

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

FORM 10-K  
Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
FOR THE FISCAL YEAR ENDED APRIL 25, 1998  
Commission File No. 1-9656

LA-Z-BOY INCORPORATED  
1284 N. Telegraph Road, Monroe, MI 48162  
(734) 242-1444

Incorporated in Michigan I.R.S. Employer Identification Number 38-0751137

Securities registered pursuant to Section 12(b) of the Act: None  
Securities registered pursuant to Section 12(g) of the Act:  
Title of Each Class Exchange on Which Registered  
Common Stock, \$1.00 Par Value New York Stock Exchange

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Based on the closing price of June 19, 1998, the aggregate market value of common stock held by nonaffiliates of the Registrant was \$983.7 million.

The number of common shares outstanding of the registrant was 17,804,571 as of June 19, 1998.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Portions of the 1998 Annual Report to Shareholders for the year ended April 25, 1998 are incorporated by reference in Part I, II and IV.

(2) Portions of the Annual Proxy Statement filed with the Securities and Exchange Commission on June 26, 1998 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

During fiscal year 1998, the Registrant acquired all the outstanding stock of Sam Moore Furniture Industries, Inc. Also, the Registrant acquired the remaining 25% of Centurion Furniture plc. Additional information required in Part I, Item 1, section (a) is contained in the Registrant's 1998 Annual Report to Shareholders in Note 2 on page 22 of the Registrant's consolidated financial statements and is incorporated herein by reference.

#### Principal Products

The Registrant operates in the furniture industry and as such does not have differing segments. "Residential" dealers are those who resell to individuals for their home use. "Business Furniture" dealers are those who resell seating and casegood products to commercial dealers. Additional information regarding products and market share data is contained in the Registrant's 1998 Annual Report on page 27 in the Background section of the Management Discussion and Analysis and is incorporated herein by reference.

#### Status of New Products or Segments

During fiscal year 1998, the Registrant did not add any major products or segments.

#### Raw Materials

The principal raw materials used by the Registrant in the manufacture of its products are hardwoods for solid wood dining room and bedroom furniture, casegoods, occasional tables and for the frame components of seating units; plywood and chipwood for internal parts; veneers for dining room furniture, wall units, and occasional tables; water-based and liquid finishes (stains, sealant, lacquers) for external wood; steel for the mechanisms; leather, cotton, wool, synthetic and vinyl fabrics for covers; and polyester batting and non-chlorofluorocarbonated polyurethane foam for cushioning and padding. Steel and wood products are generally purchased from a number of sources, usually in the vicinity of the particular plant, and product-covering fabrics and polyurethane are purchased from a substantial number of sources on a mostly centralized basis. The Registrant fabricates many of the parts in its products, largely because quality parts made to its exact specifications are not obtainable at reasonable cost from outside sources.

Raw material costs historically have been about 38 percent of sales in the upholstery operations and a somewhat higher percentage in the casegoods operations. Purchased fabric (which includes leather) is the largest single raw material cost representing about 39 percent of total upholstery product material costs. Polyurethane (poly) foam and lumber are the next two largest types of upholstery raw material costs. Poly is highly sensitive to changes in the price of oil. Price increases for raw materials have been slightly lower than the inflation rate in recent years and are expected to continue at this rate.

Lumber, like most commodities, historically has had sharp changes in prices over the short term and long term. The Registrant is usually not as affected by these changes as much as many other furniture manufacturers due to the large percentage of upholstered goods manufactured that do not require as much lumber as casegoods. Also, wood substitutes, (e.g. steel, plastic) can be used to some degree in upholstered products.

#### Patents, Licenses and Franchises or Concessions

The Registrant has a number of patents on its reclining chair and rocking chair mechanisms, which it believes were important to the early success of the Registrant and to its present competitive position. It believes, however, that since it is so firmly established in the industry, the loss of any single or small group of patents would not materially affect the Registrant's business. In addition to the patent on the mechanisms, the Registrant has obtained patents on some of its furniture designs and has approximately 12-15 designs either patented or applied for. The Registrant has no material licenses, franchises or concessions.

#### Seasonal Business

The Registrant generally experiences its lowest level of sales during its first quarter. When possible, the scheduling of production is designed to maintain generally uniform manufacturing activity throughout the year, except for mid summer plant shutdowns to coincide with slower sales.

#### Practices Regarding Working Capital Items

The Registrant does not carry significant amounts of upholstered finished goods inventory to meet rapid delivery requirements of customers or to assure itself of a continuous allotment of goods from suppliers. Normal customer terms provide for one payment due within 45 days with a 1 percent discount within 30 days (one installment, 1 percent discount 30 net 45). Extended dating is often offered on

sales promotions.

Most casegoods finished goods inventories are built to provide for quicker delivery requirements of customers without installment credit terms, therefore, resulting in higher levels of finished product on hand at any period in time than the upholstered products. Kincaid and Hammary divisions primarily sell casegood products. Casegoods are also sold through the Business Furniture Group.

#### Customers

The Registrant distributes to over 17,000 locations. The Registrant does not have any customer whose sales amount to 10 percent or more of its consolidated sales for fiscal year 1998. The Registrant's approximate dealer mix consisted of 40 percent proprietary, 16 percent to major dealers (Montgomery Ward and other department stores) and 44 percent to general dealers.

Proprietary stores consist of stores dedicated to the sale of La-Z-Boy products and in-store dedicated galleries. The dedicated stores include La-Z-Boy Furniture Galleries stores and Showcase Shoppes. In-store dedicated galleries have been established for many of the Registrant's divisions.

#### Orders and Backlog

It has been determined that the majority of the Registrant's Residential Division orders are for dealer stock, with approximately 37 percent of orders being requested directly by customers. Furthermore, about 12 percent of units produced at all divisions are built for the Registrant's inventory. The remainder are "built-to-order" for dealers.

As of May 31, 1998 and May 31, 1997 backlogs were approximately \$93 million and \$81 million, respectively. These amounts represent less than five weeks of sales. On average, orders are shipped in approximately five weeks. The measure of backlog at a point in time may not be indicative of future sales performance. The Registrant does not rely entirely on backlogs to predict future sales since the sales cycle is only five weeks and backlog can change from week to week.

The cancellation policy for La-Z-Boy Incorporated, in general, is that an order cannot be canceled after it has been selected for production. Orders from prebuilt stock, though, may be canceled up to the time of shipment.

#### Renegotiation Contracts

The Registrant does not have any material portion of business which may be subject to renegotiation of profits or termination of contracts or subcontracts at the election of the Government.

#### Competitive Conditions

The Registrant believes that it ranks third in the U.S. in dollar volume of sales within the Residential furniture industry, which includes manufacturers of bedroom, dining room and living room furniture.

The Registrant competes primarily by emphasis on quality of its products, dealer support and a lifetime warranty on the reclining and leg rest mechanisms.

The Registrant has approximately fifteen major competitors in the U.S. reclining or motion chair field and a substantially larger number of competitors in the upholstery business as a whole, as well as in the casegoods and Business Furniture businesses.

#### Research and Development Activities

The Registrant spent \$9.5 million in fiscal 1998 for new product development, existing product improvement, quality control, improvement of current manufacturing operations and research into the use of new materials in the construction of its products. The Registrant spent \$8.3 million in fiscal 1997 on such activities and \$8.0 million on such activities in fiscal 1996. The Registrant's customers generally do not engage in research with respect to the Registrant's products.

#### Compliance with Environmental Regulations

Information relating to Compliance with Environmental Regulations (Note 11 of the Consolidated Financial Statements appearing on page 26 and the environmental discussion contained within the Management Discussion and Analysis appearing on pages 28 and 29 of La-Z-Boy Incorporated Annual Report to Shareholders for 1998) is incorporated herein by reference.

#### Number of Employees

The Registrant and its subsidiaries employed 12,155 persons as of April 25, 1998 and 11,236 persons as of April 26, 1997.

#### Financial Information about Foreign and Domestic Operations and Export Sales

The Registrant does not make any material amount of sales of upholstered furniture from export sales. The Registrant sells upholstered furniture to Canadian customers through its Canadian subsidiary, La-Z-Boy Canada Limited. Sales in Europe also occur through the Registrant's subsidiary Centurion Furniture plc, which is located in the United Kingdom.

The Registrant also derives a small amount of royalty revenues from the sale and licensing of its trademarks, tradenames, and patents to certain foreign manufacturers.

Export sales are increasing, and are about 2% of sales.

#### ITEM 2. PROPERTIES.

In the United States, the Registrant operates thirty-one manufacturing plants (most with warehousing space), has an automated fabric-processing center and has divisional and corporate offices. The Registrant has one manufacturing plant in Canada, one in the United Kingdom and one in Mexico. Some locations listed on the following page have more than one plant.

The location of these plants, the approximate floor space, principal operations conducted, the average age and the approximate number of employees at such locations as of April 25, 1998 are as follows:

Location	Floor Space (square feet)	Operations Conducted	Facility's Average Age	Number of Employees
Bedford, Virginia (Sam Moore)	282,431	Manufacturing and assembly of upholstery	39	319
Clearfield, Utah	48,000	Upholstering and assembly of upholstery	2	48
Dayton, Tennessee	910,880	Manufacturing, assembly and warehousing of upholstery	15	2,018
Florence, South Carolina	416,249	Manufacturing, assembly and warehousing of upholstery	28	441
Florence, South Carolina	48,400	Fabric processing center	21	17
Hudson area, North Carolina (Kincaid)	1,072,745	Manufacturing, assembly and warehousing of casegoods and division office	31	1,250
Irapuato, Mexico (Distincion Muebles)	30,000	Manufacturing of upholstery	20	92
Leland, Mississippi	311,990	Manufacturing, assembly and warehousing of Business Furniture casegoods and upholstery	22	305
Lenoir area, North Carolina (Hammary)	654,688	Manufacturing, assembly and warehousing of primarily casegoods and some upholstered products and division office	30	452
Leyland England, County of	200,000	Manufacturing and warehousing of furniture	32	172

Lancashire (Centurion)		and company offices		
Lincolnton, North Carolina	375,823	Manufacturing, warehousing and assembly of upholstery	30	348
Monroe, Michigan	242,235	Corporate office, Residential and Business Furniture Group offices and R & D	47	531
Neosho, Missouri	560,640	Manufacturing, assembly and warehousing of upholstery	22	1,260
New Tazewell, Tennessee (England/Corsair )	696,484	Manufacturing, assembly and warehousing of primarily upholstery and division office	8	1,385
Newton, Mississippi	640,707	Manufacturing, assembly and leather cutting, plywood cutting and warehousing of upholstery	21	1,318
Redlands, California	189,125	Upholstering, assembly and warehousing of upholstery	28	383
Siloam Springs, Arkansas	399,616	Upholstering, warehousing and assembly of upholstery	3	437
Tremonton, Utah	672,770	Manufacturing, assembly and warehousing of upholstery	13	969
Waterloo, Ontario (La-Z-Boy Canada)	257,340	Assembly and warehousing of upholstery and division office	27	410
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	8,010,123		22	12,155
	=====		==	=====

The Monroe, Michigan; Redlands, California; Dayton, Tennessee; Waterloo, Ontario, Canada; Lincolnton, North Carolina; Lenoir, North Carolina; Hudson, North Carolina; New Tazewell, Tennessee; Bedford, Virginia; Leyland England, and the Newton, Mississippi woodworking plants are owned by the Registrant. The Florence, South Carolina; Neosho, Missouri; Newton, Mississippi; Siloam Springs, Arkansas and Tremonton, Utah plants as well as the automated Fabric Processing Center were financed by the issuance of industrial revenue bonds and are occupied under long-term leases with government authorities. The Leland, Mississippi plant is under a long-term lease between the Board of Supervisors of Washington County, Mississippi (lessor) and La-Z-Boy Incorporated (lessee). These leases are capitalized on the Registrant's books. The Clearfield, Utah plant and Irapuato, Mexico buildings are under long-term lease.

