UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 10-Q

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

For the quarterly period ended October 25, 2008

Commission file number: 1-9656

LA-Z-BOY INCORPORATED

(Exact name of registrant as specified in its charter)

Michigan	38-0751137
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1284 North Telegraph Road, Monroe, Michigan	48162-3390
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (734) 242-1444
N/A
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

☑Yes o No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes ☑ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At October 25, 2008, there were 51,469,071 shares, par value $1.00, outstanding.

LA-Z-BOY INCORPORATED
FORM 10-Q SECOND QUARTER OF FISCAL 2009

TABLE OF CONTENTS

	Page Number(s)
PART I Financial Information (Unaudited)	
Item 1. Financial Statements	
Consolidated Statement of Operations	3-4
Consolidated Balance Sheet	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Shareholders' Equity	7
Notes to Consolidated Financial Statements	
Note 1. Basis of Presentation	8
Note 2. Interim Results	8
Note 3. Reclassification	8
Note 4. Inventories	8
Note 5. Goodwill and Other Intangible Assets	8-9
Note 6. Investments	9
Note 7. Pension Plans	10
Note 8. Financial Guarantees and Product Warranties	10
Note 9. Stock-Based Compensation	10
Note 10. Segment Information	11
Note 11. Restructuring	11-13
Note 12. Income Taxes	13
Note 13. Variable Interest Entities	14
Note 14. Discontinued Operations	14-15
Note 15. Earnings per Share	15
Note 16. Fair Value Measurements	15-16
Note 17. Hedging Activities	17
Note 18. Recent Accounting Pronouncements	17-18
Note 19. Subsequent Event	19
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
Cautionary Statement Concerning Forward-Looking Statements	20
Introduction	20-23
Results of Operations	24-33
Liquidity and Capital Resources	33-35
Critical Accounting Policies	35
Regulatory Developments	35-36
Recent Accounting Pronouncements	36
Business Outlook	36
Item 3. Quantitative and Qualitative Disclosures About Market Risk	37
Item 4. Controls and Procedures	37
PART II Other Information	
Item 1A. Risk Factors	38
Item 4. Submission of Matters to a Vote of Security Holders	38-39
Item 6. Exhibits	40
Signature Page	41
EX-3.3	
EX-10.1	
EX-31.1	
EX-31.2	
EX-32	
EX-99.1	

Table of Contents

PART I
FINANCIAL INFORMATION
Item 1. Financial Statements

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, amounts in thousands, except per share data)	Second Quarter Ended 10/25/08	Second Quarter Ended 10/27/07
Sales	$ 331,948	$ 365,434
Cost of sales		
Cost of goods sold	242,681	266,658
Restructuring	2,236	518
Total cost of sales	244,917	267,176
Gross profit	87,031	98,258
Selling, general and administrative	101,942	98,098
Write-down of intangibles	408	5,809
Restructuring	687	449
Operating loss	(16,006)	(6,098)
Interest expense	1,651	2,120
Interest income	630	1,543
Other expense, net	685	169
Loss from continuing operations before income taxes	(17,712)	(6,844)
Income tax expense/(benefit)	36,032	(3,192)
Loss from continuing operations	(53,744)	(3,652)
Loss from discontinued operations (net of tax)	—	(6,282)
Net loss	$ (53,744)	$ (9,934)
Basic average shares	51,458	51,410
Basic loss from continuing operations per share	$ (1.04)	$ (0.07)
Discontinued operations per share (net of tax)	—	(0.12)
Basic net loss per share	$ (1.04)	$ (0.19)
Diluted average shares	51,458	51,410
Diluted loss from continuing operations per share	$ (1.04)	$ (0.07)
Discontinued operations per share (net of tax)	—	(0.12)
Diluted net loss per share	$ (1.04)	$ (0.19)
Dividends paid per share	$ 0.04	$ 0.12

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, amounts in thousands, except per share data)	Six Months Ended 10/25/08	10/27/07
Sales	$ 653,600	$ 709,830
Cost of sales		
Cost of goods sold	477,795	525,801
Restructuring	8,032	3,079
Total cost of sales	485,827	528,880
Gross profit	167,773	180,950
Selling, general and administrative	193,781	192,606
Write-down of intangibles	1,700	5,809
Restructuring	1,467	1,569
Operating loss	(29,175)	(19,034)
Interest expense	3,146	4,217
Interest income	1,562	2,936
Other expense, net	541	114
Loss from continuing operations before income taxes	(31,300)	(20,429)
Income tax expense/(benefit)	30,988	(8,235)
Loss from continuing operations	(62,288)	(12,194)
Loss from discontinued operations (net of tax)	—	(6,434)
Net loss	$ (62,288)	$ (18,628)
Basic average shares	51,443	51,395
Basic loss from continuing operations per share	$ (1.21)	$ (0.24)
Discontinued operations per share (net of tax)	—	(0.12)
Basic net loss per share	$ (1.21)	$ (0.36)
Diluted average shares	51,443	51,395
Diluted loss from continuing operations per share	$ (1.21)	$ (0.24)
Discontinued operations per share (net of tax)	—	(0.12)
Diluted net loss per share	$ (1.21)	$ (0.36)
Dividends paid per share	$ 0.08	$ 0.24

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED BALANCE SHEET

(Unaudited, amounts in thousands)	10/25/08	4/26/08
Current assets		
Cash and equivalents	$ 14,485	$ 14,982
Receivables, net	196,804	200,422
Inventories, net	167,113	178,361
Deferred income taxes—current	2,077	12,398
Other current assets	28,045	21,325
Total current assets	408,524	427,488
Property, plant and equipment, net	164,244	171,001
Deferred income taxes—long term	810	26,922
Goodwill	45,533	47,233
Trade names	9,006	9,006
Other long-term assets, net	74,845	87,220
Total assets	$ 702,962	$ 768,870
Current liabilities		
Short-term borrowings	$ 7,000	$ —
Current portion of long-term debt	10,164	4,792
Accounts payable	58,348	56,421
Accrued expenses and other current liabilities	88,964	102,700
Total current liabilities	164,476	163,913
Long-term debt	99,819	99,578
Deferred income taxes—long term	6,406	—
Other long-term liabilities	51,462	54,783
Contingencies and commitments	—	—
Shareholders' equity		
Common shares, $1 par value	51,469	51,428
Capital in excess of par value	203,489	209,388
Retained earnings	131,371	190,215
Accumulated other comprehensive loss	(5,530)	(435)
Total shareholders' equity	380,799	450,596
Total liabilities and shareholders' equity	$ 702,962	$ 768,870

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, amounts in thousands)	Second Quarter Ended		Six Months Ended	
	10/25/08	10/27/07	10/25/08	10/27/07
Cash flows from operating activities				
Net loss	$ (53,744)	$ (9,934)	$ (62,288)	$ (18,628)
Adjustments to reconcile net loss to cash provided by (used for) operating activities				
(Gain)/loss on sale of assets	(604)	(36)	(2,670)	16
Loss on the sale of discontinued operations (net of tax)	—	3,990	—	3,990
Write-down of businesses held for sale (net of tax)	—	2,159	—	2,159
Write-down of intangibles	408	5,809	1,700	5,809
Restructuring	2,923	967	9,499	4,648
Provision for doubtful accounts	4,797	1,505	9,000	3,619
Depreciation and amortization	5,989	6,093	11,943	12,313
Stock-based compensation expense	986	1,001	1,855	1,862
Change in receivables	(22,261)	(13,409)	(8,091)	9,188
Change in inventories	(63)	15,323	10,843	9,252
Change in payables	8,375	1,205	1,927	(14,268)
Change in other assets and liabilities	(2,893)	4,484	(26,525)	(18,814)
Change in deferred taxes	41,677	(4,671)	42,838	(6,146)
Total adjustments	39,334	24,420	52,319	13,628
Net cash provided by (used for) operating activities	(14,410)	14,486	(9,969)	(5,000)
Cash flows from investing activities				
Proceeds from disposals of assets	2,805	867	7,786	7,282
Proceeds from sale of discontinued operations	—	4,019	—	4,019
Capital expenditures	(2,618)	(5,970)	(9,990)	(15,599)
Purchases of investments	(3,516)	(6,648)	(8,965)	(13,270)
Proceeds from sales of investments	5,233	7,801	11,027	14,593
Change in other long-term assets	158	365	229	385
Net cash provided by (used for) investing activities	2,062	434	87	(2,590)
Cash flows from financing activities				
Proceeds from debt	24,831	112	39,466	817
Payments on debt	(6,430)	(338)	(25,287)	(1,238)
Stock issued/canceled for stock and employee benefit plans	2	(94)	—	(116)
Dividends paid	(2,076)	(6,232)	(4,151)	(12,441)
Net cash provided by (used for) financing activities	16,327	(6,552)	10,028	(12,978)
Effect of exchange rate changes on cash and equivalents	(604)	538	(643)	1,539
Change in cash and equivalents	3,375	8,906	(497)	(19,029)
Cash and equivalents at beginning of period	11,110	23,786	14,982	51,721
Cash and equivalents at end of period	$ 14,485	$ 32,692	$ 14,485	$ 32,692
Cash paid (net of refunds) during period – income taxes	$ (719)	$ 758	$ 204	$ 3,893
Cash paid during period — interest	$ 1,287	$ 1,495	$ 2,413	$ 3,405

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, amounts in thousands)	Common Shares	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total
At April 28, 2007	$ 51,377	$ 208,283	$ 223,896	$ 1,792	$ 485,348
Stock issued for stock and employee benefit plans, net of cancellations	51	(3,422)	3,102		(269)
Stock option, performance-based and restricted stock expense		4,527			4,527
Dividends paid			(20,746)		(20,746)
Comprehensive income (loss)					
Net loss			(13,537)		
Unrealized loss on marketable securities (net of tax of $0.1 million)				(222)	
Realized gain on marketable securities (net of tax of $1.4 million)				(2,420)	
Translation adjustment				(117)	
Net actuarial gain (net of tax of $0.2 million)				532	
Total comprehensive loss					(15,764)
Impact of adoption of FIN 48			(2,500)		(2,500)
At April 26, 2008	$ 51,428	$ 209,388	$ 190,215	$ (435)	$ 450,596
Stock issued for stock and employee benefit plans, net of cancellations	41	(7,754)	7,595		(118)
Stock option, performance-based and restricted stock expense		1,855			1,855
Dividends paid			(4,151)		(4,151)
Comprehensive loss					
Net loss			(62,288)		
Unrealized loss on marketable securities				(4,752)	
Realization of losses on marketable securities (net of tax)				(28)	
Translation adjustment				(91)	
Change in fair value of cash flow hedges				(224)	
Total comprehensive loss					(67,383)
At October 25, 2008	$ 51,469	$ 203,489	$ 131,371	$ (5,530)	$ 380,799

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

The interim financial information is prepared in conformity with generally accepted accounting principles and such principles are applied on a basis consistent with those reflected in our fiscal 2008 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, but does not include all the disclosures required by generally accepted accounting principles. In the opinion of management, the interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments, which are necessary for a fair presentation of results for the respective interim period.

During our first quarter of fiscal 2009, our largest division revised certain shipping agreements with third-party carriers such that risk of loss transfers to our customers upon shipment rather than upon delivery. Accordingly, substantially all of our shipments with third-party carriers for this division are now recognized upon shipment of the product.

Note 2: Interim Results

The foregoing interim results are not necessarily indicative of the results of operations which will occur for the full fiscal year ending April 25, 2009.

Note 3: Reclassification

Certain prior year information has been reclassified to be comparable with the current year presentation.

Note 4: Inventories

A summary of inventory follows:

(Unaudited, amounts in thousands)	**10/25/08**	**4/26/08**
Raw materials	$ 60,205	$ 71,346
Work in process	13,778	14,624
Finished goods	120,972	119,270
FIFO inventories	194,955	205,240
Excess of FIFO over LIFO	(27,842)	(26,879)
Inventories, net	$ 167,113	$ 178,361

Note 5: Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, goodwill and trade names are tested at least annually for impairment by comparing their fair value to their carrying values. The fair value for each trade name is established based upon a royalty savings approach. Additionally, goodwill is tested for impairment by comparing the fair value of our operating units to their carrying values. The fair value for each operating unit is established based upon the discounted cash flows. In situations where the fair value is less than the carrying value, indicating a potential impairment, a second comparison is performed using a calculation of implied fair value of goodwill to determine the monetary value of impairment.

During the second quarter of fiscal 2009, our business was impacted by significant declines in consumer demand. As a result of the challenging retail environment, we found it necessary to review the valuations of the goodwill for our Retail markets. Our analysis of the fair value of the goodwill for the Retail operating units concluded that the fair values exceeded the carrying values and as such, no impairment charges were necessary. We will perform our annual testing on these operating units in the fourth quarter of fiscal 2009. If operating results continue to be negatively impacted by the economic conditions and our cost-cutting measures do not improve the profitability of these operating units, we could realize an impairment of goodwill for these operating units at that time.

During the first quarter of fiscal 2009, we committed to a plan to close the operations of our La-Z-Boy U.K. subsidiary. As a result of this plan, we recorded an impairment charge of $1.3 million which represented the entire goodwill amount of the operating unit. During the second quarter of fiscal 2009, we committed to a plan to reorganize our Toronto, Ontario market which we consolidate as a VIE. As a result of this plan, we recorded a goodwill impairment charge of $0.4 million which represented the entire goodwill amount of this market.

The following table summarizes the changes to goodwill and trade names during the first half of fiscal 2009:

(Unaudited, amounts in thousands)	Balance as of 4/26/08	Acquisitions, Dispositions and Other	Balance as of 10/25/08
Goodwill			
Upholstery Group	$ 19,632	$ (1,292)	$ 18,340
Retail Group	22,096	—	22,096
Corporate and Other*	5,505	(408)	5,097
Consolidated	$ 47,233	$ (1,700)	$ 45,533
Tradenames			
Casegoods Group	$ 9,006	$ —	$ 9,006

* Corporate and Other includes goodwill from our VIEs.

Note 6: Investments

Included in other long-term assets were $26.3 million and $34.0 million at October 25, 2008 and April 26, 2008, respectively, of available-for-sale marketable securities to fund future obligations of one of our non-qualified retirement plans and our captive insurance company. All unrealized gains or losses, which have not otherwise been recognized as other than temporary losses, are reflected net of tax in accumulated other comprehensive loss within Shareholders' Equity. The net unrealized loss was $5.5 million and $0.9 million at October 25, 2008 and April 26, 2008, respectively. We evaluated our investments for other-than-temporary impairment and; as such have recognized $0.1 million of losses related to investments which were determine to be other than temporarily impaired. This evaluation included consideration of downgrades in the securities, overall market conditions and other factors. If the market conditions continue, we may be required to recognize further impairment charges, which would adversely impact our future earnings.

Note 7: Pension Plans

Net periodic pension costs were as follows:

(Unaudited, amounts in thousands)	Second Quarter Ended 10/25/08	Second Quarter Ended 10/27/07	Six Months Ended 10/25/08	Six Months Ended 10/27/07
Service cost	$ 328	$ 441	$ 656	$ 882
Interest cost	1,359	1,346	2,718	2,692
Expected return on plan assets	(1,728)	(1,839)	(3,456)	(3,678)
Net periodic pension cost (benefit)	$ (41)	$ (52)	$ (82)	$ (104)

We did not make any contributions to the plans during the first half of fiscal 2009. We are not required to make any contributions to the defined benefit plans in fiscal year 2009; however we may make contributions.

Note 8: Financial Guarantees and Product Warranties

We have provided financial guarantees relating to leases in connection with certain La-Z-Boy Furniture Galleries® stores which are not operated by the company. The lease guarantees are generally for real estate leases and have remaining terms of one to nine years. These lease guarantees enhance the credit of these dealers. The dealer is required to make periodic fee payments to compensate us for our guarantees. We have recognized liabilities for the fair values of the lease agreements that we have entered into, but they are not material to our financial position.

We would be required to perform under these agreements only if the dealer were to default on the lease. The maximum amount of potential future payments under lease guarantees was $11.4 million at the end of the second quarter of fiscal 2009.

