases	R$	CDI + 1.7%	3.4	13.2	24.5
Fixed finance leases	R$	14.9%	2.2	2.1	1.0
Others	R$	CDI + 1.8%	0.6	4.3	4.1
Bank Credit Bill..	R$	120% of CDI	—	495.3	—
Total loans			5,341.7	4,415.0	3,671.9
Income from currency and interest rate hedging instruments			54.4	51.7	—
Total			5,396.0	4,466.7	3,671.9

(1) LIBOR – London Interbank Offered Rate.
(2) MX$ - Mexican peso; TIIE - Mexican interbank balance interest rate.
(3) Bs – Venezuelan Bolívar Forte.

(4) UMBNDES - monetary unit of BNDES (Banco Nacional de Desenvolvimento Econômico e Social), is a "basket of currencies" representing the composition of foreign currency debt obligations of BNDES. As of December 2010, 96% of this composition reflected the U.S. dollar.
(5) TJLP - set by the National Monetary Council, TJLP is the basic financing cost of BNDES. On December 31st, 2010, TJLP was fixed at 6% p.a..
(6) Contract linked to the rate of FNE (Northeast Constitutional Financing Fund) fund whose purpose is to foster the development of the industrial sector, managed by Banco do Nordeste. On December 31st, 2010, the FNE interest rate was 10% p.a. Over the interest, there is a compliance bonus of 15%.

The table below shows the maturity profile of our indebtedness as of December 31st, 2010:

Year	Maturities (R$ million)
2011	820.5
2012	2,197.8
2013	1,024.9
2014	440.5
2015	824.7
2016 thereafter	87.6
Total	5,396.0

See "Item 10.1.c. Capacity to meet our financial commitments".

i. Relevant loan and financing contracts

Notes due in 2015
In December 2005, our subsidiary LPG International issued notes in the amount of US$ 250 million, maturing in December 2015, with annual interest rate of 7.25% paid semiannually, with the first payment made in June 2006. The issuance price was 98.75% of the notes' face value, representing a total yield for investors of 7.429% per year upon issuance. The notes were guaranteed by Ultrapar and Oxiteno S.A.

Syndicated loan and notes due in 2020
In June 1997, the subsidiary Cia. Ultragaz issued US$ 60 million in notes in the foreign market ("Original Notes"). In June 2005, the subsidiary Oxiteno Overseas acquired all the Original Notes issued by subsidiary Cia. Ultragaz with funds from a syndicated loan in the amount of US$ 60 million with maturity in June 2008 and financial charge of 5.05% p.a. In June 2008, the subsidiary Oxiteno Overseas renewed the syndicated loan contracted in June 2005 in the amount of US$ 60 million. The syndicated loan has maturity in June 2011 and financial charge of LIBOR + 1.25% p.a. Cia Ultragaz contracted hedging instruments for floating interest rate in dollar and for exchange rate variation, swapping the syndicated loan rate to 99.5% of CDI (see note 20). The syndicated loan is secured by the Company and subsidiary Oxiteno S.A.

In April 2006, the subsidiary Oxiteno Overseas sold the Original Notes issued by Cia. Ultragaz to a financial institution. Simultaneously, the subsidiary acquired from that financial institution notes linked to the Original Notes (the Linked Notes), as described in note 4 of our financial statements, thus obtaining an additional return on this investment. On December 23rd, 2009 the subsidiary Oxiteno Overseas sold the Linked Notes to the financial institution and repurchased the Original Notes.

Debentures and Promissory Notes
In June 2009, Ultrapar made its third issuance of debentures, in a single series of 1,200 simple, non-convertible into shares and unsecured with the following characteristics:

Face value unit:	R$ 1,000,000.00
Final maturity:	May 19th, 2012
Payment of the face value:	Lump sum at final maturity
Interest:	100% CDI + 3.0% p.a.
Payment of interest:	Annually
Reprice:	Not applicable

The proceeds obtained with this issuance were used for the prepayment, in June 2009, of 120 Promissory Notes in the total amount of R$ 1,200,000,000.00 issued by the Company in December 2008.

In December 2009, we concluded the review of certain terms and conditions of our third issuance of debentures. Thus, the interest of the debentures was reduced to 108.5% of CDI and its maturity date was extended to December 4th, 2012. The debentures have annual interest payments and amortization in one single tranche at the maturity date, with the following characteristics:

Face value unit:	R$ 1,000,000.00
Final maturity:	December 4th, 2012
Payment of the face value:	Lump sum at final maturity
Interest:	108.5% of CDI
Payment of interest:	Annually
Reprice:	Not applicable

Financing contracts with BNDES
In August 2006, our subsidiaries signed a revolving line of credit agreement with BNDES in the total amount of R$ 728 million to finance investments over the next 5 years, starting in 2006. In December 2008, an additional credit limit was hired with BNDES, including new beneficiaries (IPP and its subsidiaries), and the credit limit was extended to R$ 1,622 million. On December 31st, 2010, the amount being used by the subsidiaries was R$ 645 million.