The Registrant believes that its plants are well maintained, in good operating condition and will be adequate to meet its present and near future business requirements.

### ITEM 3. LEGAL PROCEEDINGS.

Information relating to certain legal proceedings (Note 11 of the Consolidated Financial Statements appearing on page 26 of the La-Z-Boy Incorporated Annual Report to Shareholders for 1998) is incorporated herein by reference.

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

No matters were voted upon during the fourth quarter of 1998.

## PART II

The information required in Part II (Items 5 through 8) is contained in the La-Z-Boy Incorporated Annual Report to Shareholders for 1998, in the Financial

Report pages 17 through 31, and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

The information required in Part III (Items 10 through 13) is contained in the Registrant's proxy statement dated June 26, 1998 on pages 1 through 13, and 19, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES, AND REPORTS ON FORM 8-K.

INDEX TO EXHIBITS (Note 1)

(3.1) La-Z-Boy Incorporated Restated Articles of Incorporation (Note 4)

(3.2) La-Z-Boy Incorporated By-laws as amended and restated (Note 14)

(4) Instruments defining the rights of holders of long-term debt are not filed herewith, pursuant to paragraph (4)(iii) of Regulation S-K Item 601. The Registrant will furnish all such documents to the Securities and Exchange Commission upon its request

(10) Material Contracts

\* (10.1) La-Z-Boy Incorporated 1993 Performance-Based Stock Plan (Note 7)

\* (10.2) La-Z-Boy Incorporated Amended and Restated 1996 Performance Based Stock Plan (Note 5)

\* (10.3) La-Z-Boy Incorporated Restricted Stock Plan for Non-Employee Directors (Note 9)

\* (10.4) La-Z-Boy Incorporated Executive Incentive Compensation Plan Description (Note 3)

\* (10.5) La-Z-Boy Incorporated Supplemental Executive Retirement Plan dated May 1, 1991 (Revised in 1995) (Note 6)

\* (10.6) La-Z-Boy Incorporated Amended and Restated 1997 Restricted Share Plan (Note 2)

\* (10.7) La-Z-Boy Incorporated 1997 Incentive Stock Option Plan (Note 2)

\* (10.8) Form of Change in Control Agreement (Note 6)

(10.9) Employees who are parties to the Change in Control Agreement (Note 14)

\* (10.10) Form of Indemnification Agreement (Note 8)

\* (10.11) Summary Plan Description and Partial Plan Document for the La-Z-Boy Incorporated Personal Executive Life Insurance Program (the "Summary") (Note 3). (In the case of one executive officer, Gene M. Hardy, the Personal Executive Life Insurance Program operates differently from the manner described in the Summary, in that: (a) Mr. Hardy does not benefit from Unscheduled Premium payments, so information therein relating to such payments does not apply to him, and (b) "gross up" payments to him are not repayable to the Company out of policy death benefits or otherwise.)

\* (10.12) Description of loan to Mr. C. T. Knabusch (Note 3)

\* (10.13) The La-Z-Boy Incorporated 1986 Incentive Stock Option Plan (Note 10)

\* (10.14) The La-Z-Boy Incorporated 1989 Restricted Share Plan (Note 9)

(13) Portions of the 1998 Annual Report to Shareholders (Note 11)

(21) List of subsidiaries of La-Z-Boy Incorporated (Note 14)

(23) Consent of PricewaterhouseCoopers LLP (Note 12)

(27) Financial Data Schedule (Note 13)

\* Indicates a contract or benefit plan under which one or more executive officers or directors may receive benefits

#### NOTES TO EXHIBITS

1. Copies of exhibits will be supplied upon request. All necessary annual and quarterly reports are electronically filed with the SEC. Copies of the exhibits are available through the SEC site on the Internet. (<http://www.sec.gov/cgi-bin/srch-edgar>).
2. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Proxy statement dated July 27, 1997.
3. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Form 10-K for the year ended April 26, 1997.
4. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Form 10-Q for the quarter ended October 26, 1996.
5. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Proxy Statement dated June 28, 1996.
6. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Form 8-K for the quarter ended January 28, 1995.
7. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Proxy Statement dated June 25, 1993.
8. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Form 8, Amendment No. 1 dated November 3, 1989.
9. Incorporated by reference to exhibits included in the La-Z-Boy Incorporated Proxy Statement dated July 6, 1989.
10. Incorporated by reference to exhibits in the La-Z-Boy Incorporated Proxy Statement dated June 26, 1986.
11. With the exception of the information incorporated in Parts I and II, this document is not deemed to be filed as part of the report on Form 10-K.
12. Incorporated by reference to 'Consent of Independent Public Accountants' in this Form 10-K.
13. This is included in the Edgar version only.
14. This document is filed herewith.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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

BY /s/Patrick H. Norton July 21, 1998

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P.H. Norton  
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, as of July 21, 1998, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/Patrick H. Norton  
-----  
P.H. Norton  
Chairman of the Board

/s/J.F. Weaver  
-----  
J.F. Weaver  
Director

/s/G.L. Kiser  
-----  
G.L. Kiser  
President and Chief Operating  
Officer

/s/D.K. Hehl  
-----  
D.K. Hehl  
Director

/s/G.M. Hardy  
-----  
G.M. Hardy  
Secretary and Treasurer,  
Principal Accounting Officer  
and Director

/s/R.E. Lipford  
-----  
R.E. Lipford  
Director

/s/F.H. Jackson  
-----  
F.H. Jackson  
Executive VP of Finance,  
Chief Financial Officer and  
Director

/s/H.G. Levy  
-----  
H.G. Levy  
Director

-----  
L.G. Stevens  
Director

-----  
J.W. Johnston  
Director

ANNUAL REPORT ON FORM 10-K

ITEM 14(a) and ITEM 14(d)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

YEARS ENDED APRIL 25, 1998, APRIL 26, 1997 AND APRIL 27, 1996

LA-Z-BOY INCORPORATED  
MONROE, MICHIGAN

INDEX TO FINANCIAL STATEMENTS

The financial statements, together with the report thereon of Price Waterhouse LLP dated May 21, 1998 appearing on pages 17 through 31 of the accompanying 1998 Annual Report to Shareholders are incorporated by reference in this Form 10-K Annual Report. With the exception of the aforementioned information, and the information incorporated in Part II, the 1998 Annual Report to Shareholders is not to be deemed filed as part of this report. The following financial statement schedule should be read in conjunction with the financial statements in such 1998 Annual Report to Shareholders. Financial statement schedules not included in this Form 10-K Annual Report have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

FINANCIAL STATEMENT SCHEDULE

1998, 1997, AND 1996

REPORT OF INDEPENDENT ACCOUNTANTS  
ON FINANCIAL STATEMENT SCHEDULE

May 21, 1998

To the Board of Directors of  
La-Z-Boy Incorporated

Our audits of the consolidated financial statements referred to in our report dated May 21, 1998 appearing on page 17 of the 1998 Annual Report to Shareholders of La-Z-Boy Incorporated (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PricewaterhouseCoopers LLP  
PRICEWATERHOUSECOOPERS LLP

LA-Z-BOY INCORPORATED AND SUBSIDIARIES SCHEDULE II VALUATION  
AND QUALIFYING ACCOUNTS  
(Dollars in thousands)

Description	Balance at beginning of period	Additions charged to costs and expenses	Trade accounts receivable "written off" net of recoveries	Balance at end of period
Year ended April 25, 1998:				
Allowance for doubtful accounts and long-term notes	\$18,931	\$7,333	\$5,625	\$20,639
Accrued Warranties	\$10,775	\$1,250		\$12,025
Year ended April 26, 1997:				
Allowance for doubtful accounts and long-term notes	\$18,033	\$5,688	\$4,790	\$18,931
Accrued Warranties	\$9,577	\$1,198		\$10,775
Year ended April 27, 1996:				
Allowance for doubtful accounts and long-term notes	\$17,829	\$5,530	\$5,326	\$18,033
Accrued Warranties	\$8,450	\$1,127		\$9,577

Exhibit (3.2)

BY-LAWS

OF

LA-Z-BOY INCORPORATED

ARTICLE I

Name and Office

Section 1. Name. The name of this corporation shall be La-Z-Boy Incorporated.

Section 2. Registered Office. The principal and registered office of the corporation shall be located at 1284 North Telegraph Road, Monroe, Michigan.

Section 3. Other Offices. The corporation may also have other offices for the transaction of business located at such places, both within and without the State of Michigan, as the Board of Directors may from time to time determine.

ARTICLE II

Capital Stock and Transfers

Section 1. (A). Share Certificates: Required Signatures. The shares of the corporation shall be represented by certificates signed by the Chairman of the Board or the President or the Executive Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. The signatures of the officers of the corporation upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or is registered by a registrar, other than the corporation itself or an employee of the corporation. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of its issue.

Section 1. (B). Share Certificates: Required Information. A certificate representing shares of the corporation shall state upon its face all of the following:

- (a) That the corporation is formed under the laws of this state.
- (b) The name of the person to whom issued.
- (c) The number and class of shares, and the designation of the series, if any, which the certificate represents.

Section 2. Lien. The corporation shall have a first lien on all the shares of its capital stock, and upon all dividends declared upon the same for any indebtedness of the respective holders thereof to the corporation.

Section 3. Transfers. Upon surrender to the corporation or the transfer agent of the corporation of a certificate representing shares fully endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto, and the old certificate canceled and the transaction recorded upon the books of the corporation.

Section 4. Replacement of Lost, Stolen or Destroyed Share Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems adequate, to protect the corporation from any claim that may be made against it with respect to any such certificate alleged to have been lost, stolen or destroyed.

Section 5. Transfer Agent and Registration. The Board of Directors may appoint a transfer agent and a registrar in the registration of transfers of its securities.

Section 6. Rules of Issue and Transfer. The Board of Directors shall have power and authority to make all such rules and regulations as the board shall deem expedient regulating the issue, transfer and registration of certificates for shares in this corporation.

Section 7. Registered Shareholders. The corporation shall have the right to treat the registered holder of any share as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the corporation shall have express or other notice thereof, save as may be otherwise provided by the statutes of Michigan.

### ARTICLE III

#### Shareholders and Meetings

Section 1. Annual Meeting of Shareholders. The 1991 Annual Meeting of Shareholders shall be held August 5, 1991 and all subsequent Annual Meetings of Shareholders shall be held on the last Monday in July of each year, or at such other date as shall be designated by the Board of Directors and stated in the notice of the meeting. At said meeting the shareholders shall elect by a plurality vote the Directors to be elected at such meeting, and shall transact such other business as may properly be brought before the meeting.

Section 2. Special Meetings of Shareholders. A special meeting of the shareholders for any purpose or purposes other than election of Directors may be called at any time and place by the President, and in his absence by the Chairman of the Board; or by the Directors. It shall be the duty of the Directors, the Chairman of the Board, or President to call such meeting whenever so requested in writing by shareholders owning, in the aggregate, at least seventy-five percent (75%) of the entire capital stock of the corporation entitled to vote at such special meeting. Such request shall state the purpose or purposes of the proposed meeting.

