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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

*For the quarterly period ended **June 28, 2008***

*or*

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

*for the transition period from \_\_\_\_\_ to \_\_\_\_\_.*

Commission file number: 0-14938

**STANLEY FURNITURE COMPANY, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**54-1272589**

(I.R.S. Employer Identification No.)

**1641 Fairystone Park Highway, Stanleytown, Virginia 24168**

(Address of principal executive offices, Zip Code)

**(276) 627- 2000**

(Registrant's telephone number, including area code)

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 (x) 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 "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one);

Large accelerated filer ( )

Accelerated filer (x)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ( ) No (x)

As of **July 11, 2008, 10,332,179** shares of common stock of Stanley Furniture Company, Inc., par value \$.02 per share were outstanding.

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PART I. FINANCIAL INFORMATION

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**

**STANLEY FURNITURE COMPANY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	<u>June 28, 2008</u>	<u>December 31, 2007</u>
<b>ASSETS</b>		
Current assets:		
Cash.....	\$ 33,894	\$ 31,648
Accounts receivable, less allowances of \$1,915 and \$1,482....	25,917	25,393
Inventories:		
Finished goods .....	39,929	46,250
Work-in-process.....	4,534	4,432
Raw materials.....	<u>6,653</u>	<u>7,404</u>
Total inventories.....	51,116	58,086
Prepaid expenses and other current assets .....	1,380	1,767
Deferred income taxes .....	<u>3,426</u>	<u>3,381</u>
Total current assets .....	<u>115,733</u>	120,275
Property, plant and equipment, net .....	41,637	43,898
Goodwill.....	9,072	9,072
Other assets .....	<u>1,520</u>	486
Total assets.....	<u>\$167,962</u>	<u>\$173,731</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current maturities of long-term debt.....	\$ 1,429	\$ 1,428
Accounts payable .....	12,431	16,106
Accrued salaries, wages and benefits.....	9,687	7,108
Other accrued expenses.....	<u>2,419</u>	<u>3,781</u>
Total current liabilities.....	25,966	28,423
Long-term debt, exclusive of current maturities .....	27,857	29,286
Deferred income taxes .....	3,646	4,824
Other long-term liabilities.....	<u>8,283</u>	<u>8,347</u>
Total liabilities.....	<u>65,752</u>	<u>70,880</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.02 par value, 25,000,000 shares authorized and 10,332,179 shares issued and outstanding.....	207	207
Capital in excess of par value.....	959	591
Retained earnings.....	101,913	102,999
Accumulated other comprehensive loss.....	<u>(869)</u>	<u>(946)</u>
Total stockholders' equity .....	<u>102,210</u>	<u>102,851</u>
Total liabilities and stockholders' equity .....	<u>\$167,962</u>	<u>\$173,731</u>

The accompanying notes are an integral part of the consolidated financial statements.