We have, from time to time, entered into agreements which resulted in indemnifying third parties against certain liabilities, mainly environmental obligations. We believe that judgments, if any, against us related to such agreements would not have a material effect on our business or financial condition.

Our accounting policy for product warranties is to accrue an estimated liability at the time the revenue is recognized. This estimate is based on historical claims and adjusted for currently known warranty issues.

A reconciliation of the changes in our product warranty liability is as follows:

(Unaudited, amounts in thousands)	Second Quarter Ended 10/25/08	Second Quarter Ended 10/27/07	Six Months Ended 10/25/08	Six Months Ended 10/27/07
Balance as of the beginning of the period	$ 14,645	$ 14,267	$ 14,334	$ 14,283
Accruals during the period	3,993	4,189	8,097	8,379
Settlements during the period	(4,201)	(4,198)	(7,994)	(8,404)
Balance as of the end of the period	$ 14,437	$ 14,258	$ 14,437	$ 14,258

Note 9: Stock-Based Compensation

Total compensation expense recognized in the Consolidated Statement of Operations for all equity based compensation was $1.0 million and $1.9 million, for the second quarter and first six months of fiscal 2009, respectively. For the second quarter and first six months of fiscal 2008, we recorded total stock-based compensation expense of approximately $1.0 million and $1.9 million, respectively.

Note 10: Segment Information

Our reportable operating segments are the Upholstery Group, the Casegoods Group and the Retail Group.

Upholstery Group. The operating units in the Upholstery Group are Bauhaus, England, and La-Z-Boy. This group primarily manufactures and sells upholstered furniture to furniture retailers. Upholstered furniture includes recliners and motion furniture, sofas, loveseats, chairs, ottomans and sleeper sofas.

Casegoods Group. The operating units in the Casegoods Group are American Drew/Lea, Hammary and Kincaid. This group primarily sells manufactured or imported wood furniture to furniture retailers. Casegoods product includes tables, chairs, entertainment centers, headboards, dressers, accent pieces and some upholstered furniture.

Retail Group. The Retail Group consists of 70 company-owned La-Z-Boy Furniture Galleries® stores in eight primary markets. The Retail Group sells mostly upholstered furniture to end consumers.

	Second Quarter Ended		Six Months Ended	
(Unaudited, amounts in thousands)	10/25/08 (13 weeks)	10/27/07 (13 weeks)	10/25/08 (26 weeks)	10/27/07 (26 weeks)
Sales				
Upholstery Group	$ 247,934	$ 269,749	$ 485,052	$ 524,506
Casegoods Group	48,473	58,892	96,594	112,466
Retail Group	39,484	46,163	81,911	91,394
VIEs/Eliminations	(3,943)	(9,370)	(9,957)	(18,536)
Consolidated	$ 331,948	$ 365,434	$ 653,600	$ 709,830
Operating income (loss)				
Upholstery Group	$ 8,118	$ 19,036	$ 17,975	$ 27,903
Casegoods Group	755	3,577	2,132	6,177
Retail Group	(10,391)	(9,119)	(20,401)	(19,193)
Corporate and Other*	(11,157)	(12,816)	(17,682)	(23,464)
Intangible write-down	(408)	(5,809)	(1,700)	(5,809)
Restructuring	(2,923)	(967)	(9,499)	(4,648)
	$ (16,006)	$ (6,098)	$ (29,175)	$ (19,034)

* *Variable Interest Entities ("VIEs") are included in corporate and other.*

Note 11: Restructuring

During the past several years, we have entered into various restructuring plans to rationalize our manufacturing facilities and to consolidate retail distribution centers and close underperforming retail facilities. The majority of our restructuring charges related to our manufacturing and wholesale distribution facilities were reported as a component of Cost of Sales on our Consolidated Statement of Operations, while restructuring charges related to our retail operations were reported as a line item within our Selling, General and Administrative expenses section of our Consolidated Statement of Operations. With these restructuring plans, we have written-down various fixed assets which were accounted for in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Additionally, we recorded charges for severance and benefits, contract terminations and other transition costs related to relocating manufacturing and closing facilities. These other costs were expensed as

incurred and accounted for in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* as the employees were required to render service until they were terminated in order to receive their benefits.

In the first quarter of fiscal 2009, we committed to a restructuring plan to close the operations of our La-Z-Boy U.K. subsidiary due to a change in our strategic direction for this operation. The closure of this operation occurred in the second quarter of fiscal 2009 and impacted about 17 employees. In connection with this closure, we recorded pre-tax restructuring charges of about $0.6 million and $1.8 million, in the second quarter and first half of fiscal 2009, respectively, covering the write-down of inventory ($1.2 million), the write-down of fixed assets and other restructuring charges ($0.6 million).

During the fourth quarter of fiscal 2008, we committed to a restructuring plan to consolidate all of our domestic cutting and sewing operations in Mexico and transfer production from our Tremonton, Utah plant, to our five remaining La-Z-Boy branded upholstery manufacturing facilities. The transition of our cutting and sewing operations to Ramos Arizpe, Mexico, in the state of Coahuila, was expected to impact approximately 1,000 La-Z-Boy employees at the five remaining facilities over the next 18 to 24 months. As a result of the current global economic conditions and the overall decrease in sales volume, we are expecting to accelerate the majority of this reduction in headcount into the third quarter of fiscal 2009. We expect to begin production at our Mexican facility in early calendar 2009. Our Utah facility, which employed 630 people, ceased operations during the first quarter of fiscal 2009 and production was shifted to our remaining manufacturing facilities. In connection with these activities, we have spent $10.0 million since the inception of this plan for severance and benefits, write-down of certain fixed assets, and other restructuring costs. We expect the total pre-tax restructuring and related asset impairment charges to be $17 to $20 million. During the second quarter and first six months of fiscal 2009, we had restructuring charges of $1.9 million and $7.4 million, respectively, covering severance and benefits ($3.2 million) and other restructuring costs ($4.2 million). Other restructuring costs include transportation, freight surcharges and other transition costs as we move production to other plants.

In the fourth quarter of fiscal 2007, we committed to a restructuring plan which included the closures of our Lincolnton, North Carolina and Iuka, Mississippi upholstery manufacturing facilities, the closure of our rough mill lumber operation in North Wilkesboro, North Carolina, the consolidation of operations at our Kincaid Taylorsville, North Carolina upholstery operation and the elimination of a number of positions throughout the remainder of the organization. The Lincolnton and Iuka facility closures occurred in the first quarter of fiscal 2008 and impacted approximately 250 and 150 employees, respectively. The closure of our North Wilkesboro lumber operation, the consolidation of operations at Kincaid's Taylorsville operation and the remaining activities occurred in the fourth quarter of fiscal 2007 and impacted approximately 100 positions. These decisions were made to help align our company with the current business environment and strengthen our positioning going forward. During the first half of fiscal 2009, we had restructuring reversals of $0.5 million, relating to lower benefit costs than originally estimated.

During fiscal 2007 and 2008, several of our retail warehouses were consolidated into larger facilities and several underperforming stores were closed. Approximately 130 jobs were eliminated as a result of these changes. In the second quarter and first six months of fiscal 2009, we had restructuring charges of $0.4 million and $0.8 million, respectively, related to contract terminations.

As of the end of the second quarter of fiscal 2009, we had a remaining restructuring liability of $3.8 million which is expected to be settled as follows: $3.3 million in fiscal 2009, $0.3 million in fiscal 2010, and $0.2 million thereafter. Contract terminations resulting from the closure of several of our retail stores and warehouses result in our restructuring liability being paid out over an extended length of time.

Restructuring liabilities along with charges to expense, cash payments or asset write-downs for all of our restructuring actions were as follows:

		Fiscal 2009		
(Unaudited, amounts in thousands)	4/26/08 Balance	Charges to Expense	Cash Payments or Asset Write-Offs	10/25/08 Balance
Severance and benefit-related costs	$2,842	$2,909	$(2,730)	$3,021
Fixed asset write-downs, net of gains	—	49	(49)	—
Contract termination costs	939	790	(987)	742
Other	—	5,751	(5,751)	—
Total restructuring	$3,781	$9,499	$(9,517)	$3,763

		Fiscal 2008		
(Unaudited, amounts in thousands)	4/28/07 Balance	Charges to Expense	Cash Payments or Asset Write-Offs	4/26/08 Balance
Severance and benefit-related costs	$ 2,177	$ 3,253	$ (2,588)	$ 2,842
Fixed asset write-downs, net of gains	—	364	(364)	—
Contract termination costs	1,257	2,019	(2,337)	939
Other	—	2,499	(2,499)	—
Total restructuring	$ 3,434	$ 8,135	$ (7,788)	$ 3,781

Note 12: Income Taxes

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, we evaluate our deferred taxes to determine if a valuation allowance is required. SFAS No. 109 requires that companies assess whether a valuation allowance should be established based on the consideration of all available evidence using a "more likely than not" standard with significant weight being given to evidence that can be objectively verified. Our current and prior year losses present the most significant negative evidence as to whether we need to record a valuation allowance against our net deferred tax assets. Given the current economic climate and the losses that we have sustained, we have recorded a $38.2 million valuation allowance against the deferred tax assets of the U.S. operations.

We adopted FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB 109, effective as of April 29, 2007. The total amount of unrecognized tax benefits as of April 26, 2008 was $7.1 million, which included $1.7 million attributable to timing differences that once resolved would have no impact on our effective tax rate. Through the second quarter of fiscal 2009 various issues were resolved which reduced this amount to $6.3 million.

We believe that it is reasonably possible that the amount of unrecognized tax benefits will decrease by $0.6 million within the next 12 months. This decrease relates to anticipated settlements of several outstanding issues with several taxing authorities.

Note 13: Variable Interest Entities

Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities* ("FIN 46"), requires the "primary beneficiary" of a VIE to include the VIE's assets, liabilities and operating results in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited-liability company, trust or any other legal structure used to conduct activities or hold assets that either (a) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (b) has a group of equity owners that are unable to make significant decisions about its activities, or (c) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

La-Z-Boy Furniture Galleries® stores that are not operated by us are operated by independent dealers. These stores sell La-Z-Boy manufactured products as well as various accessories purchased from approved La-Z-Boy vendors. Most of these independent dealers have sufficient equity to carry out their principal operating activities without subordinated financial support. However, there are certain independent dealers that we have determined may not have sufficient equity. In some cases we have extended credit beyond normal trade terms to the independent dealers, made direct loans, entered into leases and/or guaranteed certain loans or leases.

Based on the criteria for consolidation of VIEs, we have consolidated several dealers where we were the primary beneficiary based on the fair value of our variable interests. All of our consolidated VIEs were recorded at fair value on the date we became the primary beneficiary. Because these entities are accounted for as if the entities were consolidated based on voting interests, we absorb all net losses of the VIEs in excess of their equity. We recognize all net earnings of these VIEs to the extent of recouping the losses previously recorded. Earnings in excess of our losses are attributed to equity owners of the dealers and are recorded as minority interest. We had four consolidated VIEs for fiscal 2009 and 2008.

Our consolidated VIEs recognized $11.8 million and $12.2 million of sales, net of intercompany eliminations, in the second quarter of fiscal 2009 and fiscal 2008, respectively. Our consolidated VIEs recognized $25.9 million and $24.0 million of sales, net of intercompany eliminations, in the first six months of fiscal 2009 and fiscal 2008, respectively. Additionally, we recognized a net loss per share of $0.03 and $0.04 in the second quarter of fiscal 2009 and fiscal 2008, respectively, resulting from the operating results of these VIEs. We recognized a net loss per share of $0.04 and $0.07 for the first six months of fiscal 2009 and fiscal 2008, respectively.

During the second quarter of fiscal 2009, we committed to a plan to reorganize our Toronto, Ontario retail market which we consolidate as a VIE. As a result of this plan we recorded a goodwill impairment charge of $0.4 million which represented the entire balance of this market.

Note 14: Discontinued Operations

During the second quarter of fiscal 2008, we completed the sale of our Clayton Marcus operating unit and our Pennsylvania House trade name. These dispositions were accounted for as discontinued operations.

The results of the discontinued operations for Clayton Marcus and Pennsylvania House for the second quarter and first six months of fiscal 2008 were as follows:

(Unaudited, amounts in thousands)	**Second Quarter Ended 10/27/07**	**Six Months Ended 10/27/07**
Net sales	$10,323	$21,058
Loss from discontinued operations, net of tax	$ (2,292)	$ (2,444)
Loss on the sale of discontinued operations, net of tax	$ (3,990)	$ (3,990)

In the Consolidated Statement of Cash Flows, the activity of these operating units was included along with the activity from our continuing operations.

Note 15: Earnings per Share

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted net income per share uses the weighted average number of shares outstanding during the period plus the additional common shares that would be outstanding if the dilutive potential common shares issuable under employee stock options and unvested restricted stock were issued. A reconciliation of basic and diluted weighted average common shares outstanding follows:

	Second Quarter Ended		**Six Months Ended**	
(Unaudited, amounts in thousands)	**10/25/08**	**10/27/07**	**10/25/08**	**10/27/07**
Weighted average common shares outstanding (basic)	51,458	51,410	51,443	51,395
Effect of options and unvested restricted stock	—	—	—	—
Weighted average common shares outstanding (diluted)	51,458	51,410	51,443	51,395

The weighted average common shares outstanding (diluted) at October 25, 2008 and October 27, 2007 exclude outstanding stock options of 0.5 million and 0.2 million, respectively, because the net loss in the second quarter and first six months of fiscal 2009 and fiscal 2008, respectively, would cause the effect of options to be anti-dilutive.

The effect of options to purchase 2.6 million and 2.7 million shares for the quarters ended October 25, 2008 and October 27, 2007 with a weighted average exercise price of $15.44 and $15.52 respectively, were excluded from the diluted share calculation because the exercise prices of these options were higher than the weighted average share price for the quarters and would have been anti-dilutive.

Note 16: Fair Value Measurements

We adopted FASB Statement of Financial Accounting Standards No. 157 (“SFAS No. 157”), *Fair Value Measurements*, effective April 27, 2008 for our financial assets and liabilities. Adoption of SFAS No. 157 did not have a material effect on our financial position, results of operations or cash flows.

In February 2008, the Financial Accounting Standards Board issued FASB Staff Position FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (“FSP 157-1”). FSP FAS 157-1 amended SFAS No. 157 to exclude from its scope SFAS No. 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions. Also in February 2008, the FASB issued FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157* (“FSP 157-2”). FSP 157-2 amended SFAS No. 157 to defer the effective date of SFAS No. 157 until fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial

statements on a recurring basis, at least annually. We are currently assessing the impact of SFAS No. 157 on our non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis.

SFAS No. 157 requires the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. The various levels of the SFAS No. 157 fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

SFAS No. 157 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of October 25, 2008:

	Fair Value Measurements		
(Unaudited, amounts in thousands)	**Level 1**	**Level 2**	**Level 3**
Assets			
Available-for-sale securities	$ 9,541	$ 16,726	$ —
Interest rate swap	—	(224)	—
Total	$ 9,541	$ 16,502	$ —

We hold available-for-sale marketable securities to fund future obligations of one of our non-qualified retirement plans and our captive insurance company. The fair value measurements for our available-for-sale securities are based upon quoted prices in active markets, as well as through broker quotes and independent valuation providers, multiplied by the number of shares owned exclusive of any transaction costs and without any adjustments to reflect discounts that may be applied to selling a large block of the securities at one time.

We entered into a three year interest rate swap agreement in order to fix a portion of our floating rate debt. The fair value of the swap agreement was measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation and considered counterparty non-performance risk. These assumptions can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Note 17: Hedging Activities

During the first quarter of fiscal 2009, we entered into an interest rate swap agreement which we accounted for as a cash flow hedge. This swap hedges the interest on $20 million of floating rate debt. Under the swap, we are required to pay 3.33% through May 16, 2011 and we receive three month LIBOR from the counterparty. This offsets the three month LIBOR component of interest which we are required to pay under $20 million of floating rate debt. Interest under this debt as of October 25, 2008 was three month LIBOR plus 2.0%.

Note 18: Recent Accounting Pronouncements

FASB Statement of Financial Accounting Standards No. 159

The FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"), which allows a company to choose to measure selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007.