Section 3. Notice of Meetings of Shareholders. Notice of the time, date and place of all annual and special meetings shall be mailed by the Secretary to each shareholder entitled to vote at such meeting not less than ten (10) days nor more than sixty (60) days before the date thereof. The business transacted at any special meeting of shareholders shall be limited to the purpose stated in the notice.

Section 4. Presiding Officer. The Chairman of the Board, or, in his absence, the Vice Chairman, or in his absence, the President, or in his absence, such other Vice President as the Board of Directors may designate, shall preside at all meetings.

Section 5. Vote of Shareholders; Proxies. At every such meeting each shareholder shall be entitled to cast one vote for each share of stock held in his name; which vote may be cast by him either in person, or by proxy, but no proxy shall be voted after three (3) years from its date, unless the proxy provides for a longer period. A shareholder may authorize one or more persons to act for him by proxy. All proxies shall be in writing by the shareholder or by his duly authorized agent or representative and shall be filed with the Secretary.

Section 6. Quorum of Shareholders. The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, represented in person or by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders present in person or represented by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. Required Vote. If a quorum is present, the affirmative vote of the holders of a majority of the shares of stock represented at the meeting shall be the act of the shareholders unless the vote of a greater number of shares of stock is required by law or the Articles of Incorporation.

Section 8. Removal. The shareholders shall have power by a majority vote at any such meeting, to remove any Director from office.

Section 9. List of Shareholders Entitled to Vote. The officer or agent having charge of the stock transfer books for shares of the corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholders' meeting or any adjournment thereof. The list shall:

- (a) Be arranged alphabetically within each class and series, with the address of, and the number of shares held by, each shareholder.
- (b) Be produced at the time and place of the meeting.
- (c) Be subject to inspection by any shareholder during the whole time of the meeting.
- (d) Be prima facie evidence as to who are the shareholders entitled to

examine the list or to vote at the meeting.

Section 10. Record Date for Determination of Shareholders. For the purpose of determining shareholders entitled to notice of and to vote at a meeting of shareholders or an adjournment of a meeting, the Board of Directors may fix a record date, which shall not precede the date on which the resolution fixing the record date is adopted by the board. The date shall not be more than sixty (60) nor less than ten (10) days before the date of the meeting. If a record date is not fixed, the record date for determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be the close of business on the day next preceding the day on which notice is given, or if no notice is given, the day next preceding the day on which the meeting is held. When a determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders has been made as provided in this Section, the determination applies to any adjournment of the meeting, unless the Board of Directors fixes a new record date under this Section for the adjourned meeting. For the purpose of determining shareholders entitled to receive payment of a share dividend or distribution, or allotment of a right, or for the purpose of any other action, the Board of Directors may fix a record date, which shall not precede the date on which the resolution fixing the record date is adopted by the board. The date shall not be more than sixty (60) days before the payment of the share dividend or distribution or allotment of a right or other action. If a record date is not fixed, the record date shall be the close of business on the day on which the resolution of the Board of Directors relating to the corporate action is adopted.

Section 11. Inspectors of Election. The Board of Directors may appoint one (1) or more inspectors of election to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on request of a shareholder entitled to vote thereat shall, appoint one (1) or more inspectors. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or a shareholder entitled to vote thereat, the inspectors shall make and execute a written report to the person presiding at the meeting of any of the facts found by them and matters determined by them. The report is prima facie evidence of the facts stated and of the vote as certified by the inspectors.

#### ARTICLE IV

##### Directors

Section 1. Number and Powers of Directors. The business and affairs of the corporation shall be managed by a Board of Directors consisting of 10 Directors who shall be elected by the shareholders. The Directors shall be elected at the annual meeting of the shareholders, as detailed hereinafter, and each Director shall serve until his successor shall have been elected and qualified. When acting as such, the Board of Directors may exercise all powers and do all such lawful acts and things (including, without limitation, the making of such adjustments in the number of Directors in any Director class or classes that may be determined by the Board to be necessary or appropriate in light of an increase or decrease in the total number of Directors specified in these by-laws) as are not by statute or by the Articles of Incorporation or these by-laws directed or required to be exercised or done by the shareholders.

Section 2. Classification and Term of Office. The Directors shall be severally classified with the respect to the time for which they shall hold office by dividing them into three classifications, with the number of Directors in each class being as nearly equal as possible to the number of directors in each other class.

Section 3. Regular Meetings of Board. Regular meetings of the Directors shall be held immediately after the adjournment of each annual shareholders' meeting and may be held at such time and at such place as shall from time to time be determined by the Board.

Section 4. Special Meetings of Board. Special meetings of the Board of Directors may be called by the President and in his absence, by the Chairman of the Board or any four members of the Board of Directors. By unanimous consent of the Directors, special meetings of the board may be held without notice, at any time and place. The presence of a Director at a meeting shall constitute a Waiver of Notice except where the Director attends solely to protest the legality of the meeting.

Section 5. Notice. Notice of all regular and special meetings, except those specified in the second sentence of Section 4 of this article, shall be

delivered in person, mailed or telegraphed to each Director, by the Secretary, at least one day previous to the time fixed for the meetings. All notices of special meetings shall state the purposes thereof.

Section 6. Quorum and Required Vote. A majority of the Directors shall constitute a quorum for the transaction of business unless a greater number is required by law or by the Articles of Incorporation. The act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, these By-Laws, or by the Articles of Incorporation. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. Annual Meeting. The Directors shall elect the officers of the corporation, and fix their salaries; such elections to be held at the Directors' meeting following each annual shareholders' meeting. No notice of such meeting shall be necessary to any newly elected Director in order to legally constitute the meeting, provided a quorum shall be present. An officer may be removed at any time by a two-thirds vote of the full Board of Directors.

Section 8. Vacancies. All vacancies occurring in the Board of Directors, whether caused by resignation, death or otherwise, may be filled by the affirmative vote of two-thirds of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired portion of the term of his predecessor in office.

Section 9. Directors' Report. At each annual shareholders' meeting the Directors shall submit a statement of the business done during the preceding year, together with a report of the general financial condition of the corporation, and of the condition of its tangible property.

Section 10. Committees of Directors. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the corporation. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these By-laws, shall have and may exercise all of the power and authority of the Board of Directors in the management of the business and affairs of the corporation; but no such committee shall have the power or authority in reference to amending the Articles of Incorporation, adopting an agreement of merger or consolidation, recommending to shareholders the sale, lease, or exchange of all or substantially all of the corporation's property and assets, recommend to the shareholders the dissolution of the corporation or revocation of a dissolution, amend the By-laws of the corporation, fill vacancies in the Board; and unless a resolution of the Board of Directors, the Articles of Incorporation or the By-laws expressly so provide, no such committee shall have the power or authority to declare a distribution, dividend, or to authorize the issuance of stock.

Section 11. Compensation of Directors. The Board of Directors, by the affirmative vote of a majority of the Directors then in office, and irrespective of any personal interest of any of them, shall have authority to fix the compensation of all Directors for services to the corporation as directors, officers, or otherwise.

Section 12. Action by Written Consent. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any Committee thereof may be taken without a meeting, if all members of the Board or Committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes or proceedings of the Board or Committee.

Section 13. Participation in Meeting by Telephone. By oral or written permission of a majority of the Board of Directors, a member of the Board of Directors or of a Committee designated by the Board may participate in a meeting by means of conference telephone or similar communications equipment through which all persons participating in the meeting can communicate with the other participants. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting.

Section 14. Nomination of Director Candidates. Nomination of candidates for election as Directors of the Corporation at any meeting of shareholders called for election of Directors (an "Election Meeting") may be made by the Board of Directors or by any shareholder entitled to vote at such Election Meeting but only in accordance with the procedure outlined herein.

(a) Procedure for Nominations by the Board of Directors. Nominations made by the Board of Directors shall be made at a meeting of the Board of Directors, or by written consent of Directors in lieu of a meeting, not less than 30 days prior to the date of the Election Meeting, and such nominations shall be reflected in the minute books of the Corporation as of the date made. At the

request of the Secretary of the Corporation each proposed nominee shall provide the Corporation with such information concerning himself or herself as is required, under the rules of the Securities and Exchange Commission, to be included in the Corporation's proxy statement soliciting proxies for his or her election as a director.

(b) Procedure for Nominations by Shareholders.

Not less than 30 days prior to the date of the Election Meeting any shareholder who intends to make a nomination at the Election Meeting shall deliver a notice to the Secretary of the Corporation setting forth (i) the name, age, business address and residence of each nominee proposed in each such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of the Corporation which are beneficially owned by each such nominee and (iv) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee.

(c) Determination of Compliance with Procedures. If the Chairman of the Election Meeting determines that a nomination was not in accordance with the foregoing procedures, such nomination shall be void.

ARTICLE V

Officers

Section 1. Selection and Number. The officers of this corporation shall be a Chairman of the Board, Vice Chairman of the Board, President, one or more Vice Presidents or Executive Vice Presidents, a Secretary and a Treasurer, and such Assistant Secretaries and Treasurers as shall seem necessary to the Board of Directors from time to time, who shall be elected for the term of one year and shall hold office until their successors are duly elected and qualified. The office of Secretary and Treasurer, or Assistant Secretary and Assistant Treasurer, may be held by one person.

Section 2. Chairman of the Board. The Chairman of the Board shall preside at all Directors' and shareholders' meetings; shall have general supervision over and responsibility for all sales and marketing activities of the corporation and its subsidiaries; shall sign all stock certificates; and such further duties as may be assigned to him from time to time by the Board of Directors. In case of the absence or the disability of the Chairman of the Board, his duties shall be performed by the President, and in case of the President's absence, by the Vice Chairman of the Board or by an Executive Vice President.

Section 3. Vice Chairman of the Board. The Vice Chairman of the Board may sign any documents required by law to be filed on behalf of the corporation in the office of the Secretary of State; may sign all stock certificates of the corporation; and shall perform all such other duties as are incident to his office, or such further duties as may be assigned to him from time to time by the Board of Directors.

Section 4. President. The President shall have general supervision and management of the day-to-day operations of the corporation and its subsidiaries and over all other officers of the corporation; shall be the chief operating officer of the corporation; shall sign all written contracts of the corporation; and shall perform all such other duties as are incident to his office and such other duties as may be assigned to him from time to time by the Board of Directors. In the absence or disability of the Chairman of the Board and the Vice Chairman of the Board, or while such offices are vacant, the President also shall preside over all meetings of the Board of Directors or of the shareholders and shall perform all of the duties or functions, and when so acting shall have all powers and authority, of the Chairman of the Board. In case of the absence or the disability of the President, his duties shall be performed by such other officer or officers of the corporation as may be specified by resolution of the Board of Directors.

Section 5. Vice Presidents. The Board of Directors may elect or appoint one or more Vice Presidents. The Board of Directors may designate one or more Vice Presidents as Executive Vice Presidents. Unless the Board of Directors shall otherwise provide by resolution duly adopted by it, or as otherwise provided in these By-Laws, such of the Vice Presidents as shall have been designated Executive Vice Presidents and who are members of the Board of Directors in the order specified by the Board of Directors shall perform the duties and exercise the powers of the President during the absence or disability of the President if the office of the Chairman of the Board is vacant. The Vice Presidents shall perform such other duties as may be delegated to them by the Board of Directors, the Chairman of the Board or the President.

Section 6. Secretary. The Secretary shall issue notices of all Directors' and shareholders' meeting, and shall attend and keep the minutes of the same; shall have charge of all corporation books, records and papers; shall be custodian of

the corporate seal, all stock certificates and written contracts of the corporation; and shall perform all such other duties as are incident to his office. The Secretary shall also perform such duties as are assigned to him from time to time by the Board of Directors.