Additionally, through its subsidiaries, Ultrapar contracted a working capital loan (not included in the revolving line described above) with BNDES in the total amount of R$ 612 million. As of December 31st, 2010, the total amount outstanding of this debt was R$ 624 million.

Bank Credit Bill
In March 2009, subsidiary IPP contracted a Bank Credit Bill with Caixa Econômica Federal in the amount of R$ 500 million maturing in March 2012. In March 2010, subsidiary IPP settled this loan in advance and substituted it for a loan with Banco do Brasil.

Loans with Banco do Brasil
The subsidiary IPP contracted loans with Banco do Brasil to finance the marketing, processing or manufacture of agricultural-derived goods (ethanol). During 2010, IPP raised an additional R$ 1,400 million and renegotiated certain loans that would mature during this period in an amount of R$ 410 million. IPP contracted interest rate hedging instruments, thus converting the charges for those loans into an average 98.75% of CDI (see note 20 of our financial statements). Subsidiary IPP designates its hedging instruments as a fair value hedge. Therefore, loans and hedging instruments are both stated at fair value since their hiring date.

ii. Other long term relations with financial institutions

In addition to the relationships mentioned in items 10.1.f.i. Relevant loan and financing contracts and 10.1.g. Limits of use of contracted loans and financing, Ultrapar maintains long term relationships with financial institutions (i) in connection with the ordinary course of the business, such as the payroll of its employees, credit and collection, payments and currency and interest rate hedging instruments and (ii) through a joint venture (50%/50%) between Ipiranga and Itaú Unibanco for the provision of financial services and management of the Ipiranga-branded credit cards, due in 2016.

iii. Subordination of debt

Our secured debt as of December 31st, 2010, amounted to R$ 83.7 million. Except for the secured debt, there is no subordination among our existing debt.

iv. Any restrictions imposed on the issuer, especially related to indebtedness limits and the hiring of new debt, to dividend distribution, to the sale of assets, to the issuing of new securities and to change of control

The restrictions imposed on Ultrapar and its subsidiaries are those usual for transactions of this nature and have not limited their ability to conduct their business to date.

As a result of the issuance of notes due in 2015, certain obligations must be maintained by Ultrapar:

- Limit on transactions with shareholders that hold 5% or more of any class of capital of the Company, except upon fair and reasonable terms no less favorable to the Company than what could be obtained in a comparable arm's-length transaction with a third-party;
- board approval requirement for transactions with related parties totaling more than US$ 15 million (except transactions with or between subsidiaries);
- restriction on the sale of all or substantially all assets of the Company and its subsidiaries;
- restriction on encumbrances on assets in excess of US$ 150 million or 15% of the value of consolidated tangible assets.

As a result of the issuance of the syndicated loan, some obligations additional to the ones mentioned above must be maintained by Ultrapar:

- maintain a ratio of consolidated net debt to consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of no more than 3.5; and
- maintain a ratio of consolidated EBITDA to consolidated net financial expenses of at least 1.5.
- As a result of BNDES financing contracts, during the effectiveness of these agreements, Ultrapar must keep the following capitalization and current liquidity levels, as verified in annual audited balance sheet
  - Ÿ capitalization level: shareholders' equity / total assets equal to or above 0.30; and
  - Ÿ current liquidity level: current assets / current liabilities equal to or above 1.3.

g. Limits of use of contracted loans and financings

The BNDES credit lines described under "Item 10.1.f.i. Relevant loan and financing contracts – BNDES" must be used exclusively to partially finance the Company's investments projects. The proceeds are available upon approval of each project and according to the project's disbursement schedule.