**STANLEY FURNITURE COMPANY, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	<u>June 28, 2008</u>	June 30, 2007	<u>June 28, 2008</u>	June 30, 2007
Net sales.....	<b>\$59,148</b>	\$67,722	<b>\$121,682</b>	\$142,830
Cost of sales.....	<b><u>49,187</u></b>	<u>54,082</u>	<b><u>100,901</u></b>	<u>115,696</u>
Gross profit.....	<b>9,961</b>	13,640	<b>20,781</b>	27,134
Selling, general and administrative expenses.....	<b>8,982</b>	10,093	<b>17,752</b>	20,508
Pension plan termination charge .....		<u>6,605</u>		<u>6,605</u>
Operating income (loss).....	<b><u>979</u></b>	(3,058)	<b><u>3,029</u></b>	21
Other income, net.....	<b>165</b>	176	<b>237</b>	108
Interest income.....	<b>153</b>	159	<b>357</b>	186
Interest expense.....	<b><u>930</u></b>	<u>827</u>	<b><u>1,849</u></b>	<u>1,344</u>
Income (loss) before income taxes.....	<b>367</b>	(3,550)	<b>1,774</b>	(1,029)
Income tax expense (benefit).....	<b><u>435</u></b>	<u>(1,174)</u>	<b><u>794</u></b>	<u>(329)</u>
Net income (loss).....	<b><u>\$ (68)</u></b>	<u>\$(2,376)</u>	<b><u>\$ 980</u></b>	<u>\$ (700)</u>
Earnings per share:				
Basic.....	<b><u>\$ (.01)</u></b>	<u>\$ (.23)</u>	<b><u>\$ .09</u></b>	<u>\$ (.07)</u>
Diluted.....	<b><u>\$ (.01)</u></b>	<u>\$ (.23)</u>	<b><u>\$ .09</u></b>	<u>\$ (.07)</u>
Weighted average shares outstanding:				
Basic.....	<b><u>10,332</u></b>	<u>10,483</u>	<b><u>10,332</u></b>	<u>10,626</u>
Diluted.....	<b><u>10,332</u></b>	<u>10,483</u>	<b><u>10,334</u></b>	<u>10,626</u>
Cash dividend declared and paid per common share.....	<b><u>\$ .10</u></b>	<u>\$ .10</u>	<b><u>\$ .20</u></b>	<u>\$ .20</u>

The accompanying notes are an integral part of the consolidated financial statements.

**STANLEY FURNITURE COMPANY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(in thousands)

	Six Months Ended	
	June 28, 2008	June 30, 2007
<b>Cash flows from operating activities:</b>		
Cash received from customers.....	\$121,163	\$143,963
Cash paid to suppliers and employees .....	(110,287)	(136,616)
Interest paid, net.....	(2,291)	(1,618)
Income taxes paid, net .....	(3,810)	(3,162)
Net cash provided by operating activities .....	<u>4,775</u>	<u>2,567</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures.....	(584)	(1,947)
Purchase of other assets.....	(8)	(8)
Net cash used by investing activities.....	<u>(584)</u>	<u>(1,955)</u>
<b>Cash flows from financing activities:</b>		
Issuance of senior notes.....		25,000
Repayment of senior notes.....	(1,429)	(1,428)
Purchase and retirement of common stock.....		(11,308)
Proceeds from insurance policy loans.....	1,550	1,386
Dividends paid .....	(2,066)	(2,131)
Proceeds from exercised stock options.....		112
Tax benefit from exercise of stock options .....		30
Net cash provided (used) by financing activities .....	<u>(1,945)</u>	<u>11,661</u>
Net increase in cash .....	2,246	12,273
Cash at beginning of period.....	31,648	6,269
<b>Cash at end of period .....</b>	<b><u>\$ 33,894</u></b>	<b><u>\$ 18,542</u></b>
<b>Reconciliation of net income to net cash provided by operating activities:</b>		
Net income (loss).....	\$ 980	\$ (700)
Depreciation and amortization.....	2,869	3,025
Pension termination.....		5,002
Deferred income taxes.....	(1,223)	(2,303)
Tax benefit from exercise of stock options .....		(30)
Stock-based compensation .....	368	378
Other, net.....		194
Changes in assets and liabilities:		
Accounts receivable.....	(524)	1,236
Inventories .....	6,970	(3,509)
Prepaid expenses and other current assets .....	(1,437)	(429)
Accounts payable .....	(3,675)	572
Accrued salaries, wages and benefits .....	2,705	(1,033)
Other accrued expenses.....	(1,394)	508
Other assets.....	(784)	(707)
Other long-term liabilities .....	(80)	363
Net cash provided by operating activities.....	<u>\$ 4,775</u>	<u>\$ 2,567</u>

The accompanying notes are an integral part of the consolidated financial statements.