Section 7. Treasurer. The Treasurer shall have custody of all money and securities of the corporation and shall give bond, in such sum and with such securities as the Directors may require, conditioned upon the faithful performance of the duties of his office. He shall sign all checks of the corporation, shall keep regular books of account and shall submit them, together with all his vouchers, receipts, records, and other papers, to the Directors for their examination and approval as often as they may require; and shall perform all such other duties as are incident to his office. The Treasurer shall also perform such duties as may be assigned to him by the Board of Directors from time to time.

Section 8. Indemnification of Directors, Officers and Others. Pursuant to the provisions of Article XI of the Articles of Incorporation of the corporation, 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) in accordance with the following provisions of this ByLaw:

A. Indemnification of Directors and Officers: Claims by Third Parties. The corporation shall, to the fullest extent authorized or permitted by the Michigan Business Corporation Act, as amended (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 (an "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, judgments, 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 judgment, 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, had reasonable cause to believe that his or her conduct was unlawful.

B. 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 an Indemnitee who was or is a party 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 attorneys' fees, and amounts paid in settlement actually and reasonably 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 Section B for a 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.

C. Actions Brought by the Indemnitee. Notwithstanding the provisions of Subsections A and B of this Section 8, 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 8 and the Indemnitee has been successful in such action, suit, proceeding or claim (or part thereof).

D. Approval of Indemnification. An indemnification under Subsections A or B of this Section 8, unless ordered by the 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 A or B of this Section 8, as the case may be, and upon an evaluation of the reasonableness of expenses and amounts paid in settlement. This determination and evaluation shall be made in any of the following ways:

(a) By a majority vote of a quorum of the Board of Directors consisting of Directors who are not parties or threatened to be made parties to the action, suit, or proceeding.

(b) If a quorum cannot be obtained in subsection (a), then by majority vote of a committee of Directors who are not parties to the action. The committees shall consist of not less than three (3) disinterested Directors.

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

(d) By the shareholders.

E. Advancement of Expenses. The corporation may pay or reimburse the reasonable expenses incurred by an Indemnitee who is a party or threatened to be made a party to an action, suit, or proceeding in advance of final disposition of the proceeding if all of the following apply:

(a) The Indemnitee furnishes the corporation a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct set forth in Subsections A and B above.

(b) The Indemnitee furnishes the corporation a written undertaking, executed personally or on his or her behalf, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct.

(c) A determination is made that the facts then known to those making the determination would not preclude indemnification under the Act.

The undertaking required by subsection (b) must be an unlimited general obligation of the Indemnitee but need not be secured. Determinations of payments under this Section shall be made in the manner specified in Subsection D above.

F. Partial Indemnification. If an Indemnitee is entitled to indemnification under Subsections A or B of this Section 8 for a portion of expenses, including reasonable attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount, 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.

G. Indemnification of Employees and Agents. Any person who is not covered by the foregoing provisions of this Section 8 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 exists 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.

H. Other Rights of Indemnification. The indemnification or advancement of expenses provided under Subsections A through G of this Section 8 is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation, bylaws, or a contractual agreement. 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 A through G of this Section 8 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.

I. Definitions. "Other enterprises" 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 its 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 A and B of this Section 8.

J. 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 him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have power to indemnify him or her against liability under the pertinent provisions of the Act.

K. Enforcement. If a claim under this Section 8 is not paid in full by the corporation within thirty (30) 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 make it permissible under the Act for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its 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 its 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.

L. Contract With the Corporation. The right to indemnification conferred in this Section 8 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 8 is in effect, and any repeal or modification of this Section 8 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.

M. 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 from application to this Section 8. The indemnification and other obligations set forth in this Section 8 of the corporation shall be binding upon any resulting or surviving corporation after any merger or consolidation with the corporation. Notwithstanding anything 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 8 for acting as a Director or officer of another corporation prior to such other corporation entering into a merger or consolidation with the corporation.

N. Severability. Each and every paragraph, sentence, term and provision of this Section 8 shall be considered severable in that, in the event 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 8 shall be construed in all respects as if the invalid or unenforceable matter had been omitted.

## ARTICLE VI

### Dividends and Finance

Section 1. Dividends. Dividends, to be paid out of the surplus earnings of the corporation, or as otherwise permitted in accordance with the provisions of the governing statute, may be declared from time to time by resolution of the Board of Directors; but no dividend shall be paid that will impair the capital of the corporation. Dividends may be paid in cash, in property or in shares of the capital stock, subject to any provisions of the governing statute or the Articles of Incorporation.

Section 2. Deposits. The funds of the corporation shall be deposited in such

banks or trust companies as the Directors shall designate and shall be withdrawn only upon checks issued and signed in accordance with regulations adopted by the Board of Directors.

Section 3. Checks. All checks, drafts and orders for the payment of money shall be signed in the name of the corporation in such manner and by such officer or officers or such other person or persons as the Board of Directors shall from time to time designate for that purpose.

#### ARTICLE VII

##### Fiscal Year

Section 1. The fiscal year of this corporation shall end on the last Saturday of April each year. The fiscal year may be changed by the Board of Directors by resolution of the Board of Directors.

#### ARTICLE VIII

##### Amendments

These By-Laws may be altered, amended or repealed in whole or in part and new By-Laws may be adopted either:

(a) By the affirmative vote of the holders of record of not less than 67% of the outstanding stock of the Corporation entitled to vote in elections of Directors; or

(b) By the affirmative vote of a majority of the Board of Directors at any meeting of the Board, or by written consent signed by all members of the Board of Directors; provided, however, no such alteration, amendment or repeal of Article VIII (a) of these By-Laws shall be made by the Board of Directors or be effective unless such alteration, amendment or repeal shall be first approved by the affirmative vote of the holders of record of not less than 67% of the outstanding stock of the Corporation entitled to vote in elections of Directors.

#### ARTICLE IX

##### General Provisions

Section 1. Distributions in Cash or Property. The Board of Directors may authorize and the corporation may make distributions to its shareholders subject to restriction by the Articles of Incorporation and/or unless otherwise limited by the Articles of Incorporation, these By-Laws or the Act.

Section 2. Reserves. The Board of Directors shall have power and authority to set apart such reserve or reserves, for any proper purpose, as the Board in its discretion shall approve, and the Board shall have the power and authority to abolish any reserve created by the Board.

Section 3. Voting Securities. Unless otherwise directed by the Board of Directors, the President or in the case of his absence or inability to act, the Chairman of the Board or the Vice Chairman of the Board, or in the case of their absence or inability to act, the Vice Presidents, including Executive Vice Presidents, in order of their seniority, shall have full power and authority on behalf of the corporation to attend and to act and to vote, or to execute in the name or on behalf of the corporation a consent in writing in lieu of a meeting of shareholders or a proxy authorizing an agent or attorney-in-fact for the corporation to attend and vote at any meetings of security holders of corporations in which the corporation may hold securities, and at such meetings he or his duly authorized agent or attorney-in-fact shall possess and may exercise on behalf of the corporation any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the corporation might have possessed and exercised if present. The Board of Directors by resolution from time to time may confer like power upon any other person or persons.

Section 4. Contracts, Conveyances, Etc. When the execution of any contract, conveyance or other instrument has been authorized without specification of the executing officers, the Chairman of the Board, the Vice Chairman of the Board, President or any Vice President, and the Secretary or Assistant Secretary, may execute the same in the name and on behalf of this corporation and may affix the corporate seal thereto. The Board of Directors shall have power to designate the officers and agents who shall have authority to execute any instrument in behalf of this corporation.

Section 5. Corporate Books and Records. The corporation shall keep books and records of account and minutes of the proceedings of its shareholders, Board of Directors and executive committees, if any. The corporation shall keep at its registered office, or at the office of its transfer agent in or outside the State of Michigan, records containing the names and addresses of all

shareholders, the number, class and series of shares held by each and the dates when they respectively became holders of record. Any of the books, records or minutes may be in written form or in any other form capable of being converted into written form within a reasonable time. The corporation shall convert into written form without charge any record not in written form, unless otherwise requested by a person entitled to inspect the records.

Section 6. Seal. The seal of the corporation shall have inscribed thereon the name of the corporation and the words "Corporate Seal" and "Michigan." The seal may be used by causing it or a facsimile to be affixed, impressed or reproduced in any other manner.

Exhibit (10.9)

EMPLOYEES WHO ARE PARTIES TO THE  
CHANGE IN CONTROL AGREEMENT

- G. M. Hardy, Secretary and Treasurer, Principal Accounting Officer  
and Director
- G. L. Kiser, President and Chief Operating Officer
- F. H. Jackson, Executive VP of Finance, Chief Financial Officer  
and Director
- P. H. Norton, Chairman of the Board

Financial Report  
Report of Management Responsibilities  
La-Z-Boy Incorporated

The management of La-Z-Boy Incorporated is responsible for the preparation of the accompanying consolidated financial statements, related financial data, and all other information included in the following pages. The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts based on management's estimates and judgments where appropriate.

Management is further responsible for maintaining the adequacy and effectiveness of established internal controls. These controls provide reasonable assurance that the assets of La-Z-Boy Incorporated are safeguarded and that transactions are executed in accordance with management's authorization and are recorded properly for the preparation of financial statements. The internal control system is supported by written policies and procedures, the careful selection and training of qualified personnel, and a program of internal auditing.

The accompanying report of the Company's independent accountants states their opinion on the Company's financial statements, based on examinations conducted in accordance with generally accepted auditing standards. The Board of Directors, through its Audit Committee composed exclusively of outside directors, is responsible for reviewing and monitoring the financial statements and accounting practices. The Audit Committee meets periodically with the internal auditors, management, and the independent accountants to ensure that each is meeting its responsibilities. The Audit Committee and the independent accountants have free access to each other with or without management being present.

Gerald L. Kiser  
President and Chief  
Operating Officer

Frederick H. Jackson  
Chief Financial Officer

Report of Independent Accountants  
Price Waterhouse LLP

To the Board of Directors and Shareholders of La-Z-Boy Incorporated:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity, and of cash flows, present fairly, in all material respects, the financial position of La-Z-Boy Incorporated and its subsidiaries at April 25, 1998 and April 26, 1997, and the results of their operations and their cash flows for each of the three fiscal years in the period ended April 25, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP  
Toledo, Ohio  
May 21, 1998

(Amounts in thousands, except par value)

As of	April 25, 1998	April 26, 1997
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents.....	\$28,700	\$25,382
Receivables, less allowances of \$16,605 in 1998 and \$16,442 in 1997.....	238,260	215,032
<b>Inventories</b>		
Raw materials.....	43,883	36,959
Work-in-process.....	40,640	34,854
Finished goods.....	30,193	28,177
FIFO inventories.....	114,716	99,990
Excess of FIFO over LIFO.....	(22,812)	(21,219)
Total inventories.....	91,904	78,771
Deferred income taxes.....	16,679	20,950
Income taxes.....	936	--
Other current assets.....	6,549	2,640
Total current assets.....	383,028	342,775
Property, plant and equipment, net.....	121,762	114,658
Goodwill, less accumulated amortization of \$11,523 in 1998 and \$9,744 in 1997.....	49,413	38,702
Other long-term assets, less allowances of \$4,034 in 1998 and \$2,489 in 1997.....	26,148	32,272
Total assets.....	\$580,351	\$528,407
	=====	=====
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Current portion of long-term debt.....	\$4,822	\$4,611
Current portion of capital leases.....	1,383	2,017
Accounts payable.....	36,703	28,589
Payroll/other compensation.....	39,617	37,934
Income taxes.....	--	5,412
Other current liabilities.....	25,764	19,106
Total current liabilities.....	108,289	97,669
Long-term debt.....	66,434	52,449
Capital leases.....	819	2,202
Deferred income taxes.....	5,478	6,329
Other long-term liabilities.....	11,122	10,420
Commitments and contingencies	--	--
<b>Shareholders' equity</b>		
Preferred shares - 5,000 authorized; 0 issued....	--	--
Common shares, \$1 par value - 40,000 authorized; 17,850 issued in 1998 and 17,908 in 1997.....	17,850	17,908
Capital in excess of par value.....	29,262	27,697
Retained earnings.....	342,146	314,731
Currency translation adjustments.....	(1,049)	(998)
Total shareholders' equity.....	388,209	359,338
Total liabilities and shareholders' equity....	\$580,351	\$528,407
	=====	=====