h. Main changes in each item of the financial statements

(R$ million)	Information as of			Percent change	
	12/31/2010	12/31/2009	01/01/2009	12/31/2010 vs. 12/31/2009	12/31/2009 vs. 01/01/2009
ASSETS					
Cash and financial investments	3,200.6	2,327.8	2,140.7	37 %	9 %
Trade accounts receivable	1,715.7	1,618.3	1,449.1	6 %	12 %
Inventories	1,133.5	942.2	1,033.8	20 %	-9 %
Taxes	354.3	320.2	311.9	11 %	3 %
Other	53.3	61.3	124.6	-13 %	-51 %
Total Current Assets	6,457.5	5,269.7	5,060.0	23 %	4 %
Investments	15.3	14.7	15.4	3 %	-4 %
Property, plant and equipment and intangibles	5,349.3	4,988.2	3,893.2	7 %	28 %
Financial investments	19.8	7.2	7.2	175 %	0 %
Trade accounts receivable	96.7	86.4	71.9	12 %	20 %
Deferred income tax	564.4	697.9	552.6	-19 %	26 %
Escrow deposits	380.7	308.5	204.2	23 %	51 %
Other	106.2	109.9	82.0	-3 %	34 %
Total Non-Current Assets	6,532.4	6,212.9	4,826.4	5 %	29 %
TOTAL ASSETS	12,989.8	11,482.6	9,886.3	13 %	16 %
LIABILITIES					
Loans, financing and debentures	820.5	1,144.2	1,720.4	-28 %	-33 %
Suppliers	941.2	891.9	614.2	6 %	45 %
Payroll and related charges	228.2	176.5	164.6	29 %	7 %
Taxes	234.7	140.5	103.2	67 %	36 %
Other	293.4	213.2	142.0	38 %	50 %
Total Current Liabilities	2,517.9	2,566.2	2,744.4	-2 %	-6 %
Loans, financing and debentures	4,575.5	3,322.5	2,013.8	38 %	65 %
Provision for contingencies	470.5	540.2	258.8	-13 %	109 %
Post-retirement benefits	93.2	90.1	77.7	3 %	16 %
Other	157.1	118.3	99.5	33 %	19 %
Total Non-Current Liabilities	5,296.3	4,071.1	2,449.9	30 %	66 %
TOTAL LIABILITIES	7,814.3	6,637.4	5,194.3	18 %	28 %
STOCKHOLDERS' EQUITY					
Capital	3,696.8	3,696.8	3,696.8	0 %	0 %
Reserves	1,529.2	1,189.6	1,092.1	29 %	9 %
Treasury shares	(120.0)	(123.7)	(127.3)	-3 %	-3 %
Others	47.3	47.5	(7.7)	0 %	-715 %

Non-controlling interest	22.3	35.1	38.2	-37 %	-8 %
$ 5,958					
Restructuring charges	1,440	1,633	3,072		
Cash payments	(2,360)	(2,487)	(4,847)		
Balance as of July 3, 2010	$3,469	$714	$4,183		

Note G. Discontinued Operations

During the first quarter of fiscal 2010, the Corporation committed to a plan to sell a small non-core business of its office furniture segment. The Corporation also sold a small non-core component of its hearth product segment during the first quarter. Revenues and expenses associated with these business operations are presented as discontinued operations for all periods presented.

During the first quarter of fiscal 2010, the Corporation recorded a pre-tax charge of $1.0 million to reduce the assets of the office furniture business to fair market value. During the fiscal quarter ended July 3, 2010, the Corporation recorded an additional charge of $1.7 million to reduce the assets held for sale to the current fair market value based on changes in negotiations with prospective buyers. The charges were principally due to the write-down of intangibles not deductible for tax purposes. A pre-tax loss of $0.4 million was recorded at the time of sale of the hearth products component referred to above.

Summarized financial information for discontinued operations is as follows:

	Three Months Ended		Six Months Ended	
(in thousands)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Discontinued operations:				
Operating profit (loss) before tax	$296	$(204)	$(994)	$(434)
Benefit for income tax	118	(60)	(353)	(129)
Net profit (loss) from discontinued operations, net of income tax	178	(144)	(641)	(305)
Impairment loss and loss on sale of discontinued operations:				
Impairment loss and loss on sale of discontinued operations before tax	(1,673)	-	(3,076)	-
Benefit for income tax	(668)	-	(1,179)	-
Net impairment loss and loss on sale of discontinued operations	(1,005)	-	(1,897)	-
Loss from discontinued operations, net of income tax benefit	$(827)	$(144)	$(2,538)	$(305)

Assets to be disposed of as of July 3, 2010 are recorded as follows:

(in thousands)	July 3, 2010
Prepaid Expenses and Other Current Assets	
Receivables	$3,918
Prepaid expenses	346
	4,264
Other Assets	
Property and equipment	454
Intangible assets	-
	454
Accounts Payable and Accrued Expenses	
Accounts Payable	340
Accrued Expenses	1,628
	1,968
Total net assets held for sale	$2,750

Note H. Goodwill and Other Intangible Assets

The table below summarizes amortizable definite-lived intangible assets as of July 3, 2010 and January 2, 2010, which are reflected in the "Other Assets" line item in the Corporation's Condensed Consolidated Balance Sheets:

(In thousands)	July 3, 2010	Jan. 2, 2010
Patents	$19,325	$19,325
Customer relationships and other	108,464	115,451
Less: accumulated amortization	67,696	68,004
	$60,093	$66,772