**STANLEY FURNITURE COMPANY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands, except per share data)

**1. Preparation of Interim Unaudited Consolidated Financial Statements**

The consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). In our opinion, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with generally accepted accounting principles have been either condensed or omitted pursuant to SEC rules and regulations. However, we believe that the disclosures made are adequate for a fair presentation of results of operations and financial position. Operating results for the interim periods reported herein may not be indicative of the results expected for the year. We suggest that these consolidated financial statements be read in conjunction with the consolidated financial statements and accompanying notes included in our latest Annual Report on Form 10-K.

**2. Property, Plant and Equipment**

	<u>June 28,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Land and buildings .....	\$ 41,874	\$ 41,874
Machinery and equipment .....	80,875	80,589
Office furniture and equipment .....	1,377	1,377
Construction in process .....	<u>358</u>	<u>61</u>
Property, plant and equipment, at cost .....	124,484	123,901
Less accumulated depreciation .....	<u>82,847</u>	<u>80,003</u>
Property, plant and equipment, net .....	<u>\$ 41,637</u>	<u>\$ 43,898</u>

**3. Debt**

	<u>June 28,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
6.94% senior notes due through May 3, 2011 .....	4,286	5,714
6.73% senior notes due through May 3, 2017 .....	<u>25,000</u>	<u>25,000</u>
Total .....	29,286	30,714
Less current maturities .....	<u>1,429</u>	<u>1,428</u>
Long-term debt, exclusive of current maturities .....	<u>\$ 27,857</u>	<u>\$ 29,286</u>

**4. Employee Benefit Plans**

Components of other postretirement benefit cost:

	Three Months Ended		Six Months Ended	
	<u>June 28,</u> <u>2008</u>	June 30, 2007	<u>June 28,</u> <u>2008</u>	June 30, 2007
Service cost .....	\$ 22	\$21	\$ 44	\$ 42
Interest cost .....	72	39	143	79
Amortization of transition obligation .....	33	33	65	65
Amortization of prior service cost .....	(2)	(2)	(4)	(4)
Amortization of accumulated loss .....	<u>8</u>	<u>5</u>	<u>16</u>	<u>11</u>
Net periodic postretirement benefit cost .....	<u>\$133</u>	<u>\$96</u>	<u>\$264</u>	<u>\$193</u>

## 5. Stockholders' Equity

Basic earnings per common share are based upon the weighted average shares outstanding. Outstanding stock options are treated as potential common stock for purposes of computing diluted earnings per share. Basic and diluted earnings per share are calculated using the following share data:

	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Weighted average shares outstanding				
for basic calculation .....	<b>10,332</b>	10,483	<b>10,332</b>	10,626
Add: Effect of dilutive stock options (1) .....	<u>          </u>	<u>          </u>	<u>    2</u>	<u>          </u>
Weighted average shares outstanding				
Adjusted for diluted calculation .....	<b>10,332</b>	<u>10,483</u>	<b>10,334</b>	<u>10,626</u>

(1) The dilutive effect of stock options is not recognized in periods in which a net loss has occurred.

A reconciliation of the activity in Stockholders' Equity accounts for the quarter ended June 28, 2007 is as follows:

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss
Balance, December 31, 2007 .....	\$ 207	\$ 591	\$102,999	\$ (946)
<b>Net income</b> .....			<b>980</b>	
<b>Stock-based compensation</b> .....		<b>368</b>		
<b>Cash dividends paid, \$.20 per share</b> .....			<b>(2,066)</b>	
<b>Adjustment to net periodic benefit cost</b> .....				<b>77</b>
<b>Balance, June 28, 2008</b> .....	<u>\$ 207</u>	<u>\$ 959</u>	<u>\$101,913</u>	<u>\$ (869)</u>

## 6. Recently Issued Accounting Pronouncements

We adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*, which permits entities to choose to measure many financial instruments and certain other items at fair value, and FASB Statement No. 157, *Fair Value Measurements*. Neither of these statements had an impact on results for the first half of 2008. In February 2008, the FASB issued FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157* which delayed the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. We have not yet determined the impact that the implementation of SFAS No. 157 will have on our non-financial assets and liabilities which are not recognized on a recurring basis; however we do not anticipate it to significantly impact our consolidated financial statements.