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

### Consolidated Statement of Income

(Amounts in thousands, except per share data)

Fiscal Year Ended	4/25/98	4/26/97	4/27/96
Sales.....	\$1,108,038	\$1,005,825	\$947,263
Cost of sales.....	825,312	744,662	705,379
Gross profit.....	282,726	261,163	241,884
Selling, general and administrative..	205,523	187,230	174,376
Operating profit.....	77,203	73,933	67,508
Interest expense.....	4,157	4,376	5,306
Interest income.....	2,021	1,770	1,975
Other income.....	4,207	2,508	2,023
Pretax income.....	79,274	73,835	66,200
Income tax expense			
Federal - current.....	28,467	26,247	23,383
- deferred.....	(2,046)	(1,699)	(818)
State - current.....	3,287	4,304	4,540
- deferred.....	(354)	(314)	(158)
Total tax expense.....	29,354	28,538	26,947
Net income.....	\$49,920	\$45,297	\$39,253
Weighted average shares.....	17,885	18,108	18,498
Basic net income per share.....	\$2.79	\$2.50	\$2.12
Diluted net income per share.....	\$2.78	\$2.49	\$2.12

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

### Consolidated Statement of Cash Flows

(Amounts in thousands)

Year Ended	4/25/98	4/26/97	4/27/96
Cash flows from operating activities:			
Net income.....	\$49,920	\$45,297	\$39,253
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	21,021	20,382	20,147
Change in receivables.....	(14,090)	(8,178)	(13,492)
Change in inventories.....	(6,918)	421	1,899
Change in other assets and liab.....	2,374	4,254	5,184

Change in deferred taxes.....	3,177	(2,014)	(975)
Total adjustments.....	5,564	14,865	12,763
Cash provided by operating activities.....	55,484	60,162	52,016
Cash flows from investing activities:			
Proceeds from disposals of assets.....	1,585	1,527	1,063
Capital expenditures.....	(22,016)	(17,778)	(18,168)
Change in other investments.....	(16,066)	(8,596)	1,229
Cash used for investing activities	(36,497)	(24,847)	(18,334)
Cash flows from financing activities:			
Short-term debt.....	--	--	--
Long-term debt.....	35,000	--	--
Retirements of debt.....	(24,653)	(5,640)	(13,125)
Capital leases.....	--	--	1,161
Capital lease principal payments	(2,017)	(2,114)	(2,204)
Stock for stock option plans.....	5,748	4,213	2,876
Stock for 401(k) employee plans.....	1,704	1,568	1,378
Purchases of La-Z-Boy stock.....	(16,391)	(20,751)	(10,035)
Payments of cash dividends.....	(15,029)	(14,142)	(13,706)
Cash used for financing activities	(15,638)	(36,866)	(33,655)
Effect of exchange rate changes on cash...	(31)	(127)	(15)
Net change in cash and equivalents.....	3,318	(1,678)	12
Cash and equiv. at beginning of the year..	25,382	27,060	27,048
Cash and equiv. at end of the year.....	\$28,700	\$25,382	\$27,060
Cash paid during the year - Income taxes..	\$29,025	\$28,670	\$27,024
- Interest.....	\$4,235	\$4,437	\$5,408

For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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

### Consolidated Statement of Shareholders' Equity

(Amounts in thousands)

	Common Shares	Capital in Excess of Par Value	Retained Earnings	Currency Translation Adjustments	Total
At April 29, 1995..	\$18,562	\$28,085	\$277,738	(\$745)	\$323,640
Purchases of La-Z-Boy stock..	(372)		(9,663)		(10,035)
Currency translation.....				(30)	(30)
Stock options/401(k).....	195	(69)	4,128		4,254
Dividends paid.....			(13,706)		(13,706)
Net income.....			39,253		39,253
At April 27, 1996..	18,385	28,016	297,750	(775)	343,376
Purchases of La-Z-Boy stock..	(693)		(20,058)		(20,751)

Currency translation.....				(223)	(223)
Stock options/401(k).....	216	(319)	5,884		5,781
Dividends paid.....			(14,142)		(14,142)
Net income.....			45,297		45,297
	-----	-----	-----	-----	-----
At April 26, 1997..	17,908	27,697	314,731	(998)	359,338
Purchases of La-Z-Boy stock..	(484)		(15,907)		(16,391)
Currency translation.....				(51)	(51)
Stock options/401(k).....	333	1,110	6,008		7,451
Acquisition related`.....	93	455	2,423		2,971
Dividends paid.....			(15,029)		(15,029)
Net income.....			49,920		49,920
	-----	-----	-----	-----	-----
At April 25, 1998..	\$17,850	\$29,262	\$342,146	(\$1,049)	\$388,209
	=====	=====	=====	=====	=====

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

## Notes to Consolidated Financial Statements

### Note 1: Accounting Policies

The Company operates primarily in the U.S. furniture industry. The following is a summary of significant accounting policies followed in the preparation of these financial statements.

#### Principles of Consolidation

The consolidated financial statements include the accounts of La-Z-Boy Incorporated and its subsidiaries. All significant intercompany transactions have been eliminated. Certain non-U.S. subsidiaries are consolidated on a one-month lag.

#### Risks And Uncertainties

The consolidated financial statements are prepared in conformity with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses for the reporting periods. Actual results could differ from those estimates.

#### Inventories

Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis.

#### Property, Plant and Equipment

Items capitalized, including significant betterments to existing facilities, are recorded at cost. Depreciation is computed using primarily accelerated methods over the estimated useful lives of the assets.

#### Goodwill

The excess of the cost of operating companies acquired over the value of their net tangible assets is amortized on a straight-line basis over 30 years from the date of acquisition.

Goodwill is evaluated periodically as events or circumstances indicate a possible inability to recover its carrying amount. Such evaluation is based on profitability projections and cash flow analysis. If future expected undiscounted cash flows are insufficient to recover the carrying amount of the asset, then the asset is written down to fair value.

#### Revenue Recognition

Revenue is recognized upon shipment of product.

#### Income Taxes

Income tax expense is provided on all revenue and expense items included in the consolidated statement of income, regardless of the period such items are recognized for income tax purposes.

## Earnings per Share

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share" in 1998. The Statement requires both basic and diluted net income per share to be presented. Basic net income 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 were issued. This includes employee stock options. Prior period earnings per share information has been restated to be in compliance with SFAS No. 128.

(Amounts in thousands)

	4/25/98	4/26/97	4/27/96
Weighted average common shares outstanding (Basic).....	17,885	18,108	18,498
Effect of options.....	55	84	34
Weighted average common shares outstanding (Diluted)..	17,940	18,192	18,532

### Note 2: Acquisitions

On April 1, 1998, the Company acquired all of the capital stock of Sam Moore Furniture Industries, Incorporated, a manufacturer of upholstered furniture. For the year ended December 31, 1997, Sam Moore Furniture Industries sales were \$33 million.

During the fiscal year 1998, La-Z-Boy acquired the remaining 25% of the ordinary share capital of Centurion Furniture plc, a furniture manufacturer located in England. Sales for their year ended March 31, 1997 were \$12 million.

The consolidated April 1998 financial statements include the operations of Distincion Muebles, a furniture manufacturer located in Mexico. Annual sales for the year ended March 30, 1998 were \$1.9 million.

### Note 3: Cash and Equivalents

(Amounts in thousands)

	4/25/98	4/26/97
Certificates of deposit.....	\$13,000	\$19,600
Cash in bank.....	10,714	5,782
Commercial paper.....	3,963	--
Marketable Securities.....	1,023	--
Total cash and equivalents.....	\$28,700	\$25,382

The Company invests in certificates of deposit with a bank whose board of directors includes two members of the Company's board of directors. At the end of fiscal years 1998 and 1997, \$13 million and \$16 million, respectively, was invested in this bank's certificates.

### Note 4: Property, Plant and Equipment

(Amounts in thousands)

	Life in years	Depreciation method	4/25/98	4/26/97
Land and land improvements.....	0-20	150% DB	\$ 12,937	\$ 11,296
Buildings and building fixtures.	15-30	150% DB	116,145	110,875

Machinery and equipment.....	10	200% DB	114,502	107,316
Network and production tracking systems.....	5-10	SL	2,407	1,873
Transportation equipment.....	5	SL	15,606	14,974
Information systems.....	3-5	150-200% DB	20,738	16,295
Other.....	3-10	Various	18,048	14,186
			-----	-----
			300,383	276,815
Less: accumulated depreciation.....			178,621	162,157
			-----	-----
Property, plant and equipment, net..			\$121,762	\$114,658
			=====	=====

DB = Declining Balance      SL = Straight Line

#### Note 5: Debt and Capital Lease Obligations

(Amounts in thousands)

	Interest rates	Maturities	4/25/98	4/26/97
Private placement.....	6.5-8.8%	1999-08	\$38,750	\$5,625
Industrial revenue bonds..	4.0%-4.6%	1999-14	28,500	30,870
La-Z-Boy notes.....	8.0%	1999	2,492	4,984
Credit lines.....	5.9%-6.1%	-	-	15,000
Other debt.....	5.0%-7.0%	1999-04	1,514	581
			-----	-----
Total debt.....			\$71,256	\$57,060
Less: current portion.....			4,822	4,611
			-----	-----
Long-term debt.....			\$66,434	\$52,449
			=====	=====
	Weighted average interest rate		5.8%	5.4%
	Fair value of long-term debt		\$71,352	\$57,200

The Company has a \$75 million unsecured revolving credit line through August 2002, requiring interest only payments through August 2002 and requiring principal payment in August 2002. The credit agreement also includes covenants that, among other things, require the Company to maintain certain financial statement ratios.

On April 22, 1998, the Company obtained \$35 million through the sale of unsecured senior notes in a private placement. The principal on the notes payable at the end of 10 years and has an interest rate of 6.47%. The agreement also includes covenants that, among other things, require the Company to maintain certain financial statement ratios.

Proceeds from industrial revenue bonds were used to finance the construction of manufacturing facilities. These arrangements require the Company to insure and maintain the facilities and make annual payments that include interest. The bonds are secured by the facilities constructed from the bond proceeds.

The Company leases equipment (primarily trucks used as transportation equipment) under capital leases expiring at various dates through fiscal year 2001. The majority of the leases include bargain purchase options.

Maturities of debt and lease obligations for the five years subsequent to April 25, 1998 are \$6 million, \$3 million, \$2 million, \$5 million and \$0, respectively. As of April 25, 1998, the Company had remaining unused lines of credit and commitments of \$106 million under several credit arrangements.

#### Note 6: Financial Guarantees

La-Z-Boy has provided financial guarantees relating to loans and leases in connection with some proprietary stores. The amounts of the unsecured guarantees are shown in the following table. Because almost all guarantees are expected to retire without being funded in whole, the contract amounts are not estimates of future cash flows.