Aggregate amortization expense for the six months ended July 3, 2010 and July 4, 2009 was $4.9 million and $4.9 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)	2010	2011	2012	2013	2014
Amortization Expense	$8.5	$6.3	$5.7	$5.3	$4.7

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

The Corporation also owns trademarks and trade names with a net carrying amount of $41.0 million. The trademarks 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 2, 2010, are as follows by reporting segment:

(In thousands)	Office Furniture	Hearth Products	Total
Balance as of January 2, 2010			
Goodwill	$123,948	$166,525	$290,473
Accumulated impairment losses	(29,359)	-	(29,359)
	94,589	166,525	261,114
Goodwill acquired during the quarter	-	-	-
Impairment losses	-	-	-
Goodwill related to the sale of business units	-	(486)	(486)
Balance as of July 3, 2010			
Goodwill	123,948	166,039	289,987
Accumulated impairment losses	(29,359)	-	(29,359)
	$94,589	$166,039	$260,628

The Corporation evaluates its goodwill 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 assumptions that are market participant based. The decrease in the hearth products segment related to the sale of a non-core component during the first quarter.

Note I. 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.

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:

	Six Months Ended	
(In thousands)	July 3, 2010	July 4, 2009
Balance at beginning of period	$12,684	$13,948
Accruals for warranties issued during period	7,913	7,093
Adjustments related to pre-existing warranties	750	13
Settlements made during the period	(8,582)	(7,790)
Balance at end of period	$12,765	$13,264

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Note J. Postretirement Health Care

The following table sets forth the components of net periodic benefit cost included in the Corporation's income statement for:

	Six Months Ended	
(In thousands)	July 3, 2010	July 4, 2009
Service cost	$181	$195
Interest cost	420	480
Amortization of transition obligation	254	254
Amortization of (gain)/loss	(9)	(5)
Net periodic benefit cost	$846	$924

Note K. Income Taxes

The provision for income taxes in the second quarter of 2010 reflects an actual effective tax rate of 38.5 percent, compared to a discrete period effective tax rate of 33.3 percent for the second quarter 2009. The 2010 estimated annual effective tax rate including discontinued operations is expected to be 36 percent, slightly higher than the U.S. tax rate of 35 percent, primarily due to increased profitability and the lack of U.S. research and development tax credits which have not been extended past 2009. A discrete calculation was used to report the 2009 second quarter tax provision rather than an estimated annual tax rate as uncertainty in the full year outlook produced significant variability and made it difficult to reasonably estimate the 2009 annual effective tax rate.

Note L. Derivative Financial Instruments

The Corporation uses derivative financial instruments to reduce its exposure to adverse fluctuations in interest rates and diesel fuel. 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 consolidated balance sheet at fair value.

Interest Rate Risk
In June 2008, the Corporation entered into an interest rate swap agreement, designated as a cash flow hedge, for purposes of managing its benchmark interest rate fluctuation risk. Under the interest rate swap agreement, the Corporation pays a fixed rate of interest and receives a variable rate of interest equal to the one-month London Interbank Offered Rate (LIBOR) as determined on the last day of each monthly settlement period on an aggregated notional principal amount of $50 million. The net amount paid or received upon monthly settlements is recorded as an adjustment to interest 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 consolidated balance sheet. The interest rate swap agreement matures on May 27, 2011.

As of July 3, 2010, $1,145,506 of deferred net losses, net of tax, included in equity ("Accumulated other comprehensive income (loss)" in the Condensed Consolidated Balance Sheet) related to this interest rate swap, are expected to be reclassified to current earnings ("Interest expense" in the Condensed Consolidated Statements of Income) over the next twelve months.

Diesel Fuel Risk

The Corporation uses independent freight carriers to deliver its products. These carries charge the Corporation a basic rate per mile that is subject to a mileage surcharge for diesel fuel price increases. The Corporation entered into variable to fixed rate commodity swap agreements beginning in April 2010 with two financial counterparties to manage fluctuations in fuel costs. The Corporation will hedge approximately 40% of its diesel fuel requirements 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 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 consolidated balance sheet.

As of July 3, 2010, $580,838 of deferred net losses, net of tax, included in equity ("Accumulated other comprehensive income (loss)" in the Condensed Consolidated Balance Sheet) related to the diesel hedge agreements, are expected to be reclassified to current earnings ("Selling and administrative expense" in the Condensed Consolidated Statements of Income) over the next twelve months.