## 7. Subsequent Event

On July 8, 2008, we announced several steps to improve our cost structure in response to current industry conditions. Those steps included plans to consolidate our North Carolina manufacturing operations from two facilities to one, elimination of two executive positions and offering a voluntary early retirement incentive for qualified salaried associates. We expect the manufacturing consolidation and transition to be completed by December 31, 2008 and anticipate pre-tax restructuring charges in the second half of 2008 to be in the range of \$6 million to \$8 million. Once the transition period is over, we expect annual pre-tax savings of \$5 million to \$6 million from the manufacturing consolidation.

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

Historically low levels of consumer confidence and housing activity have led to an industry-wide weakness in consumer demand for residential furniture. This slowdown began in late 2005 and intensified during the first half of 2008.

In response to these deteriorating industry conditions we have reduced our headcount by approximately 30% since late 2005 and implemented various cost reduction initiatives. In 2005 we began reinvigorating our continuous improvement efforts using lean business principles to improve processes and efficiencies. While these renewed efforts have shown positive results, it has been difficult to demonstrate marked financial improvement due to declining sales and production levels.

In the fourth quarter of 2007 we began consolidating production from our Martinsville, Virginia facility into our Stanleytown, Virginia facility and converting the Martinsville facility into a warehouse. This move allows us to improve our asset utilization and production efficiencies at the Stanleytown facility and lower our costs with less reliance on leased warehouse space. This process is now mostly complete. To date we have incurred pre-tax restructuring charges of \$3.9 million (\$3.6 million in 2007 and \$337,000 in the first half of 2008) and anticipate residual charges of about \$200,000 in the second half of 2008.

In addition, we recently announced several steps to further improve our cost structure in response to continued weakness in consumer demand. Those steps include consolidation of our North Carolina manufacturing operations from two facilities to one, elimination of two executive positions and offering a voluntary early retirement incentive for qualified salaried associates. We expect the manufacturing consolidation to be completed by December 31, 2008 and anticipate pre-tax restructuring charges in the second half of 2008 to be in the range of \$6 million to \$8 million. Once the transition is completed, we anticipate annual pre-tax savings of \$5 million to \$6 million from the manufacturing consolidation.

We will continue to evaluate our manufacturing capacity needs considering offshore sourcing opportunities, current and anticipated demand for our products, overall market conditions and other factors we consider relevant. Should further capacity reductions become necessary, this could cause other restructuring charges in the future. However, we remain committed to our blended strategy of combining our domestic manufacturing capabilities with an offshore sourcing program and do not anticipate any material change in those products we source versus those we produce.

### **Results of Operations**

The following table sets forth the percentage relationship to net sales of certain items included in the Consolidated Statements of Income:

	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net sales.....	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	83.2	79.9	82.9	81.0
Gross profit.....	16.8	20.1	17.1	19.0
Selling, general and administrative expenses.....	15.2	14.9	14.6	14.4
Pension plan termination charge.....		9.7		4.6
Operating income (loss).....	1.6	(4.5)	2.5	
Other income, net.....	.3	.3	.2	.1
Interest income.....	.3	.2	.3	.1
Interest expense.....	1.6	1.2	1.5	.9
Income (loss) before income taxes.....	0.6	(5.2)	1.5	(.7)
Income taxes.....	(0.7)	(1.7)	(0.7)	(.2)
Net income (loss).....	(0.1)	(3.5)	.8	(.5)

Net sales decreased \$8.6 million, or 12.7%, for the three month period ended June 28, 2008, from the comparable 2007 period. For the six month period, net sales decreased \$21.1 million, or 14.8% from the 2007 six month period. This was primarily due to lower unit volume, resulting from continued weakness in demand, which we believe is due primarily to current industry conditions. Partially offsetting this lower unit volume was an increase in average selling prices.