We adopted SFAS No. 159 on April 27, 2008 and have not elected the permitted fair value measurement provisions of this statement.

FASB Statement of Financial Accounting Standards No. 160

The FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* ("SFAS No. 160"). It is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application is prohibited. SFAS No. 160 requires that accounting and reporting for minority interests will be re-characterized as non-controlling interests and classified as a component of equity. SFAS No. 160 also establishes reporting requirements that provide disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This statement applies to all entities that prepare consolidated financial statements, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary.

We are currently evaluating the impact SFAS No. 160 will have on our financial statements. This statement will be effective for interim periods beginning in fiscal 2010.

FASB Statement of Financial Accounting Standards No. 141(R)

The FASB issued Statement of Financial Accounting Standards No. 141 (Revised 2007), *Business Combinations,* ("SFAS No. 141(R)"), which replaces FASB Statement No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for business combinations that occur during or after fiscal years that begin after December 15, 2008.

We are currently evaluating the impact SFAS No. 141(R) will have on our financial statements. This statement will be effective in fiscal 2010.

FASB Statement of Financial Accounting Standards No. 161

The FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities,* ("SFAS No. 161"). It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The objective of this statement is to require enhanced disclosures about an entity's derivative and hedging activities and to improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows requires disclosure of the fair values of derivative instruments and their gains and losses in tabular format and derivative features that are credit risk related.

This statement will be effective for the fourth quarter of fiscal 2009 and it will require expanded disclosure of our hedging activities.

FASB Statement of Financial Accounting Standards No. 163

The FASB issues Statement of Financial Accounting Standards No. 163, *Accounting for Financial Guarantee Insurance Contracts – an interpretation of Statement No. 60* ("SFAS No. 163"). SFAS No. 163 provides insurance enterprises clarification for recognizing and measuring claim liabilities related to financial guarantee insurance contracts. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, except for some disclosures on the insurance enterprise's risk-management activities. This statement requires that disclosures about the risk-management activities of the insurance enterprise be effective for the first period (including interim periods) beginning after issuance of this Statement. Except for those disclosures, earlier application is not permitted.

We are currently determining the impact, if any, SFAS No. 163 will have on our financial statements. This statement will be effective for interim periods beginning in fiscal 2010.

FASB Staff Position EITF 03-6-1: Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*, ("FSP EITF 03-6-1"). FSP EITF 03-6-1 requires that unvested share-based payment awards containing non-forfeited rights to dividends be included in the computation of earnings per common share. The adoption of FSP EITF 03-6-1 is effective January 1, 2009 and retrospective application is required.

This statement will be effective beginning with our third quarter of this fiscal year and will require us to include unvested shares of our share-based payment awards into our calculation of earnings per share. We will adopt this statement in the third quarter of fiscal 2009. This is expected to increase our basic shares outstanding by about 0.8 million and 0.5 million for the periods ending October 25, 2008 and October 27, 2007, respectively.

Note 19: Subsequent Event

On November 6, 2008, we announced a corporate initiative aimed at cutting costs across the entire company. These cuts included a 10% or approximately 850 employee headcount reduction in the third quarter of fiscal 2009, the anticipated closure of 15 to 20, primarily dealer owned, La-Z-Boy Furniture Galleries® stores, over the next 90 to 120 days, a $7 to $9 million reduction of planned capital expenditures for the remainder of fiscal 2009 and other cost and inventory reductions needed to bring the company in line with current market conditions. Severance and other benefit costs will result in an approximate $1.5 million to $2.5 million pre-tax charge, which will be cash expenditures incurred mainly in the third quarter of fiscal 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis is an integral part of understanding our financial results. This **Management's Discussion and Analysis** should be read in conjunction with the accompanying Consolidated Financial Statements and related Notes to Consolidated Financial Statements. We begin the Management's Discussion and Analysis with an introduction to La-Z-Boy Incorporated's key businesses, strategies and significant operational events in fiscal 2009. We then provide a discussion of our results of operations, liquidity and capital resources, quantitative and qualitative disclosures about market risk, and critical accounting policies.

Cautionary Statement Concerning Forward-Looking Statements

We are making forward-looking statements in this report. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations. More specifically, forward-looking statements include the information in this document regarding:

future income, margins and cash flows
future growth
adequacy and cost of financial resources
future economic performance
industry and importing trends
management plans

Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes," "plans," "intends" and "expects" or similar expressions. With respect to all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: (a) changes in consumer confidence; (b) changes in demographics; (c) further changes in housing market; (d) the impact of terrorism or war; (e) continued energy price changes; (f) the impact of logistics on imports; (g) the impact of interest rate changes; (h) changes in currency exchange rates; (i) competitive factors; (j) operating factors, such as supply, labor or distribution disruptions including changes in operating conditions or costs; (k) effects of restructuring actions; (l) changes in the domestic or international regulatory environment; (m) ability to implement global sourcing organization strategies; (n) fair value changes to our intangible assets due to actual results differing from projected; (o) the impact of adopting new accounting principles; (p) the impact from natural events such as hurricanes, earthquakes and tornadoes; (q) the ability to procure fabric rolls and leather hides or cut and sewn fabric and leather sets domestically or abroad; (r) continued decline in the credit market and potential impacts on our customers; (s) those matters discussed in Item 1A of our fiscal 2008 Annual Report and factors relating to acquisitions and other factors identified from time to time in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, either to reflect new developments or for any other reason.

Introduction

La-Z-Boy Incorporated manufactures, markets, imports, distributes and retails upholstery products and casegoods (wood) furniture products. Our La-Z-Boy brand is the most recognized brand in the furniture industry, and we are the leading global producer of reclining chairs. We own 70 La-Z-Boy Furniture Galleries® stores, which are retail locations dedicated to marketing our La-Z-Boy branded product. These 70 stores are part of the larger store network of La-Z-Boy Furniture Galleries® stores which includes a total of 330 stores, the balance of which are independently owned and operated. The network constitutes the industry's largest single-branded upholstered furniture retailer in North America. These stores

combine the style, comfort and quality of La-Z-Boy furniture with our in-home design service to help consumers furnish certain rooms in their homes.

In addition to our company-owned stores, we consolidate certain of our independent dealers who did not have sufficient equity to carry out their principal business activities without our financial support. These dealers are referred to as Variable Interest Entities ("VIEs"). During the second quarter of fiscal 2009 we had four VIEs, operating 34 stores, consolidated into our Statement of Operations. At the end of the fiscal 2008 second quarter, we had four VIEs, operating 30 stores, in our Consolidated Statement of Operations.

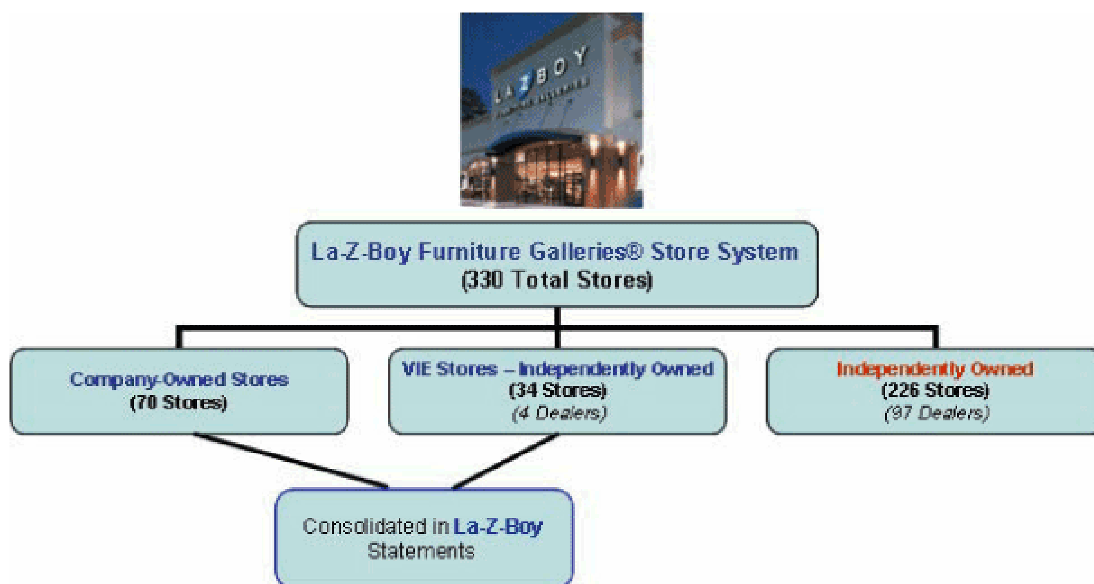
Our reportable operating segments are the Upholstery Group, the Casegoods Group and the Retail Group.

Upholstery Group. In terms of revenue, our largest segment is the Upholstery Group, which includes La-Z-Boy, our largest operating unit. Also included in the Upholstery Group are the operating units Bauhaus and England. This group primarily manufactures and sells upholstered furniture to proprietary stores and other furniture retailers. Upholstered furniture includes recliners and motion furniture, sofas, loveseats, chairs, ottomans and sleeper sofas.

Casegoods Group. Our Casegoods Group today is primarily an importer, marketer and distributor of casegoods (wood) furniture. It also operates two manufacturing facilities in North Carolina. The operating units in the Casegoods Group are American Drew/Lea, Hammary and Kincaid. Casegoods product includes tables, chairs, entertainment centers, headboards, dressers, accent pieces and some coordinated upholstered furniture.

Retail Group. The Retail Group consists of 70 company-owned La-Z-Boy Furniture Galleries® stores located in eight markets. These markets range from the Midwest to the East Coast of the United States and also include Southeastern Florida. The Retail Group sells mostly upholstered furniture to end consumers through the retail network.

The chart below shows the current structure of the La-Z-Boy Furniture Galleries® store network.



During the first quarter of fiscal 2008, we began rolling out a new proprietary distribution model referred to as Comfort Studios. Comfort Studios are typically smaller and more adaptable than the former in-store gallery model. At the end of the second quarter of fiscal 2009, we had 434 Comfort Studios, of which some were new studios and the rest were conversions of former in-store galleries and general dealers. We expect to open or convert approximately 46 more Comfort Studios during the remainder of fiscal 2009. Kincaid, England and Lea also have in-store gallery programs.

Impact of Current Market Conditions

During the second quarter or fiscal 2009, we were impacted by significant declines in consumer demand brought on by a weak job market, declining prices and tightening credit which resulted in the failure of several prominent financial institutions. These events have intensified concerns about credit and liquidity risks and have had a major impact on the economy and our business. Due to the decline in consumer confidence and the discretionary nature of home furnishing purchases, we are taking the following actions to align our operating structure with today's level of business:

- We are reducing headcount by 10% or approximately 850 employees across all levels of the company by the end of the calendar year.
- Due to the overall tightening of the financial markets, and our decision to withdraw credit support to certain independent dealers, we anticipate the closure of 15 to 20, primarily dealer owned, La-Z-Boy Furniture Galleries® stores, over the next 90 to 120 days.
- We will significantly reduce our planned fiscal 2009 capital expenditures from approximately $27 million to approximately $18 million to $20 million.

In addition to these initiatives we plan to aggressively reduce overall operating expenses and inventories to be in alignment with today's volumes. We believe the reduction in headcount alone will result in savings of $16 million to $20 million annually. Severance and other benefit costs will result in an approximate $1.5 million to $2.5 million pre-tax charge, the majority of which will be incurred in the third quarter of fiscal 2009.

Dealer owned stores that have been closed or will be closed increased our bad debt expense by $1.9 million for the first six months of fiscal 2009 and had sales of $7.8 million for the first six months of fiscal 2009. The majority of the stores closing are owned by independent dealers that are struggling in the current economic conditions, as such we are recording bad debt expense as a result of their anticipated closure.

As a result of our losses sustained during the quarter, the impact of the restructuring actions we have taken over the past two years, the significant decline in current and projected demand for consumer furniture purchases and resulting uncertainty in the economic climate, we reassessed the likelihood that we will be able to realize the benefit of our deferred tax assets. Due to these economic conditions, we have concluded that a valuation allowance of $38.2 million should be recorded against the deferred tax assets, or $0.74 per share.

In addition to analyzing our deferred tax assets as a result of the economic downturn, we also reviewed the valuation of goodwill in our Retail segment. While the economic downturn impacted our current operating results, we recently implemented operational improvements in this business that we believe will have a favorable impact on our long-term operating results. These improvements included management changes and a focus on aggressive cost-cutting measures. Our analysis of the fair value of the goodwill for the Retail operating units concluded that the fair values exceeded the carrying values of $22.1 million and as such, no impairment charges were necessary. We will perform our annual testing on these operating units in the fourth quarter of fiscal 2009. If operating results continue to be negatively impacted by the economic conditions and our cost-cutting measures do not improve the profitability of these operating units, we could realize an impairment of goodwill for these operating units at that time.

Table of Contents

Results of Operations
Analysis of Operations: Quarter Ended October 25, 2008
(Second Quarter 2009 compared with 2008)

(Amounts in thousands, except per share amounts and percentages)	Quarter Ended 10/25/08	Quarter Ended 10/27/07	Percent change
Upholstery sales	$247,934	$269,749	(8.1)%
Casegoods sales	48,473	58,892	(17.7)%
Retail sales	39,484	46,163	(14.5)%
Other/eliminations*	(3,943)	(9,370)	57.9%
Consolidated sales	**$331,948**	**$365,434**	**(9.2)%**
Consolidated gross profit	$ 87,031	$ 98,258	(11.4)%
Consolidated gross margin	**26.2%**	**26.9%**	
Consolidated S,G&A	$101,942	$ 98,098	3.9%
S,G&A as a percent of sales	**30.7%**	**26.8%**	
Upholstery operating income	$ 8,118	$ 19,036	(57.4)%
Casegoods operating income	755	3,577	(78.9)%
Retail operating loss	(10,391)	(9,119)	(13.9)%
Corporate and other	(11,157)	(12,816)	12.9%
Intangible write-down	(408)	(5,809)	93.0%
Restructuring	(2,923)	(967)	(202.3)%
Consolidated operating loss	**$ (16,006)**	**$ (6,098)**	**(162.5)%**
Upholstery operating margin	3.3%	7.1%	
Casegoods operating margin	1.6%	6.1%	
Retail operating margin	(26.3)%	(19.8)%	
Consolidated operating margin	**(4.8)%**	**(1.7)%**	
Loss from continuing operations	**$ (53,744)**	**$ (3,652)**	
Loss from discontinued operations	**$ —**	**$ (6,282)**	
Diluted loss per share from continuing operations	**$ (1.04)**	**$ (0.07)**	
Diluted loss per share from discontinued operations	**$ —**	**$ (0.12)**	

* Includes sales from our VIEs.

Sales

Consolidated sales were down 9.2% or $33.5 million when compared with the second quarter of fiscal 2008 due in large part to a weak retail environment attributable to current economic factors, such as record low consumer confidence, an uncertain housing market and a deteriorating consumer credit environment.

Upholstery Group sales were down 8.1% or $21.8 million compared with the second quarter of fiscal 2008. Sales price increases resulted in a 1.9% increase in sales; however this was offset by a decrease in sales volume due to an overall weak consumer demand, which we associate with the significant decline in consumer confidence and the uncertainty in the housing and mortgage markets.

Casegoods Group sales decreased 17.7% or $10.4 million compared with the second quarter of fiscal 2008. The decrease in sales volume occurred across all of our Casegoods operating units and directly related to the overall weakness at retail. Additionally, with the Casegoods product typically priced higher than upholstered furniture, we believe the consumers are postponing or foregoing these purchases to a greater extent than they are upholstery.

Retail Group sales decreased 14.5% or $6.7 million when compared with the second quarter of fiscal 2008. The decrease in sales was related to the significant decrease in new housing starts, sales of already existing homes and the subprime mortgage collapse, which has had an extremely negative effect on the home furnishings market and the overall weakness at retail for furniture.

Included in Other/eliminations are the sales by our VIEs and the elimination of sales from our Upholstery and Casegoods Groups to our Retail Group. The majority of the change in Other/eliminations was attributable to a $4.2 million decrease in the sales between our Upholstery Group and Retail Group with the remaining decline being attributed to an increase in sales at our VIEs. The increase in sales at our VIEs is due to an increase of four stores when compared to the second quarter of fiscal 2008.