(Amounts in thousands)

	4/25/98 Contract Amount	4/26/97 Contract Amount
Lease Guarantees.....	\$5,122	\$4,458
Loan Guarantees.....	\$23,567	\$20,049

Most guarantees require periodic payments to La-Z-Boy in exchange for the guarantee. Terms of current guarantees generally range from one to five years.

The guarantees have off-balance-sheet credit risk because only the periodic payments and accruals for possible losses are recognized until the guarantee expires. Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed to perform completely as contracted. The credit risk amounts are equal to the contractual amounts, assuming that the amounts are fully advanced and that no amounts could be recovered from other parties.

#### Note 7: Stock Option Plans

The Company's shareholders adopted an employee Incentive Stock Option Plan that provides grants to certain employees to purchase common shares of the Company at not less than their fair market value at the date of grant. Options are for five years and become exercisable at 25% per year beginning one year from the date of grant. The Company is authorized to grant options for up to 2,500,000 common shares.

	Number of shares	Weighted average exercise price
Outstanding at April 29, 1995....	484,700	\$24.03
Granted.....	140,245	\$30.98
Exercised.....	(87,917)	\$16.80
Expired or cancelled.....	( 4,478)	\$26.15
Outstanding at April 27, 1996....	532,550	\$27.05
Granted.....	--	--
Exercised.....	(120,714)	\$22.82
Expired or cancelled.....	( 3,659)	\$27.11
Outstanding at April 26, 1997....	408,177	\$28.30
Granted.....	286,955	\$34.80
Exercised.....	(225,772)	\$28.07
Expired or cancelled.....	(22,507)	\$31.26
Outstanding at April 25, 1998....	446,853	\$32.61
Exercisable at April 25, 1998....	169,148	\$29.49
Shares available for grants at April 25, 1998.....	2,198	

The options outstanding at April 25, 1998 have exercise prices between \$27.00 and \$39.69 and a weighted-average remaining contractual life of 2.8 years.

The Company's shareholders have adopted Restricted Share Plans. Under one plan, the Compensation Committee of the Board of Directors is authorized to offer for sale up to an aggregate of 250,000 common shares to certain employees. Under a second plan, up to an aggregate of 50,000 common shares are authorized for sale to non-employee directors. Under the Restricted Share Plans, shares are offered at 25% of the fair market value at the date of the grant. The plans require that all shares be held in an escrow account for a period of three years in the case of an employee, or until the participant's service as a director ceases in the case of a director. In the event of an employee's termination during the escrow period, the shares must be sold back to the Company at the employee's cost.

Shares aggregating 1,000 and 2,500 were granted and issued during the fiscal years 1998 and 1997, respectively, under the directors' plan. Shares remaining for future grants under the directors' plan amounted to 33,000 at April 25, 1998.

Shares aggregating 23,060 and 0 were granted and issued during the fiscal years 1998 and 1997, respectively, under the employee Restricted Share Plan. Shares remaining for future grants under the above plan amounted to 226,940 at April 25, 1998.

The Company's shareholders have also adopted a Performance-Based Restricted Stock Plan. This plan authorizes the Compensation Committee of the Board of Directors to award up to an aggregate of 400,000 shares to key employees. Grants of shares are based on achievement of goals over a three-year performance period. Any award made under the plan will be at the sole discretion of the Committee after judging all relevant factors. At April 25, 1998, performance awards were outstanding pursuant to which up to approximately 110,000 shares may be issued in fiscal years 1999 through 2001 for the three outstanding plans, depending on the extent to which certain specified performance objectives are met. The costs of performance awards are expensed over the performance period. In 1998, 42,965 shares were issued.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations.

Had the Company elected to recognize compensation cost for incentive stock options based on the fair value method of accounting prescribed by SFAS No. 123, the expense relating to the stock options would have been \$0.6 million in 1998, \$0.2 million in 1997, and \$0.2 million in 1996. Pro forma net income and earnings per share would have been as follows:

(Amounts of thousands, except per share data)

	4/25/98	4/26/97	4/27/96
Net income.....	\$49,349	\$45,118	\$39,074
Basic net income per share.....	\$2.76	\$2.49	\$2.11
Diluted net income per share....	\$2.75	\$2.48	\$2.11

The pro forma effect on net income is not representative of the pro forma effect on net income that will be disclosed in future years because it does not take into consideration pro forma compensation expense relating to grants prior to 1996 as required by SFAS No. 123.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes model with the following assumptions:

	4/25/98	4/26/97	4/27/96
Risk free interest rate.....	5.6%	6.4%	5.6%
Dividend rate.....	1.6%	2.4%	2.5%
Expected life.....	4.6 yrs	4.6 yrs	4.8 yrs
Stock price volatility.....	23%	25%	25%

Note 8: Retirement/Welfare

The Company has contributory and non-contributory retirement plans covering substantially all factory employees.

Eligible salaried employees are covered under a trustee profit sharing retirement plan. Cash contributions to a trust are made annually based on profits.

The Company has established a non-qualified deferred compensation plan for eligible highly compensated employees called a SERP (Supplemental Executive Retirement Plan).

The Company provides executive life insurance to certain highly compensated

employees. Such employees are not eligible for current contributions to profit sharing or SERP.

The Company offers voluntary 401(k) retirement plans to eligible employees within U.S. operating divisions. Currently over 60% of eligible employees are participating in the plans. The Company makes matching contributions based on specific formulas. For most divisions, this match is made in La-Z-Boy stock.

The Company maintains defined benefit pension plans for all eligible factory hourly employees.

The actuarially determined net periodic pension cost and retirement costs are computed as follows:

(Amounts in thousands)

	4/25/98	4/26/97	4/27/96
Service cost.....	\$1,903	\$1,767	\$1,802
Interest cost.....	2,508	2,270	2,051
Actual return on plan assets.....	(9,439)	(5,475)	(5,468)
Net amortization and deferral.....	5,843	2,381	3,031
Net periodic pension cost.....	815	943	1,416
Profit sharing/SERP.....	6,035	5,999	5,681
401(k).....	1,661	1,625	1,429
Other.....	968	882	497
Total retirement costs.....	<u>\$9,479</u>	<u>\$9,449</u>	<u>\$9,023</u>

The funded status of the pension plans was as follows (for the fiscal years ended):

(Amounts in thousands)

	4/25/98	4/26/97
Change in benefit obligation		
Benefit obligation at beginning of year.....	\$32,011	\$29,035
Service cost.....	1,903	1,767
Interest cost.....	2,508	2,270
Amendments.....	474	349
Benefits paid.....	(1,663)	(1,410)
Acquisition of Sam Moore.....	4,715	--
Benefits obligation at end of year	39,948	32,011
Change in plan assets		
Fair value plan assets at beginning of year.....	41,568	37,503
Actual return on plan assets.....	9,439	5,475
Benefits paid.....	(1,663)	(1,410)
Acquisition of Sam Moore.....	4,201	--
Fair value of plan assets at end of year	53,545	41,568
Funded status.....	14,111	9,557
Unrecognized actuarial loss/gain....	(9,218)	(3,948)
Unamortized prior service cost.....	724	823
Net amount recognized.....	<u>\$5,617</u>	<u>\$6,432</u>

The expected long-term rate of return on plan assets was 8.0% for fiscal years 1998, 1997 and 1996. The discount rate used in determining the actuarial

present value of projected benefit obligations was 7.5% for fiscal years 1998, 1997, and 1996. Vested benefits included in the projected benefit obligation were \$32 million and \$29 million at April 25, 1998 and April 26, 1997, respectively. Plan assets are invested in a diversified portfolio that consists primarily of debt and equity securities.

The Company's pension plan funding policy is to contribute annually at least the amount necessary so that the plan assets exceed the projected benefit obligation.

The Company acquired Sam Moore on April 1, 1998, increasing the pension benefit obligation by \$4.7 million and the pension plan assets by \$4.2 million.

Note 9: Health Care

The Company offers eligible employees an opportunity to participate in group health plans. Participating employees make required premium payments through pretax payroll deductions.

Health-care expenses were as follows (for the years ended):

(Amounts in thousands)

	4/25/98	4/26/97	4/27/96
Gross health care.....	\$32,020	\$30,831	\$30,122
Participant payments.....	(7,531)	(6,393)	(6,005)
Net health care.....	\$24,489	\$24,438	\$24,117

The Company makes annual provisions for any current and future retirement health-care costs which may not be covered by retirees' collected premiums.

Note 10: Income Taxes

The primary components of the Company's deferred tax assets and liabilities as of April 25, 1998 and April 26, 1997 are as follows:

(Amounts in thousands)

	4/25/98	4/26/97
<b>Current</b>		
Deferred income tax assets/(liabilities)		
Bad debt.....	\$9,393	\$7,649
Warranty.....	4,938	4,448
Workers' compensation.....	1,838	1,594
Inventory.....	1,795	1,026
SERP/PEP.....	1,794	1,680
State income taxes.....	926	1,161
Performance based restricted stock plan....	793	693
Valuation adjustment- receivables.....	(8,700)	--
Other.....	4,089	2,847
Valuation allowance.....	(187)	(148)
Total current deferred tax assets.....	16,679	20,950
<b>Noncurrent</b>		
Deferred income tax assets/(liabilities)		
Property, plant and equipment.....	(3,110)	(3,717)
Pension.....	(2,506)	(2,783)
Net operating losses.....	842	1,533
Other.....	246	207
Valuation allowance.....	(950)	(1,569)
Total noncurrent deferred tax liabilities	(5,478)	(6,329)
Net deferred tax asset.....	\$11,201	\$14,621

The differences between the provision for income taxes and income taxes computed using the U.S. federal statutory rate are as follows (for the fiscal years ended):

(% of pretax income)	4/25/98	4/26/97	4/27/96
Statutory tax rate.....	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes net of federal benefit.....	2.4	3.5	4.3
Tax credits.....	(0.2)	(0.4)	(1.1)
Acquisition amortization.....	0.8	0.9	1.5
Unutilized loss carryforwards.....	(0.5)	0.1	0.9
Miscellaneous items.....	(0.5)	(0.4)	0.1
Effective tax rate.....	37.0%	38.7%	40.7%
	=====	=====	=====

**Note 11: Contingencies**

The Company has been named as a defendant in various lawsuits arising in the ordinary course of business. It is not possible at the present time to estimate the ultimate outcome of these actions; however, management believes that the resultant liability, if any, will not be material based on the Company's previous experience with lawsuits of these types.

The Company has been named as a potentially responsible party (PRP) at five environmental clean-up sites. The Seaboard Chemical Company site is a Resource Conservation and Recovery Act (RCRA) site, managed under the direction of the State of North Carolina. A "De Micromis" settlement with the State was accepted by three Company facilities. Management anticipates the remaining facility will be eligible for a "De Minimus" level settlement.

The Organic Chemicals Incorporated site is a "Superfund Site," managed under the direction of the U.S. Environmental Protection Agency (EPA). A De Minimus settlement offer is currently under review by the EPA.

The Caldwell Systems site is a voluntary RCRA closure, with its activities being coordinated by the EPA. The Company entered into a Consent Decree that included all of the relevant Company's facilities at both De Maximus and De Minimus levels.

The American Chemical Services site is a "Superfund Site," managed under the direction of the EPA. The Company accepted an "Amended Administrative Order" from the EPA that allows for a De Minimus settlement. As a result, the Company expects that it will be dismissed from a related PRP lawsuit seeking contribution from the Company.