Gross profit margins for the three and six month periods of 2008 were 16.8% and 17.1%, respectively, compared to 20.1% and 19.0%, for the comparable 2007 periods. Lower margins resulted primarily from lower sales and production levels, higher raw material cost and other inflationary cost increases. These factors were partially offset by higher average selling prices and cost reduction initiatives. We also incurred \$117,000 during the second quarter of 2008 related to converting our Martinsville facility to a warehouse operation. Year-to-date we have incurred \$337,000 in cost related to the Martinsville conversion.

Selling, general and administrative expenses for the three and six month periods of 2008 as a percentage of net sales were 15.2% and 14.6%, respectively, compared to 14.9% and 14.4% for the comparable 2007 periods. The higher percentage for 2008 is primarily due to lower sales. Selling, general and administrative expenses for the three and six months periods decreased \$1.1 million and \$2.8 million, respectively, compared to the 2007 period, due primarily to lower selling expenses resulting from decreased sales and cost reduction initiatives.

Final distribution of assets and termination of our defined benefit pension plan occurred during the second quarter of 2007. This resulted in a settlement charge to earnings of \$6.6 million pre-tax, or \$4.5 million, net of taxes, and an additional cash contribution of \$1.6 million in the prior year quarter.

As a result of the above, operating income, as a percentage of net sales was 1.6% and 2.5% for the three and six month periods of 2008 compared to (4.5)% and 0.0%, for the comparable 2007 periods.

Interest expense and interest income for the three and six month periods of 2008 increased over the comparable prior year periods primarily due to a \$25 million private note placement funded in the second quarter of 2007.

The effective tax rate for 2008 is expected to be 44.7%, compared 32.5% for total year 2007. The higher effective tax rate is due to the impact of permanent differences on lower projected earnings.

### **Financial Condition, Liquidity and Capital Resources**

Our sources of liquidity include cash on hand, cash from operations and amounts available under a \$25.0 million credit facility. These sources have been adequate for day-to-day expenditures, debt payments, purchases of our stock, capital expenditures and payment of cash dividends to stockholders. We expect these sources of liquidity to continue to be adequate for the future.

Working capital, excluding cash and current maturities of long-term debt, decreased \$4.3 million during the first six months of 2008 to \$57.3 million from \$61.6 million at year end. The decrease was primarily due to lower inventories partially offset by lower accounts payable.

Cash generated from operations was \$4.8 million in the first six months of 2008 compared to \$2.6 million in the 2007 period. The increase was primarily due to lower inventory levels in response to lower sales.

Net cash used by investing activities was \$584,000 in the 2008 period compared to \$2.0 million in 2007 and consisted of normal capital expenditures. Capital expenditures for 2008 are anticipated to be approximately \$2.0 million.

Net cash used by financing activities was \$1.9 million in the 2008 period compared to net cash provided of \$11.7 million in the 2007 period. In the 2008 period, cash from operations provided funds for cash

dividends and scheduled debt payments. In the 2007 period, a portion of the proceeds from our \$25 million private note placement, cash on hand and cash from operations provided funds for the purchase and retirement of our common stock, payment of cash dividends and a scheduled debt payment. Approximately \$19.0 million is currently authorized by our Board of Directors to repurchase shares of our common stock.

At June 28, 2008, long-term debt including current maturities was \$29.3 million. Debt service requirements are \$1.4 million each in 2009 and 2010, \$5 million in 2011, and \$3.6 million in 2012. As of June 28, 2008, approximately \$25 million of additional borrowings were available under the revolving credit facility and cash on hand was \$33.9 million.

### **Critical Accounting Policies**

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our 2007 annual report on form 10-K.