Gross Margin

Gross margin decreased 0.7 percentage points in the second quarter of fiscal 2009 in comparison to the second quarter of fiscal 2008. Gross margin was positively impacted by the following:

- Selling price increases, net of discounts, mainly for our La-Z-Boy branded product, increased our gross margin by 1.4 percentage points.
- The completion of our cellular conversion and the closure of the Tremonton plant increased the overall efficiency in our La-Z-Boy branded manufacturing, which increased our gross margin by 1.4 percentage points.
- A 0.6 percentage point increase due to the national advertising campaign with La-Z-Boy Furniture Galleries® stores from which we receive a partial reimbursement that was not included in revenue in the second quarter of fiscal 2008.

These were offset by the following:

- Restructuring charges increased 0.6 percentage points in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008.
- A 3.1 percentage point decrease due to steel, polyurethane foam, plywood, fabric and leather cost increases.

- Charges associated with the transition of our cutting and sewing operations to Ramos Arizpe, Mexico, in the state of Coahuila which we did not have in the second quarter of fiscal 2008 decreased our gross margin by 0.5 percentage points.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (S,G&A) increased when compared to the prior year's second quarter and increased as a percent of sales by 3.9 percentage points. During the second quarter of fiscal 2009, the Florida, Michigan, Southern California and Nevada markets were impacted to a greater extent by the weak retail environment than other markets. As a result, our charges for bad debts increased by about $3.3 million when compared with the second quarter of fiscal 2008. Advertising expenses increased $2.1 million in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008 due to the national advertising campaign which began in the fall of 2007. Due to the weak retail environment and the uncertainty in our sales volume for the second half of the year, we expect advertising expense to be lower for the second half of the year. The S,G&A increases discussed above were somewhat offset by the decline in variable selling expenses which resulted from the decline in sales.

Restructuring

Restructuring costs totaled $2.9 million for the second quarter of fiscal 2009 as compared with $1.0 million in restructuring expenses for the same period the prior year. The restructuring costs in fiscal 2009 related to the closure of our Tremonton, Utah facility, the restructuring of our La-Z-Boy U.K. facility and the ongoing costs for the closure of retail facilities. These costs were comprised mainly of severance and benefits, fixed asset and inventory impairments, transition costs for the Utah plant closure and the ongoing lease cost for our closed retail facilities. The restructuring costs in fiscal 2008 related to the closure of several of our manufacturing facilities, consolidation of retail warehouses and the closure of underperforming retail stores; however, this expense was partially offset by a gain on a sale of a property held for sale relating to a previous restructuring.

Intangible Write-down

In the first quarter of fiscal 2009, we committed to a plan to close the operations of our La-Z-Boy U.K. subsidiary due to a change in our strategic direction for this operation. As a result of this plan, we recorded a goodwill impairment charge of $1.3 million which represented the entire goodwill amount of the operating unit. During the second quarter of fiscal 2009, we committed to a plan to reorganize the Toronto, Ontario retail market which we consolidate as a VIE. As a result of this plan we recorded a goodwill impairment charge of $0.4 million which represented the entire balance of this market. During the second quarter of fiscal 2008, we evaluated the goodwill at our South Florida retail market as a result of a decision to delay our planned store openings in this market. This delay was the result of a slow housing market causing double-digit declines in sales in the market over the previous twelve months. We recognized a $5.8 million impairment charge for the full amount of the goodwill of this retail market in the second quarter of fiscal 2008.

Operating Margin

Our consolidated operating margin was (4.8)% for the second quarter of fiscal 2009 and included 0.9 percentage points of restructuring charges and 0.1 percentage points for the intangible write-down. Operating margin for the second quarter of fiscal 2008 was (1.7)% and included 1.6 percentage points for the impairment of goodwill, related to our South Florida retail market, and 0.3 percentage points for restructuring costs. With a slight decrease in our gross margin as a percent of sales and our inability to

absorb our fixed S,G&A costs we have been unable to maintain our operating margin due to the continued decrease in sales volume.

The **Upholstery Group** operating margin decreased 3.8 percentage points to 3.3% when compared with the second quarter of fiscal 2008. The change in our manufacturing footprint from assembly to cellular as well as selling price increases positively impacted our operating margin. However, this increase was offset by an increase in bad debt expense, an increase in raw material costs and higher advertising costs in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008. The increase in advertising was as a result of our national campaign which began in the fall of 2007 and had a minimal impact on the second quarter of fiscal 2008. This campaign is a shared advertising program with La-Z-Boy Furniture Galleries® stores from which we receive a partial reimbursement. The costs for the program are a component of S,G&A and the reimbursements are a component of net sales.

Our **Casegoods Group** operating margin decreased by 4.5 percentage points to 1.6% in the second quarter of fiscal 2009 versus the second quarter of fiscal 2008. With a 17.7% decrease in sales volume, we were unable to reduce our costs quickly enough to maintain our operating margin.

Our **Retail Group** operating margin decreased by 6.5 percentage points to (26.3)% during the second quarter of fiscal 2009 when compared with the second quarter of fiscal 2008. The reduction primarily resulted from the continued decline in sales and the fixed occupancy costs of our Retail operations, partially offset by selling price increases.

Corporate and Other operating loss decreased $1.7 million during the second quarter of fiscal 2009 in comparison to the second quarter of fiscal 2008. Our VIEs' losses for the second quarter of fiscal 2009 were $0.3 million more than the same quarter the prior year and realized gains on property sales for the quarter were $0.6 million as compared to an insignificant gain in the second quarter of fiscal 2008. Additionally, during the second quarter of fiscal 2008, we continued a retail test marketing program at the corporate level, which increased our expense by $1.6 million; this program was completed at the end of fiscal 2008, and therefore did not impact the second quarter of fiscal 2009.

Interest Expense

Interest expense for the second quarter of fiscal 2009 was $0.5 million less than the second quarter of fiscal 2008 due to a $38.4 million decrease in our average debt and a 0.1 percentage point decrease in our weighted average interest rate.

Income Taxes

Our effective tax rate was 203.4 % in the second quarter of fiscal 2009 compared to 46.6% in second quarter of fiscal 2008. The change in our tax rate during fiscal 2009 was primarily attributable to the recording of a $38.2 million valuation allowance against our deferred tax assets in the current quarter, which had the effect of significantly increasing our effective tax rate.

As a result of our losses sustained during the quarter, the impact of the restructuring actions we have taken over the past two years, the significant decline in current and projected demand for consumer furniture purchases and resulting uncertainty in the economic climate, we reassessed the likelihood that we will be able to realize the benefit of our deferred tax assets. Due to these economic conditions, we have concluded that a valuation allowance of $38.2 million should be recorded against the deferred tax assets, or $0.74 per share.

Discontinued Operations

In the second quarter of fiscal 2009 we had no discontinued operations. During the second quarter of fiscal 2008, our discontinued operations recognized a loss of $6.3 million after-tax. The sale of our Clayton Marcus operating unit and our Pennsylvania House trade name to Rowe Fine Furniture, Incorporated, resulted in a loss of about $5.8 million or $3.6 million after-tax. Of this loss, about $3.4 million pre-tax related to the intangible assets of Clayton Marcus. The Pennsylvania House trade name was sold to Universal Furniture for $1.7 million, resulting in a pre-tax charge of about $0.6 million. We also recorded an additional loss of $3.0 million to adjust the inventory to fair value due to the liquidation of the remaining inventory at discounted prices.

Results of Operations
Analysis of Operations: Six Months Ended October 25, 2008
(First Six Months of 2009 compared with 2008)

(Amounts in thousands, except per share amounts and percentages)	Six Months Ended 10/25/08	Six Months Ended 10/27/07	Percent change
Upholstery sales	$ 485,052	$ 524,506	(7.5)%
Casegoods sales	96,594	112,466	(14.1)%
Retail sales	81,911	91,394	(10.4)%
Other/eliminations*	(9,957)	(18,536)	46.3%
Consolidated sales	**$ 653,600**	**$ 709,830**	**(7.9)%**
Consolidated gross profit	$ 167,773	$ 180,950	(7.3)%
Consolidated gross margin	**25.7%**	**25.5%**	
Consolidated S,G&A	$ 193,781	$ 192,606	0.6%
S,G&A as a percent of sales	**29.6%**	**27.1%**	
Upholstery operating income	$ 17,975	$ 27,903	(35.6)%
Casegoods operating income	2,132	6,177	(65.5)%
Retail operating loss	(20,401)	(19,193)	(6.3)%
Corporate and other	(17,682)	(23,464)	24.6%
Intangible write-down	(1,700)	(5,809)	70.7%
Restructuring	(9,499)	(4,648)	(104.4)%
Consolidated operating loss	**$ (29,175)**	**$ (19,034)**	**(53.3)%**
Upholstery operating margin	3.7%	5.3%	
Casegoods operating margin	2.2%	5.5%	
Retail operating margin	(24.9)%	(21.0)%	
Consolidated operating margin	**(4.5)%**	**(2.7)%**	
Loss from continuing operations	**$ (62,288)**	**$ (12,194)**	
Loss from discontinued operations	**$ —**	**$ (6,434)**	
Diluted loss per share from continuing operations	**$ (1.21)**	**$ (0.24)**	
Diluted loss per share from discontinued operations	**$ —**	**$ (0.12)**	

* Includes sales from our VIEs.

Sales

Consolidated sales were down 7.9% or $56.2 million when compared with the first six months of fiscal 2008 due in large part to a weak retail environment attributable to current economic factors, such as record low consumer confidence, an uncertain housing market, and a deteriorating consumer credit environment.

Upholstery Group sales were down 7.5% or $39.5 million compared with the first six months of fiscal 2008. Sales price increases resulted in a 1.9% increase in sales; however this was offset by a decrease in sales volume due to an overall weak consumer demand, which we associate with the significant decline in consumer confidence and the uncertainty in the housing and mortgage markets. In addition, the decline in sales volume was partially offset by a change in contractual relationships with our third party carriers, which resulted in revenue recognition at shipping point. As reported in our Form 10-K for the fiscal year ended April 26, 2008, revenue for our largest upholstery operation had previously been recognized upon delivery.

Casegoods Group sales decreased 14.1% or $15.9 million compared with the prior year first six months of fiscal 2008. The decrease in sales volume occurred across all of our Casegoods operating units and directly related to the overall weakness at retail, which we attribute to current economic conditions. Additionally, with the Casegoods product typically priced higher than upholstered furniture, we believe consumers are postponing or foregoing these purchases to a greater extent than they are upholstery products.

Retail Group sales decreased 10.4% or $9.5 million when compared with the first half of fiscal 2008. The decrease in sales was related to the significant decrease in new housing starts and sales of already existing homes, low consumer confidence and the overall weakness at retail for furniture.

Included in Other/eliminations are the sales by our VIEs and the elimination of sales from our Upholstery and Casegoods Groups to our Retail Group. The majority of the change in Other/eliminations was attributable to a $4.9 million decrease in sales from our Upholstery Group to our Retail Group during the first six months of fiscal 2009 in comparison to the first six months of fiscal 2008. Additionally, sales from VIEs increased $1.9 million during the first half of 2009 when compared to 2008.

Gross Margin

Gross margin increased 0.2 percentage points in the first six months of fiscal 2009 when compared with the same period a year ago. Gross margin was positively impacted by the following:

- The increased efficiencies gained from the completion of our cellular conversion and the closure of the Tremonton plant in our La-Z-Boy branded manufacturing which resulted in a 1.4 percentage point increase to our gross margin.
- Selling price increases, net of discounts, mainly for our La-Z-Boy branded product, increased our gross margin by 1.2 percentage points.
- A 0.6 percentage point increase due to the national advertising campaign with La-Z-Boy Furniture Galleries® stores from which we receive a partial reimbursement that was not included in revenue in the first half of fiscal 2008.

These were offset by the following:

- A 2.0 percentage point decrease due to steel, polyurethane foam, plywood, fabric and leather cost increases.
- Charges associated with the transition of our cutting and sewing operations to Ramos Arizpe, Mexico, in the state of Coahuila which we did not have in the first half of fiscal 2008 decreased our gross margin by 0.3 percentage points.
- Restructuring charges increased 0.8 percentage points in the first six months of fiscal 2009 as compared to the same period a year ago.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (S,G&A) increased when compared to the prior year's first six months. During the first half of fiscal 2009, the Florida, Michigan, Southern California and Nevada markets were impacted to a greater extent by the weak retail environment than other markets. As a result, our charges for bad debts increased by about $5.4 million when compared with the first six months of fiscal 2008. Additionally, we realized gains on property sales of $2.7 million compared to an insignificant loss in the first half of fiscal 2008 which decreased S,G&A. However, advertising expenses increased $3.8 million in the first six months of fiscal 2009 in comparison to the first six months of fiscal 2008 due to the national advertising campaign which began in the fall of 2007. Due to the weak retail environment and the uncertainty in our sales volume for the second half of the year, we expect advertising expense to be lower for the second half of the year.

Restructuring

Restructuring costs totaled $9.5 million for the six months ended October 25, 2008 as compared with $4.6 million in restructuring expenses in the six months ended October 27, 2007. The restructuring costs in fiscal 2009 related to the closure of our Tremonton, Utah facility, the restructuring of our La-Z-Boy U.K. facility and the ongoing costs for the closure of retail facilities. These costs were comprised mainly of severance and benefits, fixed asset and inventory impairments, transition costs for the Utah plant closure and the ongoing lease cost for our closed retail facilities. The restructuring costs in fiscal 2008 related to the closure of our Lincolnton, NC facility in addition to contract termination and ongoing lease costs for our closed retail facilities; however, this expense was partially offset by a gain on a sale of a property held for sale relating to a previous restructuring.

Intangible Write-down

In the first quarter of fiscal 2009, we committed to a plan to close the operations of our La-Z-Boy U.K. subsidiary due to a change in our strategic direction for this operation. As a result of this plan, we recorded a goodwill impairment charge of $1.3 million which represented the entire goodwill amount of the operating unit. During the second quarter of fiscal 2009, we committed to a plan to reorganize the Toronto, Ontario retail market which we consolidate as a VIE. As a result of this plan we recorded a goodwill impairment charge of $0.4 million which represented the entire goodwill balance of this market. During the second quarter of fiscal 2008, we evaluated the goodwill at our South Florida retail market as a result of a decision to delay our planned store openings in this market. This delay was the result of a slow housing market causing double-digit declines in sales in the market over the previous twelve months. We recognized a $5.8 million impairment charge for the full amount of the goodwill of this retail market in the second quarter of fiscal 2008.

Operating Margin

Our consolidated operating margin was (4.5)% or $(29.2) million for the first half of fiscal 2009 and included 0.3 percentage points for the intangible write-down and 1.5 percentage points for restructuring charges. Operating margin for the second quarter of fiscal 2008 was (2.7)% or $(19.0) million and included 0.8 percentage points for the intangible write-down and 0.7 percentage points for restructuring costs.

The **Upholstery Group** operating margin decreased 1.6 percentage points to 3.7% when compared with the first six months of fiscal 2008. With a $39.5 million decrease in sales volume, $4.9 million increase in bad debt expense and $4.3 million increase in advertising costs of our national campaign as compared with the same period a year ago; we were unable to maintain our operating margin. Additionally, our upholstery margin was negatively impacted by 2.8 percentage points due to increased costs associated with steel, polyurethane foam, plywood, fabric and leather. However, the change in our manufacturing footprint from assembly to cellular as well as selling price increases positively impacted our operating margin. Additionally, the upholstery operating income benefited from the change in third party freight carrier contracts as noted previously in our sales discussion.

Our **Casegoods Group** operating margin decreased by 3.3 percentage points to 2.2% in the six months ended October 25, 2008 when compared to the six months ended October 27, 2007. With a 14.1% decrease in sales volume, we were unable to reduce our costs enough to maintain our operating margin.

Our **Retail Group** operating margin decreased by 3.9 percentage points to (24.9)% during the first half of fiscal 2009 in comparison to the same period the prior year. The reduction primarily resulted from the continued decline in sales and the fixed occupancy costs of our Retail operations, partially offset by selling price increases.