The Butterworth Landfill site is a "Superfund Site," managed under the direction of the EPA. Investigations by both the PRP group and the Company indicate that the Company did not send any hazardous waste to this site. The Company intends to cooperate with the PRP group and the EPA during this initial investigation phase.

Based on a review of all currently known facts, management does not anticipate that future expenditure for environmental clean-up sites will have a material adverse effect on the Company.

**Management Discussion**

The Management Discussion and Analysis, as required by the Securities and Exchange Commission, should be read in conjunction with the Report of Management Responsibilities, the Report of Independent Accountants, the Consolidated Financial Statements and related Notes, and all other pages that follow them in the annual report.

**Background:**

Consolidated sales by type	1998	1997	1996
-----	-----	-----	-----

Residential (home)			
Upholstery	77%	78%	78%
Wood & other	17	16	16
	----	----	----
	94	94	94
Contract (office)	6	6	6
	---	---	---
	100%	100%	100%
	===	===	===

Consolidated sales by country	1998	1997	1996
-----	----	----	----
United States	93%	94%	94%
Canada and other	7	6	6
	----	----	----
	100%	100%	100%
	===	===	===

La-Z-Boy has eight major furniture operating divisions. Residential accounts for the majority of the upholstery category and about 60% of consolidated sales.

Residential division sales by dealer type	1998	1997	1996
-----	----	----	----
Galleries/proprietary	51%	51%	47%
General dealers	35	36	40
Dept. stores/chains	14	13	13
	----	----	----
	100%	100%	100%
	===	===	===

Kincaid is part of the wood category. England/Corsair is part of the upholstery category. La-Z-Boy Contract Furniture Group is all of the Contract line. Hammary is primarily in the wood category. La-Z-Boy Canada is in the upholstery category. Centurion is in the upholstery category. Sam Moore is primarily in the upholstery category.

La-Z-Boy is the third largest furniture maker in the U.S., the largest reclining-chair manufacturer in the world and America's largest manufacturer of upholstered furniture.

Analysis of Operations  
Year Ended April 25, 1998  
(1998 compared with 1997)

The 1998 sales of \$1.1 billion were 10% greater than 1997. About 85% of the increase was due to internal growth of existing divisions and the remainder was due to acquisitions. Internal division growth rates ranged from a low of 6% to a high of 19%. In addition, strength in sales occurred in almost all product lines within each division. La-Z-Boy believes that its 1998 internal growth rate of about 8.5% slightly exceeded the U.S. industry average for comparable time periods. Selling price increases per unit were small and there were no significant shifts to higher or lower priced products. No major new product lines were introduced in 1998 although new styles and new collections of styles occurred across all divisions throughout the year. In addition, new fabrics were added (replacing slower moving fabrics) throughout the year. No major new dealers were added in 1998 and no significant dealers were dropped. No one

dealer accounted for 5% or more of sales in 1998.

La-Z-Boy's gross profit margin (gross profit dollars as a percent of sales dollars) declined to 25.5% in 1998 from 26.0% in 1997. Hardwood and plywood parts production and delivery problems and related assembly site production disruptions adversely affected gross margins. The elimination of three manufacturing assembly sites also adversely affected gross margins. Additionally, cost problems were encountered at multiple sites trying to gear up quickly to meet unexpectedly high product demand primarily in the second half of the year. The above items mostly affected plant overhead costs and unfavorable plant labor variances. 1998 labor wage rates rose a moderate 2%. Purchased materials prices were about flat compared to 1997. Increased sales volumes, increased selling prices and lower frame parts costs favorably impacted gross margins.

S, G & A expense decreased to 18.5% of sales in 1998 from 18.6% in 1997. A decline in bonus expense and to some selling expenses more than offset increases (greater than the rate of sales) in professional related expenses, bad debts and Information Technology expenses which include Year 2000 costs.

Income tax expense as a percent of pretax income declined to 37.0% in 1998 from 38.7% in 1997 reflecting a favorable shift of earnings to entities with lower effective tax rates and the settlement of an IRS audit. The Company expects slightly lower effective tax rates to continue for the immediate future.

#### Analysis of Operations

Year Ended April 26, 1997  
(1997 compared with 1996)

La-Z-Boy's sales increased 6% in fiscal 1997 over 1996 and exceeded \$1 billion for the first time. This growth rate is believed to be slightly better than the industry growth. The sales growth was spread among all the Company's divisions with wood and contract sales somewhat above the average. The Ducks Unlimited Collection, introduced in April 1996, contributed significantly to the wood division sales increases. Selling price increases were small.

The gross margin (gross profit dollars as a percent of sales) improved to 26.0% in 1997 from 25.5% in 1996. The increase in sales volume, along with the effect of cost cutting initiatives, contributed to the margin improvement. The effect of these favorable items was only partially offset by increased material and labor costs and the mix change toward products with lower than average gross margins.

In 1997, the number of plants producing wood frame parts was reduced in an effort to improve quality and reduce costs. The reductions had little financial impact on 1997 as the timing was spread over the year and some conversion costs were incurred offsetting some of the lower production costs. Benefits are expected in 1998.

In April 1997, the Company announced plans to close the Contract plants in Grand Rapids, Michigan and to begin producing these products at an existing plant in Lincolnton, North Carolina. The move is planned for the first quarter of 1998. Two of the plants have been sold and the third will be sold.

S, G & A expense increased to 18.6% of sales in 1997 from 18.4% of sales in 1996 primarily due to increased costs for employee bonuses and incentives. Interest expense declined 18% primarily due to lower debt and capital lease obligations.

Income tax expense as a percent of pretax income declined to 38.7% in 1997 from 40.7% in 1996. The Canadian division's results were favorable compared to the prior year, reducing the unfavorable impact on the effective tax rate. Also, the benefits of some efforts to reduce tax expense were recognized during the year.

During 1997, La-Z-Boy acquired approximately 75% of the ordinary share capital of Centurion Furniture plc, a furniture manufacturer located in England. The remainder of the ordinary share capital is expected to be acquired in the first quarter of 1998. Sales for their year ended March 1997 were \$12 million.

#### Liquidity and Financial Condition:

Below is summarized cash flow information. Free cash flow represents the cash remaining from operations after reinvesting in business opportunities. This cash flow allows the Company to pay dividends and repurchase stock generally without incurring additional debt.

(Amounts in thousands)

	Year ended	4/25/98	4/26/97	4/27/96
Cash flows provided by (used for):				
Net income		\$49,920	\$45,297	\$39,253
Other operating activities		5,564	14,865	12,763
Investing activities		(36,497)	(24,847)	(18,334)
Free cash flow		18,987	35,315	33,682
Cash flows provided by (used for):				
Financing activities		(15,638)	(36,866)	(33,655)
Exchange		(31)	(127)	(15)
Increase (decrease) in cash		\$3,318	(\$1,678)	\$12

Cash flows from operations amounted to \$55 million in 1998, \$60 million in 1997 and \$52 million in 1996 and have been adequate for day-to-day expenditures, dividends to shareholders and capital expenditures.

Capital expenditures were \$22.0 million in 1998, \$17.8 million in 1997 and \$18.2 million in 1996. Capacity utilization was approximately 60% at the end of 1998.

FIFO inventories have increased compared to last year in large part due to the acquisition of companies throughout the year. On a comparable basis, that is for those divisions with full 1998-year sales and balances at both the beginning and end of the year, FIFO inventory increased 7% in total. Year-end raw materials increased 6%, work-in-process increased 11% and finished goods increased 3%; all on a comparable basis. In addition, work-in-process inventories have increased to support newly introduced products requiring special electrical and other purchased components, to support an increased volume of units being produced in leather, and to alleviate shortages in hardwood and plywood parts experienced earlier.

In 1998, La-Z-Boy obtained \$35 million through the sale of 6.47% unsecured senior notes in a private placement. The proceeds were used in part for the acquisition of Sam Moore and to pay down other forms of debt. Retirements of debt totaled between \$6 million and \$25 million for each of the last three years.

The Company had unused lines of credit and commitments of \$106 million under several credit arrangements as of April 25, 1998. The primary credit arrangement is a \$75 million unsecured revolving credit line through August 2002, requiring interest only payments through August 2002 and a payment of principal in August 2002. The credit agreement includes covenants that, among other things, require the Company to maintain certain financial statement ratios. The Company has complied with all of the requirements.

The La-Z-Boy Board of Directors has authorized the repurchase of Company stock. Shares acquired in 1998, 1997 and 1996 totaled 484,000, 694,000 and 372,000, respectively. As of April 25, 1998, 1,057,000 shares were available for repurchase. The Company plans to be in the market for its shares as changes in its stock price and other financial opportunities arise.

The financial strength of the Company is reflected in two commonly used ratios, the current ratio (current assets divided by current liabilities) and the debt-to-capital ratio (total debt divided by shareholders' equity plus total debt). The current ratio at the end of 1998 and 1997 was 3.5:1. The debt to capital ratio was 15.9% at the end of 1998 and 14.6% at the end of 1997.

Continuing compliance with existing federal, state and local provisions dealing with protection of the environment is not expected to have a material effect upon the Company's capital expenditures, earnings, competitive position or liquidity. The Company will continue its program of conducting voluntary compliance audits at its facilities. The Company has also taken steps to assure compliance with the provisions of Titles III and V of the 1990 Clean Air Act Amendments.

The Company has accrued for certain environmental remediation activities relating to past operations, including those under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, often referred to as Superfund) and the Resource Conservation and Recovery Act (RCRA). The Company is participating in the closure of five such sites. There will be future expenditures in this area, but based on a review of all currently known facts, management does not anticipate that they will have a material adverse effect. For further discussion of environmental matters, refer to Note 11:Contingencies, in the Notes to Consolidated Financial

Statements.

#### Outlook:

Statements in this Outlook section are forward looking and based on information available at this time. As conditions change in the future actual results may not match these expectations. In particular, sales and profits can be materially impacted in any quarter by changes in interest rates or changes in consumer confidence/demand.

One of La-Z-Boy's financial goals is for sales to grow faster than the furniture industry with a benchmark of 10% per year. For 1998, La-Z-Boy sales increased 10% from 1997 which the Company believes was slightly better than the industry average. Some furniture industry forecasts for calendar year 1998 over 1997 are in the 6-8% range.

At the end of April 1998, the backlog of orders was much higher than at the end of April 1997. La-Z-Boy primarily builds "to order" and does not carry large amounts of finished warehouse goods. The stronger sales orders as well as improvements in scheduling production in the beginning of 1999 fiscal year are expected to result in first quarter sales to be measurably over the prior year's first quarter. Expectations are for a slowdown in sales growth rates in the second half of 1999 based on industry economic projections and the high rate of actual sales achieved in that period in 1998 which will make 1999 comparisons more difficult.

The Company's major residential efforts and opportunities for U.S. sales growth greater than industry averages are focused outside the recliner market segment, e.g., stationary upholstery (single and multi-seat), reclining sofas and modulars, wood occasional and wall units and wood bedroom and dining room furniture.

The number of dealer owned and operated proprietary stores is expected to continue increasing. These stores are a major contributor to La-Z-Boy's ability to achieve its sales goal.