### **Forward-Looking Statements**

Certain statements made in this report are not based on historical facts, but are forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "expects," "may," "will," "should," or "anticipates," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. These statements reflect our reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include the cyclical nature of the furniture industry, disruptions in offshore sourcing including those arising from supply or distribution disruptions or those arising from changes in political, economic and social conditions, as well as laws and regulations, in China or other countries from which we source products, international trade policies of the United States and countries from which we source products, business failures or loss of large customers, manufacturing realignment, competition in the furniture industry including competition from lower-cost foreign manufacturers, the inability to obtain sufficient quantities of quality raw materials in a timely manner, the inability to raise prices in response to inflation and increasing costs, failure to anticipate or respond to changes to consumer tastes and fashions in a timely manner, environmental compliance costs, extended business interruption at manufacturing facilities, and operational inefficiencies resulting from the consolidation, relocation and disposal costs relating to facilities and equipment at the Lexington, N.C. production facility and severance costs relating to reduction of associates. Any forward-looking statement speaks only as of the date of this filing, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new developments or otherwise.

### **ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

Our revolving credit facility bears interest at a variable rate; therefore, changes in prevailing interest rates impact our borrowing costs. A one-percentage point fluctuation in market interest rates would not have a material impact on earnings during the first six months of 2008.

None of our foreign sales or purchases are denominated in foreign currency and we do not have any foreign currency hedging transactions. While our foreign purchases are denominated in U.S. dollars, a relative decline in the value of the U.S. dollar could result in an increase in the cost of our component parts and finished items obtained from offshore sourcing and reduce our earnings, unless we are able to increase our prices for these items to reflect any such increased cost.

**ITEM 4. Controls and Procedures**

- (a) Evaluation of disclosure controls and procedures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.
- (b) Changes in internal controls over financial reporting. There were no changes in our internal control over financial reporting that occurred during the second quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 4. Submission of Matters to a Vote of Security Holders

- (a.) The annual meeting of the Company's stockholders was held on April 15, 2008.
- (c.) The stockholders of the Company elected two directors for a three-year term expiring at the annual meeting of stockholders to be held in 2011. The election was approved by the following vote:

	<u>For</u>	<u>Withheld</u>
Robert G. Culp, III	9,996,188	225,312
T. Scott McIlhenny	9,948,327	273,173

The stockholders of the Company approved the Stanley Furniture Company, Inc. 2008 Incentive Compensation Plan by the following vote:

FOR	8,006,858
AGAINST	697,655
ABSTAIN	829,767
BROKER NON-VOTES	687,220

Item 6. Exhibits

- 3.1 Restated Certificate of Incorporation of the Registrant as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q (Commission File No. 0-14938) for the quarter ended July 2, 2005).
- 3.2 By-laws of the Registrant as amended (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K (Commission File No. 0-14938) filed December 7, 2007).
- 31.1 Certification by Jeffrey R. Scheffer, our Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(1)
- 31.2 Certification by Douglas I. Payne, our Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)
- 32.1 Certification of Jeffrey R. Scheffer, our Chief Executive Officer, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. (1)
- 32.2 Certification of Douglas I. Payne, our Chief Financial Officer, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. (1)

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(1) Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 15, 2008

**STANLEY FURNITURE COMPANY, INC.**  
By: /s/ Douglas I. Payne  
Douglas I. Payne  
Executive V.P. – Finance & Administration  
And Secretary  
(Principal Financial and Accounting Officer)

I, Jeffrey R. Scheffer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stanley Furniture Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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 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: July 15, 2008

/s/Jeffrey R. Scheffer  
Jeffrey R. Scheffer  
Chief Executive Officer

I, Douglas I. Payne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stanley Furniture Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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 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: July 15, 2008

/s/Douglas I. Payne  
Douglas I. Payne  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Stanley Furniture Company, Inc. (the "Company") Quarterly Report on form 10-Q for the period ended June 28, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey R. Scheffer, Chief Executive Officer of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 15, 2008

/s/Jeffrey R. Scheffer  
Jeffrey R. Scheffer  
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Stanley Furniture Company, Inc. (the "Company") Quarterly Report on form 10-Q for the period ended June 28, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas I. Payne, Chief Financial Officer of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 15, 2008

/s/Douglas I. Payne

Douglas I. Payne  
Chief Financial Officer