Corporate and Other operating loss decreased $5.8 million to $(17.7) million during the first six months of fiscal 2009 when compared with the first six months of fiscal 2008. Our VIEs' losses for the first half of fiscal 2009 were $0.1 million less than the same period the prior year and realized gains on property sales for the first six months were $2.7 million as compared to an insignificant loss in the first six months of fiscal 2008. Additionally, during the first six months of fiscal 2008, we continued a retail test market program which increased our fiscal 2008 expenses by $2.5 million. This program was not repeated in fiscal 2009.

Interest Expense

Interest expense for the first half of fiscal 2009 was $1.1 million less than the first half of fiscal 2008 due to a $40.0 million decrease in our average debt and a 0.3 percentage point decrease in our weighted average interest rate.

Income Taxes

Our effective tax rate was 99.0% in the first six months of fiscal 2009 compared to 40.3% in first six months of fiscal 2008. The change in our tax rate during fiscal 2009 was primarily attributable to the recording of a $38.2 million valuation allowance against our deferred tax assets, which had the effect of significantly increasing our effective tax rate.

As a result of our losses sustained during the quarter, the impact of the restructuring actions we have taken over the past two years, the significant decline in current and projected demand for consumer

furniture purchases and resulting uncertainty in the economic climate, we reassessed the likelihood that we will be able to realize the benefit of our deferred tax assets. Due to these economic conditions, we have concluded that a valuation allowance of $38.2 million should be recorded against the deferred tax assets, or $0.74 per share.

Discontinued Operations

In the first half of fiscal 2009 we had no discontinued operations. During the first half of fiscal 2008, our discontinued operations recognized a loss of $6.3 million after-tax. During the second quarter of fiscal 2008, we completed the sale of our Clayton Marcus operating unit and we completed the sale of our Pennsylvania House trade name. The stock of Clayton Marcus was sold to Rowe Fine Furniture, Incorporated, resulting in a loss of about $5.8 million or $3.6 million after-tax. Of this loss, about $3.4 million pre-tax related to the intangible assets of Clayton Marcus. The Pennsylvania House trade name was sold to Universal Furniture for $1.7 million, resulting in a pre-tax charge of about $0.6 million. We also recorded an additional loss of $3.0 million to adjust the inventory to fair value due to the liquidation of the remaining inventory at discounted prices.

Liquidity and Capital Resources

Our total assets at the end of the second quarter of fiscal 2009 decreased $65.9 million compared with the end of fiscal 2008. The majority of this decline was attributed to an increase in our deferred tax valuation allowance, decreases in inventory associated with our sales volume and the decline in investments due to the instability in the financial markets.

Our sources of cash liquidity include cash and equivalents, cash from operations and amounts available under our credit facility. These sources have been adequate for day-to-day operations, dividends to shareholders and capital expenditures. Further deterioration of market conditions resulting in a sustained adverse impact on the global retail sector could reduce our sales further and harm our results of operations, cash flows and financial position including, but not limited to, significant operating losses, potential asset impairments and reduced availability under asset-backed credit arrangements. Additionally, in light of the uncertainty of the business environment, the company made the decision to reduce its quarterly dividend to shareholders from $0.04 per share to $0.02 per share.

Under our credit agreement we have certain covenants and restrictions, including a fixed charge coverage ratio which would become effective if excess availability fell below $30.0 million. As of October 25, 2008 we had $82.0 million outstanding and $58.3 million of excess availability under the credit agreement. Our borrowing capacity is based on eligible trade accounts receivables and inventory of the company. Since our accounts receivable increased about $17 million for the quarter, the capacity to borrow on the line increased proportionally with the increase in our borrowings on our line of credit.

Our plan to manage liquidity in the remainder of fiscal 2009 includes: aggressively reducing our operating expenses based on our announcement earlier this month, reducing capital expenditures to be below planned levels including new store openings, reducing inventory levels to current sales trends, suspending our quarterly cash dividend, potentially liquidating non-essential investments that are supporting some benefit plans and focus on selling to credit-worthy customers. Historically, cash flows from operating activities are strongest in the third quarter.

It is anticipated that the obligations of Wachovia Bank and National City Bank, as participating lenders under our credit facility, will be assumed by Wells Fargo Bank and PNC Financial Services, respectively, upon completion of the proposed transactions to combine these entities.

Capital expenditures for the first half of fiscal 2009 were $10.0 million compared with $15.6 million in the prior year of which $5.2 million related to an option to purchase property that was exercised, which we subsequently sold and leased back. There are no material purchase commitments for capital expenditures, which are expected to be in the range of $18 to $20 million in fiscal 2009. We expect restructuring costs from our plan to consolidate the cutting and sewing operations in Mexico and the recently announced corporate initiatives to impact cash by $3.0 million during the remainder of fiscal 2009, $7.1 million during fiscal 2010 and $0.6 million during fiscal 2011.

The following table illustrates the main components of our cash flows:

Cash Flows Provided By (Used For) *(Unaudited, amounts in thousands)*	**Six Months Ended 10/25/08**	**10/27/07**
Operating activities		
Net loss, depreciation, stock expense and deferred taxes	$ (5,652)	$ (10,599)
Restructuring	9,499	4,648
Working capital and other	(13,816)	951
Cash used for operating activities	(9,969)	(5,000)
Investing activities	87	(2,590)
Financing activities		
Net increase in debt	14,179	(421)
Other financing activities	(4,151)	(12,557)
Cash provided by (used for) financing activities	10,028	(12,978)
Exchange rate changes	(643)	1,539
Net decrease in cash and equivalents	$ (497)	$ (19,029)

Operating Activities

During the first half of fiscal 2009 and 2008, net cash used for operating activities was $10.0 million and $5.0 million, respectively. Discontinued operations had no impact on the cash provided by operating activities in the first half of fiscal 2009 and minimal impact in the first half of fiscal 2008.

Investing Activities

During the first six months of fiscal 2009, net cash provided by investing activities was $0.1 million, whereas $2.6 million was used for investing activities during the same period the prior year. In the first half of fiscal 2009, $7.8 million in proceeds were received from the sale of several properties, offset by $10.0 million of capital expenditures. During the first half of fiscal 2008, $6.4 million in proceeds was generated by a sale-leaseback transaction we entered into with a third party. We exercised an option to purchase a property, sold it to a third party and then subsequently leased it back. Capital expenditures in the first six months of fiscal 2008 were $15.6 million.

Financing Activities

Our financing activities included borrowings and payments on our debt facilities and dividend payments. We generated $10.0 million of cash in financing activities during the first six months of fiscal 2009. Of the increase in cash generated by financing activities, $8.3 million related to a decrease in dividends paid as a result of the company's decision to reduce the dividend rate from $0.12 to $0.04 in the fourth quarter of fiscal 2008. During the first six months of fiscal 2008 $13.0 million of cash was used in financing activities in order to fund working capital requirements.

In the first quarter of fiscal 2008, we adopted FIN 48 and as a consequence, the balance sheet at the end of the second quarter of fiscal 2009 reflected a $3.4 million liability for uncertain income tax positions. Of this amount only $0.9 million will be settled within the next 12 months. The remaining balance, to the extent it is ever paid, will be paid as tax audits are completed or settled. There were no material changes to our contractual obligations table during the quarter.

Our debt-to-capitalization ratio was 23.5% at October 25, 2008 and 18.8% at April 26, 2008. The debt-to-capitalization ratio increased from the last quarter as a result of the change in shareholders' equity, driven primarily by the deferred tax valuation allowance.

Our Board of Directors has authorized the repurchase of company stock. As of October 25, 2008, 5.4 million additional shares could be purchased pursuant to this authorization. We did not purchase any shares during the first half of fiscal 2009.

We have guaranteed various leases of dealers with proprietary stores. The total amount of these guarantees is $11.4 million. Of this, $2.3 million will expire within one year, $3.5 million in one to three years, $2.0 million in four to five years, and $3.6 million thereafter. In recent years, we have increased our imports of casegoods product and leather and fabric for upholstery product. At the end of the second quarter of fiscal 2009, we had $53.8 million in open purchase orders with foreign casegoods, leather and fabric sources. Some of these open purchase orders are cancelable. We are not required to make any contributions to our defined benefit plans; however, we may make contributions.

Continuing compliance with existing federal, state and local statutes dealing with protection of the environment is not expected to have a material effect upon our capital expenditures, earnings, competitive position or liquidity.

Critical Accounting Policies

Our critical accounting policies are disclosed in our Form 10-K for the year ended April 26, 2008.

Regulatory Developments

The Continued Dumping and Subsidy Offset Act of 2000 ("CDSOA") provides for distribution of monies collected by U.S. Customs and Border Protection ("CBP") from anti-dumping cases to domestic producers that supported the anti-dumping petition. The Dispute Settlement Body of the World Trade Organization ("WTO") ruled that such payments violate the United States' WTO obligations. In response to that ruling, on February 8, 2006, the President signed legislation passed by Congress that repeals CDSOA distributions to eligible domestic producers for duties collected on imports entered into the United States after September 30, 2007.

We received $7.1 million in payments and funds related to the antidumping order on wooden bedroom furniture from China during fiscal 2008. In view of the uncertainties associated with this program, we are unable to predict the amounts, if any, we may receive in the future under CDSOA. However, assuming CDSOA distributions continue, these distributions could be material depending on the results of legal appeals and administrative reviews and our actual percentage allocation.

Recent Accounting Pronouncements

Refer to Note 18 for updates on recent accounting pronouncements since the filing of our Form 10-K for the year ended April 26, 2008.

Business Outlook

The instability that continues to define the overall macroeconomic environment points to the likelihood of a protracted recession. We are particularly concerned with the inconsistency and lack of visibility of our incoming order rates coupled with the consumer confidence index falling to its lowest level on record. With that as a backdrop, the company deemed it prudent to suspend yearly guidance at this time. We will continue to run our business to improve profitability in this uncertain economic environment.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. Our exposure to interest rate risk results from our variable rate debt under which we had $88.5 million of borrowings at October 25, 2008. In May 2008, we entered into an interest rate swap agreement to mitigate the impact of changes in interest rates on a portion of our floating rate debt. Management estimates that a one percentage point change in interest rates would not have a material impact on our results of operations for fiscal 2009 based upon the current levels of exposed liabilities.

We are exposed to market risk from changes in the value of foreign currencies. Substantially all of our imports purchased outside of North America are denominated in U.S. dollars. Therefore, we believe that gains or losses resulting from changes in the value of foreign currencies will not be material to our results from operations in fiscal year 2009.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information that is required to be timely disclosed is accumulated and communicated to management in a timely fashion. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

There was no change in the Company’s internal controls over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors during the first six months of fiscal 2009. Our risk factors are disclosed in our Form 10-K for the year ended April 26, 2008.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of La-Z-Boy Incorporated was held on August 20, 2008. The shareholders voted to re-elect four directors for three-year terms expiring in 2011, approve an amendment to the La-Z-Boy Incorporated articles of incorporation eliminating the high vote requirement for certain mergers and other transactions, ratify the selection of the independent registered public accounting firm for fiscal year 2009, reject an amendment to the articles of incorporation reducing the vote required for shareholders to amend the bylaws from 67% to a majority, and reject an amendment to the bylaws to reorganize the Board of Directors into one class, with each director serving a term of one year.

	Shares Voted In Favor	Percent Shares In Favor	Shares Withheld
Proposal Election of Directors for terms expiring in 2011:			
Kurt L. Darrow	42,110,679	94.9%	2,257,492
James W. Johnston	41,244,880	93.0%	3,123,291
H. George Levy, M.D.	40,488,769	91.3%	3,879,402
W. Alan McCollough	42,037,784	94.8%	2,330,387
Directors whose term in office continued after the annual meeting:			
John H. Foss			
Richard M. Gabrys			
David K. Hehl			
Rocque E. Lipford			
Jack L. Thompson			
Nido R. Quebin			

Proposal	Shares Voted In Favor	Shares Voted Against	Shares Abstained	Broker Non-Votes
Ratify the selection of the independent registered public accounting firm for FYE 2009 (1)	42,531,138	228,332	1,608,701	—
Amend the La-Z-Boy Incorporated articles of incorporation and bylaws reducing the vote required for shareholders to amend the bylaws from 67% to a majority (2)	33,152,379	5,327,876	1,663,398	4,224,518
Amend the La-Z-Boy Incorporated articles of incorporation eliminating the high vote requirement for certain mergers and other transactions (3)	36,697,230	1,748,692	1,697,731	4,224,518
Amend the La-Z-Boy Incorporated bylaws to reorganize the Board of Directors into one class, with each director serving a term of one year (2)	23,106,932	15,286,919	1,749,802	4,224,518

(1) Approval required affirmative votes of majority of shares voted on proposal.

(2) Approval required affirmative votes of at least 34,484,278 shares (67% of shares outstanding).

(3) Approval required affirmative votes of at least 25,734,536 shares (majority of shares outstanding).

ITEM 6. EXHIBITS

Exhibit Number	Description
(3.1)	La-Z-Boy Incorporated Restated Articles of Incorporation (Incorporated by reference to an exhibit to Form 10-Q for the quarter ended October 26, 1996)
(3.2)	Amendment to Restated Articles of Incorporation effective August 21, 1998 (Incorporated by reference to an exhibit to Form 10-K/A filed September 27, 1999)
(3.3)	Amendment to Restated Articles of Incorporation effective August 22, 2008
(10.1)*	La-Z-Boy Incorporated Deferred Stock Unit Plan for Non-employee Directors
(10.2)*	Form of Change in Control Agreement (Incorporated by reference to an exhibit to Form 8-K dated February 6, 1995). In effect for: Mark S. Bacon, Sr., Kurt L. Darrow, Steven M. Kincaid, Louis M. Riccio, Jr., and Otis Sawyer
(31.1)	Certifications of Chief Executive Officer pursuant to Rule 13a-14(a)
(31.2)	Certifications of Chief Financial Officer pursuant to Rule 13a-14(a)
(32)	Certifications of Executive Officers pursuant to 18 U.S.C. Section 1350(b)
(99.1)	Press Release dated November 18, 2008

* Indicates a management contract or compensatory plan or arrangement under which a director or executive officer may receive benefits.

Table of Contents

SIGNATURE

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.

LA-Z-BOY INCORPORATED
(Registrant)

Date: November 18, 2008

BY: /s/ Margaret L. Mueller
Margaret L. Mueller
Corporate Controller
On behalf of the registrant and as
Chief Accounting Officer

RESTATED ARTICLES OF INCORPORATION
(as of August 22, 2008)

ARTICLE I

The name of this corporation is La-Z-Boy Incorporated

ARTICLE II

The purpose or purposes of this corporation are as follows: To manufacture, purchase, and sell at wholesale or retail, furniture, household appliances, tools, dies, machinery and metal stampings, to buy, sell and license the use of patents; to purchase, mortgage, improve, develop, hold, lease or sell real estate; to borrow and loan money or its equivalent; to hold, sell or buy notes, mortgages and other evidences of indebtedness; to finance installment sales; to discount and re-discount notes and other installment paper; to buy bonds and stocks and to hold or sell the same; to develop patents and patented products; to develop, investigate and have patented any patentable ideas, designs, products or gadgets.

(In general to carry on any business in connection therewith and incident thereto not forbidden by the laws of the State of Michigan and with all the powers conferred upon corporations by the laws of the State of Michigan.)

ARTICLE III

Location of the corporation is Monroe, in the County of Monroe, State of Michigan.

Post Office address of registered office in Michigan is 1284 North Telegraph Road, Monroe, Michigan 48162.

ARTICLE IV

(1) The aggregate number of shares which the Corporation has authority to issue is:

(a) 150,000,000 shares of Common Stock, $1.00 par value per share; and

(b) 5,000,000 shares of Preferred Stock.

(2) The relative rights, preferences, and limitations of the shares of each class of shares shall be as follows:

PART I: COMMON STOCK

(a) Except as otherwise required by law or by an amendment to these Articles of Incorporation, each holder of shares of Common Stock shall have one vote for each share of Common Stock held by him of record on the books of the corporation on all matters voted upon by the shareholders.

(b) Subject to the preferential dividend rights, if any, applicable to shares of Preferred Stock and subject to applicable requirements, if any, with respect to the setting aside of sums for purchase, retirement or sinking funds for Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors.