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

	Balance Sheet Location	Jul. 3, 2010	Jan. 2, 2010
Interest rate swap	Accounts payable and accrued expenses	$1,836	$1,922
Interest rate swap	Other long-term liabilities	-	$626
Diesel fuel swap	Accounts payable and accrued expenses	$931	-
		$2,767	$2,548

The effect of derivative instruments on the Condensed Consolidated Statements of Income for the six months ended July 3, 2010 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in OCI 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)
Interest rate swap	$ (333)	Interest expense	$ (1,045)	None	-
Diesel fuel swap	(931)	Selling and administrative expense	(82)	None	-
Total	$ (1,263)		$ (1,127)		-

The effect of derivative instruments on the Condensed Consolidated Statements of Income for the six months ended July 4, 2009 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in OCI 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)
Interest rate swap	$ (644)	Interest expense	$ (807)	None	-
Diesel fuel swap	-	Selling and administrative expense	-	None	-
Total	$ (644)		$ (807)		-

Note M. Fair Value Measurements

For recognition purposes, on a recurring basis the Corporation is required to measure at fair value its investment in target funds. The target funds are reported as both current and noncurrent assets based on the portion that is anticipated to be used for current operations. When available the Corporation uses quoted market prices to determine fair value and classify such measurements within Level 1. In some cases where market prices are not available, the Corporation makes use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2.

On a nonrecurring basis, during the three month period ended July 3, 2010 the Corporation measured the fair value of assets held for sale using the market approach. The Corporation used

comparable prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities, thus classified the measurements as Level 2.

Assets measured at fair value during the three months ended July 3, 2010 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)
Investment in target funds	$ 8,142	-	$8,142	-
Derivative financial instrument	$ (2,767)	-	$(2,767)	-
Assets held for sale	$ 2,750	-	$2,750	-

Assets measured at fair value for the year ended January 2, 2010 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)
Investment in target funds	$ 5,744	$-	$5,744	$ -
Derivative financial instrument	$ (2,548)	$-	$(2,548)	$ -

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
The carrying amount approximated fair value.

Long-term debt (including current portion)
The carrying value of the Corporation's outstanding variable-rate, long-term debt obligations at July 3, 2010 and January 2, 2010, the end of the Corporation's 2009 fiscal year, approximates the fair value. The fair value of the Corporation's outstanding fixed-rate, long-term debt obligations is estimated to be $155 million at July 3, 2010 and $151 million at January 2, 2010, compared to the carrying value of $150 million.

Note N. Commitments and Contingencies

The Corporation utilizes letters of credit in the amount of $18.4 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.

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The Corporation has contingent liabilities which have arisen in the ordinary course of its business, including 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, although such matters could have a material effect on the Corporation's quarterly or annual operating results and cash flows when resolved in a future period.

Note O. New Accounting Standards

There were no new accounting standards issued during the quarter that the Corporation expects to have a material impact on the financial statements.

Note P. Business Segment Information

Management views the Corporation as operating in two business segments: office furniture and hearth products with the former being the principal business segment.

The office furniture segment manufactures and markets a broad line of metal and wood commercial and home office furniture which includes storage products, desks, credenzas, chairs, tables, bookcases, 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, 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 rather than a business segment cost. In addition, management applies one effective tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis.

The Corporation's primary market and capital investments are concentrated in the United States.

Reportable segment data reconciled to the consolidated financial statements for the three- and six-month periods ended July 3, 2010, and July 4, 2009, is as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net Sales:				
Office Furniture	$342,698	$317,955	$642,730	$648,755
Hearth Products	55,524	56,818	118,998	122,847
	398,222	374,773	761,728	771,602
Operating Profit (Loss):				
Office furniture				
Operations before restructuring charges	$23,945	$19,608	$31,925	$23,260
Restructuring and impairment charges	(1,238)	(2,508)	(2,971)	(5,497)
Office furniture – net	22,707	17,100	28,954	17,763
Hearth products				
Operations before restructuring charges	(2,633)	(7,637)	(5,438)	(16,873)
Restructuring and impairment charges	-	(1,370)	(101)	(3,466)
Hearth products – net	(2,633)	(9,006)	(5,539)	(20,339)
Total operating profit	20,074	8,094	23,415	(2,577)
Unallocated corporate expense	(10,989)	(9,975)	(22,419)	(18,745)
Income (loss) before income taxes	$9,085	$(1,881)	$996	$(21,321)
Depreciation & Amortization Expense:				
Office furniture	$11,731	$13,734	$23,372	$26,899
Hearth products	2,714	3,866	6,493	8,880
General corporate	599	942	1,239	2,003
	$15,044	$18,542	$31,104	$37,782
Capital Expenditures:				
Office furniture	$7,046	$2,819	$10,607	$5,729
Hearth products	387	231	829	1,700
General corporate	196	87	992	324
	$7,629	$3,137	$12,428	$7,753
			As of July 3, 2010	As of July 4, 2009
Identifiable Assets:				
Office furniture			$603,106	$633,693
Hearth products			286,072	308,437
General corporate			83,628	76,966
			$972,806	$1,019,096

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 the second largest office furniture manufacturer in the world and the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. The Corporation utilizes its split and focus, decentralized business model to deliver value to its customers with its various brands and selling models. The Corporation is focused on growing its existing businesses while seeking out and developing new opportunities for growth.