La-Z-Boy's second financial goal is for earnings (operating profit and net income per share) to grow at a rate greater than the rate of sales growth. For 1998 sales were up 10%, operating profit was up 4% and net income per share was up 12%. (See 1998 analysis of operations for details.) For 1999 it is expected that various management initiatives, economic events and other items will occur such that the net effect of these items will result in the second financial goal being achieved. Some of the major expected favorable items are: Two companies recently acquired and only partly reported in 1998 will have a full year effect in 1999. Problems associated with plywood and hardwood parts are expected to be substantially less in 1999. Various new manufacturing machines and methods are expected to improve efficiencies. No new major factory consolidations are planned in 1999. Raw material costs are expected to be flat for most of next year and labor rate increases should be moderate. "Fixed" costs should allow measurable portions of expected increases to sales to fall to the bottom line. And bad debts expense is expected to be less (1998 had a one time \$3.1 million pretax expense as a result of Montgomery Ward filing for bankruptcy protection.) On the unfavorable side, increases to expenses for Information Technology (I.T.) items are expected to well exceed sales rate increases. I.T. expense increases will mostly be in the Year 2000 area, training and improving networks. Bonus expense is expected to increase from a low amount in 1998. Amortization of goodwill and interest expense will increase due to the recent Sam Moore acquisition.

A third financial goal is to improve return on capital with a benchmark of 20.0%. La-Z-Boy defines return on capital as operating profit + interest income + other income as a percent of beginning-of-year capital. For 1998, return on capital was 19.8% compared to 19.0% in 1997. La-Z-Boy enhances shareholder value and reduces capital employed through stock repurchases, dividends and debt reductions. Capital expenditures are expected to be \$25 - \$30 million in 1999 compared to \$22 million in 1998. Most capital expenditures are for replacing machines with new and better machines and for other productivity enhancements.

The Company has established and staffed a Year 2000 Program Office to oversee and coordinate its Year 2000 conversion. The "Year 2000 issue" arises because many computer hardware and software systems use only two digits to represent the year. As a result, these systems and programs may not correctly calculate or interpret dates up to and beyond 2000, which may cause errors in information or systems failures. The Company has initiated corporate-wide involvement of personnel to investigate and address any internal hardware and software compliance issues. In addition, the Company is communicating with customers, manufacturers, suppliers, financial institutions and others with whom it does business to coordinate Year 2000 compliance. All critical applications are expected to be compliant and compatible by the end of calendar year 1999.

In June, 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting of comprehensive income and its components in the full set of financial statements. In addition, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" in that same month. These statements are effective for the Company in fiscal 1999. The Company is in the process of evaluating the impact of these statements.

### Consolidated Six-Year Summary of Selected Financial Data

(Dollar amounts in thousands, except per share data)

Fiscal Year ended	1998 (52 wks)	1997 (52 wks)	1996 (52 wks)	1995 (52 wks)	1994 (53 wks)	1993 (52 wks)
Sales.....	\$1,108,038	\$1,005,825	\$947,263	\$850,271	\$804,898	\$684,122
Cost of sales....	825,312	744,662	705,379	629,222	593,890	506,435
Gross profit...	282,726	261,163	241,884	221,049	211,008	177,687
Sell, gen & admin	205,523	187,230	174,376	158,551	151,756	131,894
Oper profit....	77,203	73,933	67,508	62,498	59,252	45,793
Interest expense.	4,157	4,376	5,306	3,334	2,822	3,260
Interest income..	2,021	1,770	1,975	1,628	1,076	1,474
Other income.....	4,207	2,508	2,023	1,229	649	1,292
Pretax income..	79,274	73,835	66,200	62,021	58,155	45,299
Income tax expense	29,354	28,538	26,947	25,719	23,438	18,015
Net income....	\$49,920	45,297	\$39,253	\$36,302	\$34,717**	\$27,284
Weighted avg shares outstg ('000s)...	17,885	18,108	18,498	18,044	18,268	18,172
Per com shr outstg						
Net income....	\$2.79	\$2.50	\$2.12	\$2.01	\$1.90**	\$1.50
Diluted net income	\$2.78	\$2.49	\$2.12	\$2.01	\$1.89	\$1.50
Cash div paid....	\$0.84	\$0.78	\$0.74	\$0.68	\$0.64	\$0.60
BV on YE shr outst.	\$21.75	\$20.07	\$18.68	\$17.44	\$15.91	\$14.48
Rtn avg shrhdr eqt.	13.4%	12.9%	11.8%	12.2%*	12.5%**	10.7%
Gr prft % of sales.	25.5%	26.0%	25.5%	26.0%	26.2%	26.0%
Op prft % of sales.	7.0%	7.4%	7.1%	7.4%	7.4%	6.7%
Op prft, int inc & oth inc as % of BOY capital.....	19.8%	19.0%	17.6%	18.9%	19.1%	15.8%
Net inc % of sales.	4.5%	4.5%	4.1%	4.3%*	4.3%**	4.0%
Income tax expense % pretax income..	37.0%	38.7%	40.7%	41.5%	40.3%	39.8%
Deprec & amortiz...	\$21,021	\$20,382	\$20,147	\$15,156	\$14,014	\$14,061
Capital expendtrs..	\$22,016	\$17,778	\$18,168	\$18,980	\$17,485	\$12,248
Prtly,plt,eqpt,net..	\$121,762	\$114,658	\$116,199	\$117,175	\$94,277	\$90,407
Working capital....	\$274,739	\$245,106	\$240,583	\$237,280	\$224,122	\$202,398
Current ratio.....	3.5 to 1	3.5 to 1	3.5 to 1	3.7 to 1	4.1 to 1	3.8 to 1
Total assets.....	\$580,351	\$528,407	\$517,546	\$503,818	\$430,253	\$401,064
Debt & Cap. leases.	\$73,458	\$61,279	\$69,033	\$83,201	\$55,370	\$55,912
Shareholders' eqty.	\$388,209	\$359,338	\$343,376	\$323,640	\$290,911	\$263,386
Ending capital....	\$461,667	\$420,617	\$412,409	\$406,841	\$346,281	\$319,298
Ratio debt to eqty.	18.9%	17.1%	20.1%	25.7%	19.0%	21.2%
Ratio debt to capl.	15.9%	14.6%	16.7%	20.5%	16.0%	17.5%
Shareholders.....	13,592	12,729	12,293	12,665	12,615	9032
Employees.....	12,155	11,236	10,733	11,149	9,370	8,724

\* April 1995 shareholders' equity used in this calculation excludes \$18,004 relating to stock issued on the last day of the fiscal year for the acquisition of an operating division.

\*\* Excludes the income effect of adopting SFAS No.109 in May 1993 of \$3,352 or \$0.18 per share.

Dividend and Market Information

Fiscal 1998 Quarter Ended	Divi- dends Paid	Market Price		
		High	Low	Close
July 26	\$0.21	37 15/16	\$31 3/4	\$37 5/8
Oct. 25	0.21	38 15/16	34 1/4	37 7/8
Jan. 24	0.21	44 13/16	37 3/16	43 7/8
Apr. 25	0.21	53 1/2	42 15/16	53 1/2
	----- \$0.84 =====			

Fiscal 1997 Quarter Ended	Divi- dends Paid	Market Price		
		High	Low	Close
July 27	\$0.19	\$32 5/8	\$28 1/4	\$29 1/8
Oct. 26	0.19	31 3/8	28 1/4	30 3/8
Jan. 25	0.19	31 3/8	29 1/4	31 3/8
Apr. 26	0.21	36 7/8	30 3/4	32 1/4
	----- \$0.78 =====			

Year	Dividends Paid	Dividend Yield	Dividend Payout Ratio	Market Price			Net Income per share	P/E Ratio	
				High	Low	Close		High	Low
1998	0.84	1.6%	30.1%	53 1/2	31 3/4	53 1/2	\$2.79	19	11
1997	0.78	2.4%	31.2%	36 7/8	28 1/4	32 1/4	2.50	15	11
1996	0.74	2.5%	34.9%	33 3/4	25 5/8	30 1/8	2.12	16	12
1995	0.68	2.5%	33.8%	33 3/4	25 3/8	27	2.01	17	13
1994	0.64	1.9%	33.7%*	40	25 1/2	33 1/2	1.90*	21*	13*
1993	0.60	2.1%	40.0%	29 3/4	18	28	1.50	20	12

La-Z-Boy Incorporated common shares are traded on the NYSE and the PCX (symbol LZB).

Unaudited Quarterly Financial Information

(Amounts in thousands, except per share data)

Quarter Ended	7/26/97	10/25/97	1/24/98	4/25/98	Fiscal year 1998
Sales.....	\$212,326	\$293,208	\$280,520	\$321,984	\$1,108,038

Cost of sales....	164,184	215,370	211,688	234,070	825,312
Gross profit...	48,142	77,838	68,832	87,914	282,726
Selling, general & admin.....	45,357	50,400	50,189	59,577	205,523
Opertg profit..	2,785	27,438	18,643	28,337	77,203
Interest expense.	1,024	1,027	1,048	1,058	4,157
Interest income..	482	512	568	459	2,021
Other Income.....	750	527	240	2,690	4,207
Pretax income..	2,993	27,450	18,403	30,428	79,274
Income tax exp...	1,267	10,628	6,944	10,515	29,354
Net income...	\$1,726	\$16,822	\$11,459	\$19,913	\$49,920
Net income per share..	\$0.10	\$0.94	\$0.64	\$1.11	\$2.79

Quarter Ended	7/27/96	10/26/96	1/25/97	4/26/97	Fiscal year 1997
Sales.....	\$202,227	\$271,554	\$244,581	\$287,463	\$1,005,825
Cost of sales....	154,917	197,017	180,979	211,749	744,662
Gross profit...	47,310	74,537	63,602	75,714	261,163
Selling, general & admin.....	39,354	49,006	47,765	51,105	187,230
Opertg profit..	7,956	25,531	15,837	24,609	73,933
Interest expense.	1,107	1,097	1,096	1,076	4,376
Interest income..	463	367	430	510	1,770
Other Income.....	785	521	639	563	2,508
Pretax income..	8,097	25,322	15,810	24,606	73,835
Income tax exp...	3,499	10,070	6,009	8,960	28,538
Net income...	\$4,598	\$15,252	\$9,801	\$15,646	\$45,297
Net income per share..	\$0.25	\$0.84	\$0.54	\$0.87	\$2.50

\* Excludes the income effect of adopting SFAS No.109 in May 1993 of \$3,352 or \$0.18 per share.

LA-Z-BOY INCORPORATED  
LIST OF SUBSIDIARIES

Subsidiary  
Jurisdiction of Incorporation

La-Z-Boy Canada, Ltd.  
Ontario, Canada

La-Z-Boy Ad Co.  
Michigan

Kincaid Furniture Company, Incorporated  
Delaware

La-Z-Boy Export Ltd.  
Barbados

LZB Finance, Inc.  
Michigan

England/Corsair, Inc.  
Michigan

LZB Properties, Inc.  
Michigan

LZB Florida Realty, Inc.  
Michigan

Centurion Furniture PLC  
United Kingdom

Distincion Muebles, Sa de C.V.  
Mexico

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-34155, 333-34157, 33-8997, 333-03097 and 33-54743) of La-Z-Boy Incorporated of our report dated May 21, 1998 appearing on page 17 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-2 of this Form 10-K.

/s/PricewaterhouseCoopers LLP  
PRICEWATERHOUSECOOPERS LLP  
Toledo, Ohio  
July 21, 1998

		5
	1,000	
APR-25-1998		
APR-25-1998		
12-MOS		
		28,700
	0	
	238,260	
	0	
	91,904	
	383,028	
		300,383
	178,621	
	580,351	
108,289		
		0
	17,850	
0		
	0	
	370,359	
580,351		
	1,108,038	
1,108,038		
		825,312
	825,312	
	205,523	
	0	
	4,157	
	79,274	
	29,354	
49,920		
	0	
	0	
		0
	49,920	
	2.79	
	2.78	

Receivables are reported net of allowances for doubtful accounts on the Statement of Financial Position.