(c) In the event of the voluntary or involuntary liquidation, dissolution, distribution, of assets or winding up of the corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of Preferred Stock, holders of shares of Common Stock shall be entitled to receive all of the remaining assets of the Corporation of whatever kind available for distribution to shareholders ratably in proportion to the number of shares of Common Stock held by them respectively. The Board of Directors may distribute in kind to the holders of shares of Common Stock such remaining assets of the Corporation or may sell, transfer, or otherwise dispose of all or any part of such remaining assets to any other corporation, trust or entity, or any combination thereof, and may sell all or any part of the consideration so received and distribute any balance thereof in kind to holders of shares of Common Stock. The merger of the Corporation into or with any other corporation, or the merger of any other corporation into it, or any purchase or redemption of shares of stock of the Corporation of any class, or the exchange of shares of any class of stock of the Corporation for shares or other securities of any other corporation, shall not be deemed to be a dissolution, liquidation, or winding up of the Corporation for the purposes of this paragraph (c).

(d) Such numbers of shares of Common Stock as may from time to time be required for such purpose shall be reserved for issuance (i) upon conversion of any shares of Preferred Stock or any obligation of the Corporation convertible into shares of Common Stock which is at the time outstanding or issuable upon exercise of any options or warrants at the time outstanding and (ii) upon exercise of any options, warrants, or rights at the time outstanding to purchase shares of Common Stock.

(e) No holder of shares of Common Stock shall have any pre-emptive right to subscribe for or to purchase any shares of the Corporation of any class or series (including, for this purpose, any other securities convertible into or carrying any right to subscribe for or acquire any such shares), whether such shares or such class or series be now or hereafter authorized.

PART II: PREFERRED STOCK

(a) Shares of Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors may determine.

(b) The Board of Directors is expressly authorized at any time, and from time to time, to divide the class of Preferred Stock into, and to provide for the issuance of shares of Preferred Stock in, one or more series, with such voting powers, full or limited, or without voting powers, and with such designations, relative rights, preferences and limitations as stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, including (but without limiting the generality of the foregoing) the following:

(i) The designation of such series and number of shares comprising such series, which number may (except where otherwise provided by the Board of Directors in creating such series) be increased or decreased (but not below the number of shares then outstanding) from time to time by action of the Board of Directors.

(ii) The dividend rate or rates on the shares of such series and the preference or relation which such dividends shall bear to the dividends payable on any other class of stock of the Corporation or on any other series of Preferred Stock, the terms and conditions upon which and the periods in respect of which dividends shall be payable, whether and upon what condition such dividends shall be cumulative, and, if cumulative, the date or dates from which dividends shall accumulate.

(iii) Whether the shares of such series shall be redeemable, in whole or in part, and if redeemable, whether redeemable for cash, bonds, securities or other property, at the option of the Corporation, the holder or upon the happening of a specified event, the limitations and restrictions with respect to such redemption, the time or times when, or periods during which, the price or prices or rate or rates at which, the adjustments with which and the manner in which such shares shall be redeemable, including the manner of selecting shares of such series for redemption if less than all shares are to be redeemed.

(iv) The rights to which the holders of shares of such series shall be entitled, and the preferences if any, over any other series (or of any other series over such series), upon the voluntary or involuntary liquidation, dissolution, distribution, or winding up of the corporation, which rights may vary depending on whether such liquidation, dissolution, distribution or winding up is voluntary or involuntary, and, if voluntary, may vary at different dates.

(v) Whether the shares of such series shall be subject to the operation of a purchase, retirement or sinking fund, the extent to which and the manner in which such fund shall be applied to the purchase or redemption of the shares of such series for retirement or to other corporate purposes and the terms and provisions relative to the operation thereof.

(vi) Whether the shares of such series shall be convertible into, or exchangeable for, at the option of either the holder or the Corporation or upon the happening of a specified event, shares of any class or any series of any class, or bonds, and, if so convertible or exchangeable, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange.

(vii) The voting powers, full and/or limited, if any, of the shares of such series, and whether and under what conditions the shares of such series (alone or together with the shares of one or more other series having similar provisions) shall be entitled to vote separately as a single class, for the election of one or more directors, or additional directors, of the corporation in the case of dividend arrearages or other specified events, or upon other matters.

(viii) Whether the issuance of any additional shares of such series, or of any shares of any other series, shall be subject to restrictions as to issuance or as to the powers, preferences or rights of any such other series.

(ix) Any other preferences, privileges and powers and relative, participating, optional, or other special rights and qualifications, limitations, or restrictions of such series, as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of these Articles of Incorporation.

(c) Whenever the Board of Directors shall adopt such resolution or resolutions so establishing and designating one or more series of Preferred Stock and prescribing the relative rights, preferences and limitations of such series, a certificate containing such resolution or resolutions shall be filed as contemplated by Section 302(4) of the Michigan Business Corporation Act, as amended, superseded or redesignated, and when filed shall constitute an amendment to these Articles of Incorporation.

(d) Except as expressly provided in said resolution or resolutions of the Board of Directors, no holder of shares of any series of Preferred Stock shall have any pre-emptive right to subscribe for or to purchase any shares of the Corporation of any class or series (including, for this purpose, any other securities convertible into or carrying any right to subscribe for or acquire any such shares), whether such shares or such class or series be now or hereafter authorized.

ARTICLE V

The names and places of residence or business of each of the incorporators and the number and class of shares subscribed for by cash are as follows:

Names	Residence or Business Address	Common
Floral City Furniture Company	- 1314 N. Telegraph Rd. Monroe, Michigan	195,500
Edwin J. Shoemaker	- 1028 Bentley Drive Monroe, Michigan	1,000
E.M. Knabusch	- 1396 N. Telegraph Rd. Monroe, Michigan	1,000
H.F. Gertz	- 1016 N. Monroe Street Monroe, Michigan	1,000
Otto C. Uecker	- 408 So. Macomb Street Monroe, Michigan	1,000
Ora H. Sessions	- 445 Riverview Avenue Monroe, Michigan	500

ARTICLE VI

The names and addresses of the First Board of Directors are as follows:

Name	Address
Edwin J. Shoemaker	1028 Bentley Drive, Monroe, Michigan
E.M. Knabusch	1396 North Telegraph Rd., Monroe, Mich.
H.F. Gertz	1016 North Monroe Street, Monroe, Mich.
Otto C. Uecker	408 South Macomb Street, Monroe, Mich.
Ora H. Sessions	445 Riverview Avenue, Monroe, Mich.

ARTICLE VII

The term of the corporate existence is perpetual.

ARTICLE VIII

[RESERVED FOR FUTURE USE]

ARTICLE IX

Whenever a compromise or arrangement or any plan of reorganization of this corporation is proposed between this corporation and its creditors or any class of them and/or between this corporation and its shareholders or any class of them, any court of equity jurisdiction within the state of Michigan, may on the application of this corporation or of any creditor or any shareholder thereof, or on the application of any receiver or receivers appointed for this corporation, order a meeting of the creditors or class of creditors, and/or of the shareholders or class of shareholders, as the case may be, to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the shareholders or class of shareholders, as the case may be, to be affected by the proposed compromise or arrangement or re-organization, agree to any compromise or arrangement or to any reorganization of this corporation as a consequence of such compromise or arrangement, said compromise or arrangement and said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the shareholders or class of shareholders, as the case may be, and also on this corporation.

ARTICLE X

(1) Any adoption, alteration or repeal of the By-laws of the Corporation by the stockholders shall require the affirmative vote or consent of the holders of not less than 67% of all shares of the stock of the Corporation entitled to vote in elections of directors.

(2) The Corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XI

Section 1. Limitation of Liability. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. However, this provision does not eliminate or limit the liability of a director for any of the following: (i) any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law, (iii) a violation of Section 551(1) of the Michigan Business Corporation Act, as amended (the "Act"), (iv) a transaction from which the director derived an improper personal benefit, or (v) an act or omission occurring before the date that the amendment to the Articles of Incorporation

adding this Section 1 becomes effective in accordance with the pertinent provisions of the Act. Any repeal, amendment or other modification of this Section 1 shall not increase the liability or alleged liability of any director of the Corporation then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or there after brought or threatened based in whole or in part upon any such state of facts.

Section 2. Indemnification. The Corporation shall indemnify any of its directors and officers and may indemnify any of its employees and agents (in each case including such person's heirs, executors, administrators and legal representatives) who are made or threatened to be made a party to an action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or serves or served at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not, to the fullest extent authorized or permitted under the Act or other applicable law, as the same presently exist or may hereafter be amended, but in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than authorized or permitted before such amendment. Without limiting the generality of the foregoing, the following provisions, except to the extent they limit the indemnity which may be provided pursuant to the foregoing, shall apply:

2.1 — Indemnification of Directors and Officers: Claims by Third Parties. The Corporation shall to the fullest extent authorized or permitted by the Act or other applicable law, as the same presently exist or may hereafter be amended, but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than before such amendment, indemnify a director or officer (the "Indemnitee") who was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the Corporation, by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including attorneys' fees, judgements, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation or its shareholders, and with respect to a criminal action or proceeding, if the Indemnitee had no reasonable cause to believe his or her conduct was unlawful. The termination of an action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation or its shareholders, and with respect to a criminal action or proceeding, has reasonable cause to believe that his or her conduct was unlawful.

2.2 — Indemnification of Directors and Officers: Claims Brought By or In the Right of the Corporation. The Corporation shall, to the fullest extent authorized or permitted by the Act or other applicable law, as the same presently exist or may hereafter be amended, but, in the case of

any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than before such amendment, indemnify a director or officer (the "Indemnitee") who was or is a party to or is threatened to be made a party to a threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including actual and reasonable attorneys' fees, and amounts paid in settlement incurred by the Indemnitee in connection with the action or suit, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or its shareholders. However, indemnification shall not be made under this subsection 2.2 for claim, issue, or matter in which the Indemnitee has been found liable to the Corporation unless and only to the extent that the court in which the action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for the expenses which the court considers proper.

2.3 — Actions Brought by the Indemnitee. Notwithstanding the provisions of subsections 2.1 and 2.2 the Corporation shall not be required to indemnify an Indemnitee in connection with an action, suit, proceeding or claim (or part thereof) brought or made by such Indemnitee, unless such action, suit, proceeding or claim (or part thereof): (i) was authorized by the Board of Directors of the Corporation: or (ii) was brought or made to enforce this Section 2 and the Indemnitee has been successful in such action, suit, proceeding or claim (or part thereof).

2.4 — Approval of Indemnification. An indemnification under subsections 2.1 or 2.2 hereof, unless ordered by a court, shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because such Indemnitee has met the applicable standard of conduct set forth in subsections 2.1 or 2.2 as the case may be. This determination shall be made in any of the following ways:

(a) By a majority vote of a quorum of the Board consisting of directors who were not parties to the action, suit, or proceeding.

(b) If the quorum described in subdivision (a) is not obtainable, then by a majority vote of a committee of directors who are not parties to the action. The committee shall consist of not less than three (3) disinterested directors.

(c) By independent legal counsel in a written opinion.

(d) By the shareholders.

2.5 — Advancement of Expenses. Expenses incurred in defending a civil or criminal action, suit, or proceeding described in subsections 2.1 or 2.2 above shall be paid by the Corporation in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay the expenses if it is ultimately determined that the Indemnitee is not

entitled to be indemnified by the Corporation. The under taking shall be by unlimited general obligation of the person on whose behalf advances are made but need not be secured.

2.6 — Partial Indemnification. If an Indemnitee is entitled to indemnification under subsections 2.1 or 2.2 for a portion of expenses including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the Corporation shall indemnify the Indemnitee for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the Indemnitee is entitled to be indemnified.

2.7 — Indemnification of Employees and Agents. Any person who is not covered by the foregoing provisions of this Section 2 and who is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not, may be indemnified to the fullest extent authorized or permitted by the Act or other applicable law, as the same exist or may hereafter be amended, but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than before such amendment, but in any event only to the extent authorized at any time or from time to time by the Board of Directors.

2.8 — Other Rights of Indemnification. The indemnification or advancement of expenses provided under subsections 2.1 through 2.7 is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Articles of Incorporation or Bylaws, or an agreement. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses. The indemnification provided for in subsections 2.1 through 2.7 continues as to a person who ceases to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person.

2.9 — Definitions. "Other enterprise" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the Corporation" shall include any service as a director, officer, employee, or agent of the Corporation which imposes duties on, or involves services by, the director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the Corporation or its shareholders" as referred to in subsections 2.1 and 2.2.

2.10 — Liability Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against any liability asserted against and incurred by such person in any such capacity or arising out of such person's status as such, regardless of whether or not the Corporation would have the power to indemnify such person against such liability under the pertinent provisions of the Act.

2.11 — Enforcement. If a claim under this Section 2 is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which makes it permissible under the Act for the Corporation to indemnify the claimant for the amount claimed, but the burden of providing such defense shall be on the Corporation. Neither failure of the Corporation (including the Board of Directors, a committee thereof, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such claimant has met the applicable standard of conduct set forth in the Act nor an actual determination by the Corporation (including the Board of Directors, a committee thereof, independent legal counsel or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

2.12 — Contract with the Corporation. The right to indemnification conferred in this Section 2 shall be deemed to be a contract right between the Corporation and each director or officer who serves in any such capacity at any time while this Section 2 is in effect and any repeal or modification of this Section 2 shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

2.13 — Application to a Resulting or Surviving Corporation or Constituent Corporation. The definition for “corporation” found in Section 569 of the Act, as the same exists or may hereafter be amended is, and shall be, specifically excluded form application to this Section 2. The indemnification and other obligations set forth in this Section 2 of the Corporation shall be binding upon any resulting or surviving corporation after any merger of consolidation with the Corporation. Notwithstanding any thing to the contrary contained herein or in Section 569 of the Act, no person shall be entitled to the indemnification and other rights set forth in this Section 2 for acting as a director or officer of another corporation prior to such other corporation entering into a merger or consolidation with the Corporation.

2.14 — Severability. Each and every paragraph, sentence, term and provision of this Section 2 shall be considered severable in that, in the event that a court finds any paragraph, sentence, term or provision to be invalid or unenforceable, the validity and enforceability, operation, or effect of the remaining paragraphs, sentences, terms or provisions shall not be affected, and this Section 2 shall be construed in all respects as if such invalid or unenforceable matter had been omitted.

LA-Z-BOY INCORPORATED
DEFERRED STOCK UNIT PLAN FOR NON-EMPLOYEE DIRECTORS

La-Z-Boy Incorporated, a Michigan corporation (the "Company"), has adopted this Deferred Stock Unit Plan for Non-Employee Directors (the "Plan").

ARTICLE I
INTRODUCTION

1.1. *Purposes.* The purposes of the Plan are to enhance the Company's ability to attract and retain highly qualified non-employees to serve as directors of the Company and to strengthen the commonality of interest between the Company's directors and shareholders by providing directors compensation based on the value of the Company's common stock.

1.2. *Effective Date.* The Plan is effective as of August 1, 2008 (the "Effective Date").

ARTICLE II
DEFINITIONS

In this Plan, the following definitions apply:

2.1. "Account" means a bookkeeping account established for a Participant pursuant to Section 5.1.

2.2. "Award" means an award granted pursuant to this Plan.

2.3. "Beneficiary" shall mean a Participant's beneficiary, designated in writing and in a form and manner satisfactory to the Committee, or if a Participant fails to designate a beneficiary or the Participant's designated Beneficiary predeceases the Participant, the Participant's estate.

2.4. "Board" means the Board of Directors of the Company.

2.5. "Closing Price" means, with respect to any date specified by the Plan, the price at which the Common Stock last traded during normal trading hours on the New York Stock Exchange (or, if the Common Stock no longer trades on the New York Stock Exchange, then on a comparable exchange) on such date, or if there was no reported sale of Common Stock on such date, on the next preceding day on which there was such a reported sale. In the event the Common Stock permanently ceases trading on the New York Stock Exchange or comparable exchange, including by virtue of acquisition or merger into an acquiring corporation, then as of such event, "Closing Price" shall mean the price at which the Company's Common Stock last traded during normal trading hours prior to the day of such event.