Net sales for the second quarter of fiscal 2010 increased 6.3 percent to $398.2 million when compared to the second quarter of fiscal 2009. The increase was driven by the office furniture segment and the new construction channel of the hearth products segment. Gross margins for the quarter increased from prior year levels due to higher volume and cost reduction initiatives partially offset by decreased price realization and higher mix of lower margin product in the office furniture segment. Selling and administrative expenses, as a percent of sales, decreased due to higher volume and cost control initiatives partially offset by investments in selling initiatives and incentive based compensation.

The Corporation recorded $2.4 million of restructuring and transition costs in the second quarter in connection with office furniture plant closures announced in first quarter 2010 and 2009.

The Corporation made a decision to sell a non-core business of the office furniture segment and sold a non-core component of the hearth products segment during the first quarter of 2010. Revenues and expenses associated with these business operations are presented as discontinued operations for all periods presented in the condensed consolidated financial statements.

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 2, 2010. During the first six months of fiscal 2010, there were no material changes in the accounting policies and assumptions previously disclosed.

New Accounting Standards

There were no new accounting standards issued during the quarter that the Corporation expects to have a material impact on the financial statements.

Results of Operations

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

(In thousands)	Three Months Ended July 3, 2010	Three Months Ended July 4, 2009	Percent Change	Six Months Ended July 3, 2010	Six Months Ended July 4, 2009	Percent Change
Net sales	$398,222	$374,773	6.3 %	$761,728	$771,602	(1.3)%
Cost of sales	256,905	247,215	3.9 %	501,231	521,398	(3.9)%
Gross profit	141,317	127,558	10.8 %	260,497	250,204	4.1 %
Selling & administrative expenses	128,032	122,637	4.4 %	250,832	256,575	(2.2)%
Restructuring & impairment charges	1,238	3,878	(68.1)%	3,072	8,963	(65.7)%
Operating income (loss)	12,047	1,043	NM*	6,593	(15,334)	143.0 %
Interest expense, net	2,962	2,924	1.3 %	5,597	5,987	(6.5)%
Earnings (loss) before income taxes	9,085	(1,881)	583.0 %	996	(21,321)	104.7 %
Income taxes	3,493	(635)	650.1 %	(454)	(8,377)	94.6 %
Income (loss) from continuing operations	$5,592	$(1,246)	548.8 %	$1,450	$(12,944)	111.2 %

*NM=Not Meaningful

Consolidated net sales for the second quarter increased 6.3 percent or $23.5 million compared to the same quarter last year. The increase occurred in the office furniture segment offset by a small decline in the hearth products segment.

Gross margin for the second quarter increased to 35.5 percent compared to 34.0 percent for the same quarter last year. The improvement in gross margin was driven by higher volume and cost reduction initiatives offset partially by decreased price realization and higher mix of lower margin products in the office furniture segment. Second quarter 2010 included $1.1 million of accelerated depreciation and transition costs related to the closure and consolidation of office furniture manufacturing facilities.

As a result of challenging market conditions and the Corporation's ongoing business simplification and cost reduction strategies, management made the decision in the first quarter of fiscal 2010 to close an office furniture manufacturing facility located in Salisbury, North Carolina and consolidate production into existing office furniture manufacturing facilities. In connection with the closure of the Salisbury location and other office furniture plant closures announced in 2009, the Corporation recorded $2.1 million of charges during the quarter ended July 3, 2010 which included $0.9 million of accelerated depreciation recorded in cost of sales and $1.2 million of other costs which were recorded as restructuring costs. The Corporation had previously recorded $1.3 million of severance costs for approximately 125 members during the first quarter in connection with the closure of the Salisbury facility. The closure and consolidation of the Salisbury facility is expected to be substantially completed by the end of 2010. The Corporation anticipates additional restructuring and transition costs of approximately $2.6 million related to the various closures over the remainder of 2010.

Total selling and administrative expenses, including restructuring charges, as a percent of sales decreased to 32.5 percent compared to 33.8 percent for the same quarter last year due to higher volume and cost reduction initiatives partially offset by investments in selling initiatives and increased incentive based compensation. Second quarter 2009 included $3.9 million of restructuring charges associated with plant consolidations.

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Income from continuing operations for the second quarter of 2010 was $5.6 million or $0.12 per diluted share in the second quarter of 2010 compared to a net loss of ($1.2) million or ($0.03) per diluted share in the second quarter of 2009.