2.6 "Committee" means the Compensation Committee of the Board.

2.7. "Common Stock" means common shares of stock of the Company.

2.8. “Non-Employee Director” means any member of the Board who is not also an employee of the Company or of an affiliate of the Company.

2.9. “Participant” means each Non-Employee Director who has accepted an award granted under the Plan, and, upon the death of any Non-Employee Director, such Non-Employee Director’s Beneficiary.

2.10. “Payment Commencement Date” means the first business day of the first month following the month in which a Participant ceases to be a Non-Employee Director and incurs a separation from service within the meaning of Internal Revenue Code section 409A, including as a result of such Participant’s death.

2.11. “Stock Unit” means a hypothetical share of the Company’s Common Stock as described in Section 5.2.

ARTICLE III
ADMINISTRATION

3.1. *In General.* The Plan shall be administered by the Committee, which shall have the discretionary authority to interpret the Plan and to decide any and all matters arising under the Plan, including, without limitation, the authority to determine eligibility for participation, benefits, and other rights under the Plan, the persons who shall receive Awards, the time when Awards shall be granted, the terms of such Awards, the number of Stock Units subject to such Awards, whether any election or notice requirement or other administrative procedure under the Plan has been adequately observed, the proper recipient of any distribution under the Plan; the authority to remedy possible ambiguities, inconsistencies, or omissions by general rule or particular decision; and the authority otherwise to interpret the Plan in accordance with its terms. The Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and interpretations and to take such action in connection with the Plan and any Award granted thereunder as it deems necessary or advisable. All determinations and interpretations made by the Committee shall be final, binding, and conclusive on all grantees and on their legal representatives and beneficiaries. The Committee may allocate its responsibilities under the Plan among its members and may delegate to officers or other employees of the Company any and all authority with which it is vested under the Plan. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards or administer the Plan, in which case the Board shall have all of the authority and responsibility granted to the Committee herein.

3.2. *Plan Amendment and Termination*. Subject to Section 7.8, the Committee may amend any grant made hereunder and may amend, suspend, or terminate the Plan at any time; provided that no amendment, suspension, or termination of the Plan shall, without a Participant’s consent, reduce the Participant’s benefits accrued under the Plan before the date of such amendment, suspension, or termination. If the Plan is terminated in accordance with this Section, the terms of the Plan as in effect immediately before termination shall determine the right to payment in respect of any amounts that remain credited to a Participant’s Account upon termination.

ARTICLE IV
ELIGIBILITY AND AWARDS

At any time on or after the Effective Date, the Committee may make an award hereunder to any Non-Employee Director in such amount and subject to such terms and conditions as the Committee in its discretion determines. In making Awards to Participants, the Company will credit to the Account of each Participant the number of Stock Units awarded to such Participant. On the date of grant of any award hereunder, each recipient's eligibility will be determined as of such date.

ARTICLE V
ACCOUNTS AND INVESTMENTS

5.1. *Accounts*. A separate Account under the Plan shall be established for each Participant. Such Account shall be credited with the number of Stock Units granted in accordance with this Article and shall be adjusted as necessary to comply with the terms of this Plan (including, but not limited to, adjustments for Stock Units as provided in Section 5.2, below). Within each Participant's Account, separate subaccounts shall be maintained to the extent the Committee determines them to be necessary or useful in the administration of the Plan. The payment amount ultimately made to a Participant will be determined at the time of distribution as provided herein and the actual cash payment may be greater or less than the cash equivalent value of the Stock Units at the time of grant, depending on the trading price of Common Stock.

5.2. *Hypothetical Nature of Accounts and Investments.* Each Account established under this Plan shall be maintained for bookkeeping purposes only. Neither the Plan nor any of the Accounts established under the Plan will hold any actual funds or assets. The Stock Units established hereunder shall be used solely to determine the amounts to be paid hereunder in cash, shall not be or represent an equity security of the Company, shall not be convertible into or otherwise entitle a Participant to acquire an equity security of the Company and shall not carry any voting or dividend rights.

5.3. *Stock Units.* Simulated Investment in Common Stock. Except as otherwise provided herein, a Participant's Account shall consist of Stock Units each of which shall be equivalent in value to the fair market value of one share of Common Stock in accordance with the following rules:

(1) Conversion into Stock Units. The Committee may grant awards denominated either as Stock Units or as cash. If such awards granted are denominated in cash, the amount awarded shall be converted as of the grant date, for purposes of Participants' Accounts, into Stock Units by dividing the amount of cash awarded by the Closing Price on the date of grant. No fractional Stock Units will be credited hereunder to an Account, and any fractional Stock Unit that otherwise would be credited shall be rounded up to the nearest whole number.

(2) Conversion Out of Stock Units. When any payment is made hereunder, the dollar value of the Stock Units credited to a Participant's Account on such date that are being converted into cash shall be determined by multiplying the number of affected Stock Units by the Closing Price on the immediately preceding trading date, and the Account subsequently reduced by the number of Stock Units paid out.

(3) Effect of Recapitalization or Other Corporate Event. In the event of a transaction or event described in this subparagraph (3), the number of Stock Units credited to a Participant's Account shall be adjusted in such manner as the Committee, in its sole discretion, deems equitable. A transaction or event is described in this subparagraph (3) if (i) it is a dividend (other than regular quarterly dividends) or other distribution (whether in the form of cash, shares, other securities, or other property), extraordinary cash dividend, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, repurchase, or exchange of shares or other securities, the issuance or exercisability of stock purchase rights, the issuance of warrants or other rights to purchase shares or other securities, or other similar corporate transaction or event and (ii) the Committee determines that such transaction or event affects the shares of Common Stock, such that an adjustment pursuant to this subparagraph (3) is appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. If the Common Stock ceases to be traded publicly, the value of Participants' Accounts will be fixed in a manner the Committee deems appropriate and payments based on such value thereafter made as set forth in Sections 6.2 and 6.3 below.

5.4. *Dividend Equivalents.* Participants' Accounts will not be adjusted as a result of any quarterly dividends paid on Common Stock. When, however, the Company pays any quarterly dividends to holders of Common Stock, the Company may, in its discretion, make cash payments to each Participant equal to the cash dividends that would otherwise be paid if the Stock Units then in such Participant's Account were shares of Common Stock instead of Stock Units; provided, however, that nothing in this Section 5.4 shall be construed to change any provision or meaning of Section 5.2. A Participant must be a Participant in this Plan and must be currently serving as a Non-Employee Director on the dividend declaration date and record date associated with a particular Common Stock dividend, as well as the payment date (as provided herein) in order to receive a dividend equivalent payment pursuant to this Section 5.4. No Participant shall have any rights to any payment referred to in this Section 5.4 until the Company's payment of the dividend equivalent amount, which shall be made within 74 days of the respective dividend declaration date. This Section 5.4 shall be considered a documentary arrangement separate from the payments governed by Article VI, and each such payment shall be considered separate from the others, to the extent necessary to qualify for exemption from Section 409A of the Internal Revenue Code, with the remaining provisions of this document applicable to the extent necessary for its administration.

5.5. *Reports to Participants.* At least once annually, the Committee shall furnish a statement to each Participant reporting the value of the Participant's Account.

ARTICLE VI
PAYMENTS

6.1. *Entitlement to Payment.* The Company will make payments pursuant to the Plan to a Participant following such Participant's ceasing to be a Non-Employee Director, including as a result of such Participant's death. The right of any person to receive one or more payments under the Plan shall be an unsecured claim against the general assets of the Company. All payments hereunder to Participants shall be in cash.

6.2. *Payment Commencement Date.* Payments to a Participant with respect to the Participant's Account shall begin as of the Participant's Payment Commencement Date.

6.3. *Form and Amount of Payment.*

(a) Ten Annual Installments. A Participant shall receive benefits in ten annual installments unless the Participant elects to receive benefits under the Plan in the form of a lump-sum payment or in fewer than ten annual installments in accordance with subsection (b) below. Annual installments shall be payable to the Participant in cash beginning on the Payment Commencement Date and continuing on each annual anniversary date thereafter until all installments have been paid. The first annual installment shall equal one-tenth (1/10th) of the value of the Stock Units credited to the Participant's Account, determined as of the day immediately preceding the Payment Commencement Date. Each successive annual installment shall equal the value of the Stock Units credited to the Participant's Account, determined as of the day immediately preceding the applicable annual anniversary date of the Payment Commencement Date, multiplied by a fraction, the numerator of which is one, and the denominator of which is the excess of ten over the number of installment payments previously made (i.e., 1/9th, 1/8th, etc.). If the Participant dies before receiving all payments provided for herein, the full value of the Participant's remaining Account shall be paid to the Participant's Beneficiary in accordance with the schedule in this subsection (a) or the schedule the Participant elected pursuant to subsection (b) below, whichever is applicable.

(b) Lump Sum or Fewer Than 10 Annual Installments. A Participant may, prior to the date on which the Company first makes an Award to that Participant pursuant to this Plan, elect to receive all benefits under the Plan in the form of a lump-sum payment or in two to nine annual installments in lieu of the ten installment payments determined under subsection (a), above. The lump sum shall be payable to the Participant in cash as of the Payment Commencement Date and shall equal the value of the Stock Units credited to the Participant's Account, determined as of the day immediately preceding the Payment Commencement Date. Installments shall be paid in the manner set forth in subsection (a) above, except that for purposes of determining the amount of the first annual installment, the denominator of the fraction shall equal the number of scheduled annual installments. An election under this subsection (b) may be made only as to a Participant's entire Account, shall be irrevocable and made in writing in a form and manner satisfactory to the Committee, and shall be effective only for future service periods and only if made prior to the first Award made pursuant to this Plan by the Company to the Participant.

ARTICLE VII
MISCELLANEOUS

7.1. *Rights Not Assignable.* No payment due under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge in any other way. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge such payment in any other way shall be void. No such payment or interest therein shall be liable for or subject to the debts, contracts, liabilities, or torts of any Participant. If any Participant becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge in any other way any payment under the Plan, the Committee may direct that such payment be suspended and that all future payments to which such Participant otherwise would be entitled be held and applied for the benefit of such person, the person's children or other dependents, or any of them, in such manner and in such proportions as the Committee may deem proper.

7.2. *Certain Rights Reserved.* Nothing in the Plan shall confer upon any person the right to continue to serve as a member of the Board or to participate in the Plan other than in accordance with its terms.

7.3. *Withholding Taxes.* The Committee may make any appropriate arrangements to deduct from all credits and payments under the Plan any taxes that the Committee reasonably determines to be required by law to be withheld from such credits or payments.

7.4. *Incapacity.* If the Committee determines, upon evidence satisfactory to the Committee, that any Participant to whom a benefit is payable under the Plan is unable to care for such Participant's affairs because of illness or accident or otherwise, any payment due under the Plan (unless prior claim therefor shall have been made by a duly authorized guardian or other legal representative) may be paid, in the Committee's sole discretion and upon appropriate indemnification of the Committee and the Company, to the spouse of the Participant or other person deemed by the Committee to have incurred substantial expense in providing for the care of such Participant. Any such payment shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

7.5. *Obligation to Provide Contact Information.* Each Participant entitled to receive a payment under the Plan shall keep the Committee advised of such Participant's current address and contact information.

7.6. *Forfeitures.* Notwithstanding any other provision contained herein, the Committee shall have the right to cancel any Award and adjust any Account such that a Participant receives, as a result of such Participant's Account, a smaller payment than previously contemplated or no payment at all, if the Committee determines, in its sole discretion, that such Participant, while a Non-Employee Director, engaged in any activity in competition with the Company or activity inimical, contrary, or harmful to the interests of the Company, irrespective of whether, at the time the Committee makes such determination, such Participant is then currently a Non-Employee Director or has already begun receiving payments pursuant to this Plan.

7.7. *Successors.* The provisions of the Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term "successors" as used in the preceding sentence shall include any corporation or other business entity that by merger, consolidation, purchase, or otherwise acquires all or substantially all of the business, stock, or assets of the Company, and any successors and assigns of any such corporation or other business entity.

7.8. *Compliance with Laws.* Notwithstanding anything in this Plan to the contrary, the Committee, in its discretion, may amend the Plan or any Award to cause the Plan and such Award to remain beyond the scope of the types of compensatory arrangements that are subject to the requirements of Section 409A of the Code or to otherwise comply with the requirements of Section 409A. If any amendment to the Plan or any provision of an Award would cause the Participant to be subject to a tax penalty under Section 409A of the Code, such amendment or provision shall be deemed modified in such manner as to render the Plan or Award exempt from, or compliant with, the requirements of Section 409A and to effectuate as nearly as possible the original intention of the Company.

7.9. *Titles.* Titles of Sections in this Plan are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

7.10. *Separability of Provisions.* If any provision of the Plan is held to be invalid or unenforceable, the other provisions of the Plan shall not be affected but shall be applied as if the invalid or unenforceable provision had not been included in the Plan.

7.11. *Governing Law.* Except to the extent governed by federal law, the Plan and any agreements hereunder shall be administered, interpreted, and enforced under the internal laws of the State of Michigan without regard to conflicts of laws thereof.

The foregoing Plan was duly adopted by the Board of Directors of La-Z-Boy Incorporated on August 20, 2008.

Executed on this 29th day of August, 2008.

Kurt L. Darrow
President and Chief Executive Officer

Exhibit 31.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)

I, Kurt L. Darrow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of La-Z-Boy Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 18, 2008

/s/ Kurt L. Darrow
Kurt L. Darrow
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)

I, Louis M. Riccio, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of La-Z-Boy Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2008

/s/ Louis M. Riccio, Jr.
Louis M. Riccio, Jr.
Chief Financial Officer

CERTIFICATION OF EXECUTIVE OFFICERS*

Pursuant to 18 U.S.C. section 1350, each of the undersigned officers of La-Z-Boy Incorporated (the "Company") hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the period ended October 25, 2008 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kurt L. Darrow
Kurt L. Darrow
President and Chief Executive Officer
November 18, 2008

/s/ Louis M. Riccio, Jr.
Louis M. Riccio, Jr.
Senior Vice President and Chief Financial Officer
November 18, 2008

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 99.1

NEWS RELEASE

Contact: Kathy Liebmann (734) 241-2438 kathy.liebmann@la-z-boy.com

LA-Z-BOY REPORTS FISCAL 2009 SECOND-QUARTER RESULTS
Results impacted by non-cash tax charge of $38.2 million, or $0.74 per share

MONROE, MI. November 18, 2008—La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal second quarter ended October 25, 2008.

HIGHLIGHTS:

- Net sales for the quarter were $331.9 million, down 9.2% compared with the prior-year period resulting from increasingly difficult macroeconomic conditions which further weakened consumer demand for furniture;
- The company reported a net loss of $53.7 million, or a loss of $1.04 per share, which included a non-cash $0.74 per-share charge for a valuation allowance against the company's deferred tax assets and a $0.04 per-share restructuring charge, primarily related to the closure of the company's Tremonton, Utah and United Kingdom operations;
- For the prior-year second quarter, the company posted a net loss of $9.9 million, or $0.19 per share, which included a $0.11 per-share charge for a write-down of goodwill related to the company's stores in southeastern Florida, a $0.12 per-share charge from discontinued operations, a large portion of which was attributable to intangible assets and liquidating inventory of businesses held for sale, and a $0.01 restructuring charge;

Kurt L. Darrow, La-Z-Boy's President and Chief Executive Officer, said: "Over the course of the quarter, we experienced a progressive decline in sales trends, particularly in October, as sales deteriorated in conjunction with the turmoil in the global financial and credit markets. The economic landscape, coupled with the already weak housing market and historically low consumer confidence levels, required us to take aggressive action to realign our operating structure with the current rate of orders. In this challenging environment, we are focused on improving our profitability and, earlier this month, we announced the following initiatives:

- An immediate reduction in our headcount by about 10%, or approximately 850 employees, across all levels of the company, which will result in an annual savings of $16 to $20 million;

- Due to the overall tightening of the financial markets, and our decision to withdraw credit support to certain independent dealers, we anticipate the closure of 15 to 20, primarily dealer owned, La-Z-Boy Furniture Galleries® stores over the next 90 to 120 days;
- A significant reduction of our planned fiscal 2009 capital expenditures from about $27 million to approximately $18 million to $20 million; and
- An aggressive reduction of our overall operating expenses and inventories to be in alignment with today's volumes.