The provision for income taxes in the second quarter of 2010 reflects an actual effective tax rate of 38.5 percent, compared to a discrete period effective tax rate of 33.3 percent for the second quarter of 2009. The 2010 estimated annual effective tax rate including discontinued operations is expected to be 36 percent, slightly higher than the U.S. tax rate of 35 percent, primarily due to increased profitability and the lack of U.S. research and development tax credits which have not been extended past 2009. A discrete calculation was used to report the 2009 second quarter tax provision rather than an estimated annual tax rate as uncertainty in the full year outlook produced significant variability and made it difficult to reasonably estimate the 2009 annual effective tax rate.

The Corporation made a decision to sell a small, non-core business of the office furniture segment during the first quarter of 2010. A pre-tax charge of $1.0 million was recorded during the first quarter to reduce the assets held for sale to fair market value. An additional pre-tax charge of $1.7 million was recorded in second quarter of 2010 to reduce the assets held for sale to the current fair market value based on changes in negotiations with prospective buyers. In addition, the Corporation sold a small non-core component of its hearth products segment during the first quarter. A pre-tax charge of $0.4 million was recorded at the time of the sale. Revenues and expenses associated with these business operations are presented as discontinued operations for all periods presented in the financial statements.

For the first six months of 2010, consolidated net sales decreased $9.9 million, or 1.3 percent, to $761.7 million compared to $771.6 million in 2009. Gross margins increased to 34.2 percent compared to 32.4 percent for the same period last year. Income from continuing operations was $1.5 million for the first six months of 2009 compared to a loss of $12.9 million for the first six months of 2009. Earnings per share from continuing operations increased to $0.03 per diluted share compared to ($0.29) per diluted share for the same period last year.

Office Furniture

Second quarter 2010 sales for the office furniture segment increased 7.8 percent or $24.7 million to $342.7 million from $318.0 million for the same quarter last year driven by growth in all channels of the office furniture industry. Operating profit prior to unallocated corporate expenses increased $5.6 million to $22.7 million as a result of higher volume, improved distribution efficiencies, cost reduction initiatives and lower restructuring and transition costs. These were partially offset by lower price realization, higher mix of lower margin products, increased fuel costs, investments in selling initiatives and higher incentive based compensation. Second quarter 2010 included $2.4 million of restructuring and transition costs including accelerated depreciation compared to $3.7 million of restructuring costs in second quarter 2009.

Net sales for the first six months of 2010 decreased 0.9 percent or $6.0 million to $642.7 million compared to $648.8 million for the same period in 2009. Operating profit increased 63.0 percent or $11.2 million to $29.0 million.

Hearth Products

Second quarter 2010 net sales for the hearth products segment decreased 2.3 percent or $1.3 million to $55.5 million from $56.8 million for the same quarter last year driven by a decline in the remodel-retrofit channel partially offset by an increase in the new construction channel. Operating profit prior to unallocated corporate expenses increased $6.4 million to a $2.6 million loss due to cost reduction initiatives and lower restructuring costs partially offset by lower volume and higher material costs. Second quarter 2009 included $1.5 million of restructuring and transition costs.

Net sales for the first six months of 2010 decreased 3.0 percent or $3.8 million to $119.0 million compared to $122.8 million for the same period in 2009. Operating profit increased $14.8 million to a $5.5 million loss when compared to the same period last year.

Liquidity and Capital Resources

Cash Flow – Operating Activities
Cash generated from operating activities for the first six months of 2010 totaled $1.5 million compared to $49.4 million generated in the first six months of 2009. Changes in working capital performance resulted in a $38.8 million use of cash in the current fiscal year compared to $18.7 million source of cash in the prior year. Working capital in the first six months of 2009 was positively impacted by reductions in accounts receivable due to a significant decrease in revenue.

Cash Flow – Investing Activities
Capital expenditures including capitalized software for the first six months of fiscal 2010 were $12.4 million compared to $7.8 million in the same period of fiscal 2009 and were primarily for tooling and equipment for new products. For the full year 2010, capital expenditures are expected to be $25 to $30 million primarily focused on new product development and related tooling.

Cash Flow – Financing Activities
On June 11, 2010, the Corporation replaced a $300 million revolving credit facility entered into on January 28, 2005 with a new revolving credit facility that provided for a maximum borrowing of $150 million subject to increase (to a maximum amount of $250 million) or reduction from time to time according to the terms of the underlying credit agreement. Amounts borrowed under the Credit Agreement may be borrowed, repaid and reborrowed from time to time until June 11, 2014. The Corporation paid approximately $1.6 million of debt issuance costs that are being amortized straight-line over the term of the credit agreement. As of July 3, 2010, net borrowings under the revolving credit facility are at $50 million and are classified as short-term as the Corporation expects to repay the borrowings within a year.