Over the past several years, we have instituted significant cost-cutting measures while investing in our company to strengthen our operations. We expect these measures, when combined with other initiatives, including the Mexican cut-and-sew center, our new marketing campaign, with expanded national television advertising, as well as a large network of proprietary stores, will assist in positioning us to emerge from this difficult period."

Upholstery

For the fiscal 2009 second quarter, sales in the company's upholstery segment decreased 8.1% to $248 million compared with $270 million in the prior year's second quarter. The segment's operating margin declined to 3.3% from 7.1% in last year's second quarter. Darrow stated, "Although our La-Z-Boy branded facilities are operating with a more efficient cellular manufacturing process, our margin was impacted by decreased volumes, rising raw material costs and an increase in advertising and bad debt expenses."

Darrow continued, "While we have reduced our capital expenditure plans for the fiscal year, we are committed to moving ahead with projects that are paramount to improving our profitability. Our Mexican cut-and-sew operation is one such project and we are pleased that it is on schedule to come on line in January 2009. With the plant's proximity to the U.S., combined with its lower cost structure, our overall operating costs will be reduced while we supply custom-order cut-and-sewn kits to our domestic facilities. Currently, however, as we are developing the Mexican operation, we are incurring associated costs which impacted our results for the quarter."

Darrow added, "As part of our moves to strengthen the company, we announced that 15 to 20 La-Z-Boy Furniture Galleries® stores would close, the majority of which are dealer-owned. While we regret having to make these moves, they are necessary in light of the tight credit environment. A portion of the expense taken for bad debts this quarter is related to these stores and, while closing them will impact our volumes going forward, we believe it prudent to allocate resources to more productive stores within the system in an effort to contain future bad debt charges."

For the fiscal 2009 second quarter, the La-Z-Boy Furniture Galleries® store system, which includes both company-owned and independent-licensed stores, opened one new store, relocated and/or remodeled one and closed four, bringing the total store count to 330, of which 219 are in the New Generation format. For the remainder of fiscal 2009, the network plans to open 10 New Generation format La-Z-Boy Furniture Galleries® stores (two new stores and eight will be either remodels or relocations) and, with the withdrawal of credit, it anticipates closing 15 to 20.

System-wide, for the third calendar quarter of 2008, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were down 4.7%. Total written sales, which include new stores, were down 4.6%. Additionally, same-store written sales for October were down over 17%, reflecting the magnitude of the change to the overall macroeconomic environment.

Casegoods

For the 2009 second quarter, casegoods sales were $48.5 million, down 17.7% from $58.9 million in the prior year's second quarter. The segment's operating margin decreased to 1.6% from 6.1% in last year's fiscal second quarter. Darrow commented, "With the precipitous decline in our casegoods volume, due principally to the higher-ticket nature of wood furniture groups and our belief the consumer is postponing such purchases, we were unable to maintain our operating margin. Additionally, with our ability to ship product within a 14-day period, our customers are reluctant to take an inventory position in this environment. Further impacting our profitability for the quarter was the fact that our plants worked at less than 50% of their capacity due to the significant decline in volumes."

Retail

For the quarter, retail sales were $39.5 million, down 14.5% compared with the prior-year period. The retail group posted an operating loss for the quarter, and its operating margin was (26.3%). Darrow stated, "Overall macroeconomic difficulties and record-low consumer confidence levels are impacting the consumer's desire to make discretionary purchases and this negative consumer environment was magnified in our company-owned retail segment, particularly with the higher operating costs associated with the business. In October, we named Mark Bacon as Chief Retail Officer and, in his short time with the company, he has already identified areas for improvement and is making organizational and process changes to the business. Mark brings with him a wealth of retail experience and expertise from his prior associations with Pep Boys and Staples. We are confident he will be able to make a meaningful contribution to our company by improving the performance of the company-owned retail segment even in a challenging sales environment."

During the second quarter, the company's retail segment opened one new store and relocated one company-owned store. The company did not close any company-owned stores during the quarter. At the end of the second quarter, the company owned 70 stores, including 58 in the New Generation format. For the third quarter of fiscal 2009, the company-owned segment will not open or relocate/remodel any stores, but will close two locations.

Income Tax

As a result of losses sustained during the quarter, the impact of the restructuring actions taken over the past three years, the significant decline in current and projected demand for consumer furniture purchases and resulting uncertainty in the economic climate, the company reassessed the likelihood that it would be able to realize the benefit of its deferred tax assets. Due to these economic conditions, it concluded that a valuation allowance of $38.2 million should be recorded against the deferred tax assets, or $0.74 per share.

Balance Sheet

The company's debt-to-capitalization ratio was 23.5% at the end of the second quarter compared with 24.9% a year ago. Sequentially, the debt-to-capitalization ratio increased from the last quarter as a result of the change in shareholders' equity, driven primarily by the deferred tax valuation allowance. Due to the seasonality of the furniture business, the company's accounts receivables increased $16.5 million to $196.8 million during the quarter, which were funded in part by the increase in our total debt versus last quarter. Additionally, in light of the uncertainty of the business environment, the company made the decision to reduce its quarterly dividend to shareholders from $0.04 per share to $0.02 per share. The dividend is payable on December 10, 2008, to shareholders of record on November 27, 2008.

Business Outlook

Commenting on the company's business outlook, Darrow said: "The instability that continues to define the overall macroeconomic environment points to the likelihood of a protracted recession. We are particularly concerned with the inconsistency and lack of visibility of our incoming order rates coupled with the consumer confidence index falling to its lowest level on record. With that as a backdrop, the company deemed it prudent to suspend yearly guidance at this time. We will continue to run our business to improve profitability in this uncertain economic environment."

Forward-looking Information

Any forward-looking statements contained in this news release are based on current information and assumptions and represent management's best judgment at the present time. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: (a) changes in consumer confidence; (b) changes in demographics; (c) further changes in the housing market; (d) the impact of terrorism or war; (e) continued energy price changes; (f) the impact of logistics on imports; (g) the impact of interest rate changes; (h) changes in currency exchange rates; (i) competitive factors; (j) operating factors, such as supply, labor or distribution disruptions including changes in operating conditions or costs; (k) effects of restructuring actions; (l) changes in the domestic or international regulatory environment; (m) ability to implement global sourcing organization strategies; (n) fair value changes to our intangible assets due to actual results differing from projected; (o) the impact of adopting new accounting principles; (p) the impact from natural events such as hurricanes, earthquakes and tornadoes; (q) the ability to procure fabric rolls and leather hides or cut and sewn fabric sets domestically or abroad; (r) continued decline in the credit market and potential impacts on our customers; (s) those matters discussed in Item 1A of our fiscal 2008 Annual Report and factors relating to acquisitions and other factors identified from time to time in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, either to reflect new developments or for any other reason.

Additional Information

This news release is just one part of La-Z-Boy's financial disclosures and should be read in conjunction with other information filed with the Securities and Exchange Commission, which is available at http://www.la-z-boy.com/about/investorRelations/sec_filings.aspx. Investors and others wishing to be notified of future La-Z-Boy news releases, SEC filings and quarterly investor conference calls may sign up at:

http://www.la-z-boy.com/about/investorRelations/IR_email_alerts.aspx.

Background Information

La-Z-Boy Incorporated is one of the world's leading residential furniture producers, marketing furniture for every room of the home. The La-Z-Boy Upholstery Group companies are Bauhaus, England and La-Z-Boy. The La-Z-Boy Casegoods Group companies are American Drew/Lea, Hammary and Kincaid.

The corporation's proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 330 stand-alone La-Z-Boy Furniture Galleries® stores and 434 Comfort Studios, in addition to in-store gallery programs at the company's Kincaid, England and Lea operating units. According to industry trade publication *In Furniture*, the La-Z-Boy Furniture Galleries retail network is North America's largest single-brand furniture retailer. Additional information is available at http://www.la-z-boy.com/.

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LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, amounts in thousands, except per share data)	Second Quarter Ended 10/25/08	Second Quarter Ended 10/27/07
Sales	$ 331,948	$ 365,434
Cost of sales		
Cost of goods sold	242,681	266,658
Restructuring	2,236	518
Total cost of sales	244,917	267,176
Gross profit	87,031	98,258
Selling, general and administrative	101,942	98,098
Write-down of intangibles	408	5,809
Restructuring	687	449
Operating loss	(16,006)	(6,098)
Interest expense	1,651	2,120
Interest income	630	1,543
Other expense, net	685	169
Loss from continuing operations before income taxes	(17,712)	(6,844)
Income tax expense/(benefit)	36,032	(3,192)
Loss from continuing operations	(53,744)	(3,652)
Loss from discontinued operations (net of tax)	—	(6,282)
Net loss	$ (53,744)	$ (9,934)
Basic average shares	51,458	51,410
Basic loss from continuing operations per share	$ (1.04)	$ (0.07)
Discontinued operations per share (net of tax)	—	(0.12)
Basic net loss per share	$ (1.04)	$ (0.19)
Diluted average shares	51,458	51,410
Diluted loss from continuing operations per share	$ (1.04)	$ (0.07)
Discontinued operations per share (net of tax)	—	(0.12)
Diluted net loss per share	$ (1.04)	$ (0.19)
Dividends paid per share	$ 0.04	$ 0.12

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, amounts in thousands, except per share data)	Six Months Ended	
	10/25/08	10/27/07
Sales	$ 653,600	$ 709,830
Cost of sales		
Cost of goods sold	477,795	525,801
Restructuring	8,032	3,079
Total cost of sales	485,827	528,880
Gross profit	167,773	180,950
Selling, general and administrative	193,781	192,606
Write-down of intangibles	1,700	5,809
Restructuring	1,467	1,569
Operating loss	(29,175)	(19,034)
Interest expense	3,146	4,217
Interest income	1,562	2,936
Other expense, net	541	114
Loss from continuing operations before income taxes	(31,300)	(20,429)
Income tax expense/(benefit)	30,988	(8,235)
Loss from continuing operations	(62,288)	(12,194)
Loss from discontinued operations (net of tax)	—	(6,434)
Net loss	$ (62,288)	$ (18,628)
Basic average shares	51,443	51,395
Basic loss from continuing operations per share	$ (1.21)	$ (0.24)
Discontinued operations per share (net of tax)	—	(0.12)
Basic net loss per share	$ (1.21)	$ (0.36)
Diluted average shares	51,443	51,395
Diluted loss from continuing operations per share	$ (1.21)	$ (0.24)
Discontinued operations per share (net of tax)	—	(0.12)
Diluted net loss per share	$ (1.21)	$ (0.36)
Dividends paid per share	$ 0.08	$ 0.24

LA-Z-BOY INCORPORATED
CONSOLIDATED BALANCE SHEET

(Unaudited, amounts in thousands)	**10/25/08**	**4/26/08**
Current assets		
Cash and equivalents	$ 14,485	$ 14,982
Receivables, net	196,804	200,422
Inventories, net	167,113	178,361
Deferred income taxes—current	2,077	12,398
Other current assets	28,045	21,325
Total current assets	408,524	427,488
Property, plant and equipment, net	164,244	171,001
Deferred income taxes—long term	810	26,922
Goodwill	45,533	47,233
Trade names	9,006	9,006
Other long-term assets, net	74,845	87,220
Total assets	$ 702,962	$ 768,870
Current liabilities		
Short-term borrowings	$ 7,000	$ —
Current portion of long-term debt	10,164	4,792
Accounts payable	58,348	56,421
Accrued expenses and other current liabilities	88,964	102,700
Total current liabilities	164,476	163,913
Long-term debt	99,819	99,578
Deferred income taxes—long term	6,406	—
Other long-term liabilities	51,462	54,783
Contingencies and commitments	—	—
Shareholders' equity		
Common shares, $1 par value	51,469	51,428
Capital in excess of par value	203,489	209,388
Retained earnings	131,371	190,215
Accumulated other comprehensive loss	(5,530)	(435)
Total shareholders' equity	380,799	450,596
Total liabilities and shareholders' equity	$ 702,962	$ 768,870

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, amounts in thousands)	Second Quarter Ended		Six Months Ended	
	10/25/08	10/27/07	10/25/08	10/27/07
Cash flows from operating activities				
Net loss	$ (53,744)	$ (9,934)	$ (62,288)	$ (18,628)
Adjustments to reconcile net loss to cash provided by (used for) operating activities (Gain)/loss on sale of assets	(604)	(36)	(2,670)	16
Loss on the sale of discontinued operations (net of tax)	—	3,990	—	3,990
Write-down of businesses held for sale (net of tax)	—	2,159	—	2,159
Write-down of intangibles	408	5,809	1,700	5,809
Restructuring	2,923	967	9,499	4,648
Provision for doubtful accounts	4,797	1,505	9,000	3,619
Depreciation and amortization	5,989	6,093	11,943	12,313
Stock-based compensation expense	986	1,001	1,855	1,862
Change in receivables	(22,261)	(13,409)	(8,091)	9,188
Change in inventories	(63)	15,323	10,843	9,252
Change in payables	8,375	1,205	1,927	(14,268)
Change in other assets and liabilities	(2,893)	4,484	(26,525)	(18,814)
Change in deferred taxes	41,677	(4,671)	42,838	(6,146)
Total adjustments	39,334	24,420	52,319	13,628
Net cash provided by (used for) operating activities	(14,410)	14,486	(9,969)	(5,000)
Cash flows from investing activities				
Proceeds from disposals of assets	2,805	867	7,786	7,282
Proceeds from sale of discontinued operations	—	4,019	—	4,019
Capital expenditures	(2,618)	(5,970)	(9,990)	(15,599)
Purchases of investments	(3,516)	(6,648)	(8,965)	(13,270)
Proceeds from sales of investments	5,233	7,801	11,027	14,593
Change in other long-term assets	158	365	229	385
Net cash provided by (used for) investing activities	2,062	434	87	(2,590)
Cash flows from financing activities				
Proceeds from debt	24,831	112	39,466	817
Payments on debt	(6,430)	(338)	(25,287)	(1,238)
Stock issued/canceled for stock and employee benefit plans	2	(94)	—	(116)
Dividends paid	(2,076)	(6,232)	(4,151)	(12,441)
Net cash provided by (used for) financing activities	16,327	(6,552)	10,028	(12,978)
Effect of exchange rate changes on cash and equivalents	(604)	538	(643)	1,539
Change in cash and equivalents	3,375	8,906	(497)	(19,029)
Cash and equivalents at beginning of period	11,110	23,786	14,982	51,721
Cash and equivalents at end of period	$ 14,485	$ 32,692	$ 14,485	$ 32,692
Cash paid (net of refunds) during period — income taxes	$ (719)	$ 758	$ 204	$ 3,893
Cash paid during period — interest	$ 1,287	$ 1,495	$ 2,413	$ 3,405

LA-Z-BOY INCORPORATED
SEGMENT INFORMATION

(Unaudited, amounts in thousands)	Second Quarter Ended 10/25/08 (13 weeks)	Second Quarter Ended 10/27/07 (13 weeks)	Six Months Ended 10/25/08 (26 weeks)	Six Months Ended 10/27/07 (26 weeks)
Sales				
Upholstery Group	$ 247,934	$ 269,749	$ 485,052	$ 524,506
Casegoods Group	48,473	58,892	96,594	112,466
Retail Group	39,484	46,163	81,911	91,394
VIEs/Eliminations	(3,943)	(9,370)	(9,957)	(18,536)
Consolidated	$ 331,948	$ 365,434	$ 653,600	$ 709,830
Operating income (loss)				
Upholstery Group	$ 8,118	$ 19,036	$ 17,975	$ 27,903
Casegoods Group	755	3,577	2,132	6,177
Retail Group	(10,391)	(9,119)	(20,401)	(19,193)
Corporate and Other*	(11,157)	(12,816)	(17,682)	(23,464)
Intangible write-down	(408)	(5,809)	(1,700)	(5,809)
Restructuring	(2,923)	(967)	(9,499)	(4,648)
	$ (16,006)	$ (6,098)	$ (29,175)	$ (19,034)

* *Variable Interest Entities ("VIEs") are included in corporate and other.*