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 3.0 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.

The revolving credit facility and Senior Notes are the primary sources of committed funding from which the Corporation finances its planned capital expenditures, strategic initiatives, such as acquisitions, repurchases of common stock and certain working capital needs. Non-compliance with the various financial covenant ratios 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 3.0 to 1.0 included in the credit agreement governing the revolving credit facility. Under that credit agreement, adjusted 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 3, 2010, the Corporation was well below this ratio and was in compliance with all of the covenants and other restrictions in the credit agreements and note purchase agreement. The Corporation currently expects to remain in compliance over the next twelve months.

The Corporation's Board of Directors (the "Board") declared a regular quarterly cash dividend of $0.215 per share on the Corporation's common stock on May 11, 2010, to shareholders of record at the close of business on May 21, 2010. It was paid on June 1, 2010.

During the six months ended July 3, 2010, the Corporation repurchased 372,822 shares of common stock at a cost of approximately $10.3 million, or an average price of $27.62 per share. For the six months ended July 4, 2009, the Corporation did not repurchase any shares of common stock. As of July 3, 2010, approximately $153.3 million of the Board's current repurchase authorization remained unspent.

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 2, 2010. During the first six months of fiscal 2010 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 its business, including 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, although such matters could have a material effect on the Corporation's quarterly or annual operating results and cash flows when resolved in a future period.

Looking Ahead

Management is encouraged by the strengthened demand in both the hearth and office furniture businesses despite the ongoing economic uncertainty. The Corporation is accelerating investments in core selling, marketing and product initiatives to strengthen its multiple platforms for growth. Management believes the Corporation is financially strong and well positioned for the future.

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 remaining focused on its long-standing continuous improvement programs 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 for the entire Corporation, (c) investments in strategic acquisitions, 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, including the recent credit crisis, slow or negative growth rates in global and domestic economies and the protracted decline in the 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; uncertainty related to disruptions of business by terrorism, military action, epidemic, acts of God or other Force Majeure events; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials (including steel and petroleum based materials); higher than expected 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, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of July 3, 2010, 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 2, 2010.

Item 4. 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 3, 2010, and, based on this evaluation, the chief executive officer and chief financial officer have concluded these disclosure controls and procedures are effective.

Furthermore, 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 2, 2010 and the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 except for the item listed below.

The Corporation's ability to realize financial benefits from its repurchases of common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Directors and members (i.e., employees) of the Corporation receive common stock equivalents pursuant to the HNI Corporation Executive Deferred Compensation Plan and the HNI Corporation Directors Deferred Compensation Plan, respectively (collectively, the "Deferred Plans"). Common stock equivalents are hypothetical shares of common stock having a value on any given date equal to the value of a share of common stock. Common stock equivalents earn dividend equivalents that are converted into additional common stock equivalents but carry no voting rights or other rights afforded to a holder of common stock. The common stock equivalents credited to members and directors under the Deferred Plans are exempt from registration under Section 4(2) of the Securities Act of 1933 as private offerings made only to directors and members of the Corporation in accordance with the provisions of the Deferred Plans.

Under the Deferred Plans, each director or member participating in the Deferred Plans, may elect to defer the receipt of all or any portion of the compensation paid to such director or member by the Corporation to a cash or stock sub-account. All deferred payments to the stock sub-account are held in the form of common stock equivalents. Payments out of the deferred stock sub-accounts are made in the form of common stock of the Corporation (and cash as to any fractional common stock equivalent). In the second quarter of 2010, the directors and members, as a group, were credited with 6,905 common stock equivalents under the Deferred Plans. The value of each common stock equivalent, when credited, ranged from $27.59 to $31.04.

Issuer Purchases of Equity Securities:

The following is a summary of share repurchase activity during the quarter ended July 3, 2010.

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
04/04/10 – 05/01/10				$ 160,320,828
05/02/10 – 05/29/10	84,285	$ 29.83	84,285	$ 157,806,607
05/30/10 – 07/03/10	153,537	$ 29.25	153,537	$ 153,315,195
Total	237,822		237,822	

(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.
- No repurchase plans expired or were terminated during the second quarter of fiscal 2010, 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 5, 2010	By:	/s/ Kurt A. Tjaden Kurt A. Tjaden Vice President and Chief Financial Officer

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EXHIBIT INDEX

(3.1)	By-laws of HNI Corporation, as amended +
(10.1)	Credit Agreement, dated as of June 11, 2010, by and among HNI Corporation, as Borrower, certain domestic subsidiaries of HNI Corporation from time to time party thereto, as Guarantors, certain lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 16, 2010
(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

+ Filed herewith.