

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from _____ to _____.

Commission file number: 0-14938

STANLEY FURNITURE COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

54-1272589

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

4100 Mendenhall Oaks Parkway, Suite 200, High Point, North Carolina, 27265

(Address of principal executive offices, Zip Code)

(276) 627- 2010

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes (x) No ()

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes (X) No ()

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

Large accelerated filer () Accelerated filer () Non-accelerated filer (X) Smaller reporting company ()

(Do not check if a smaller reporting company)

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

As of April 13, 2012 14,524,015 shares of common stock of Stanley Furniture Company, Inc., par value \$.02 per share, were outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
ASSETS		
Current assets:		
Cash	\$ 10,229	\$ 15,700
Restricted cash	1,587	1,587
Accounts receivable, less allowances of \$997 and \$1,051	10,885	10,252
Inventories:		
Finished goods	28,209	27,793
Work-in-process	1,550	1,213
Raw materials	<u>1,973</u>	<u>2,078</u>
Total inventories	31,732	31,084
Prepaid expenses and other current assets	3,145	3,380
Deferred income taxes	<u>558</u>	<u>519</u>
Total current assets	58,136	62,522
Property, plant and equipment, net	18,993	17,590
Other assets	<u>333</u>	<u>496</u>
Total assets	<u>\$77,462</u>	<u>\$ 80,608</u>
LIABILITIES		
Current liabilities:		
Accounts payable	9,186	\$ 9,963
Accrued salaries, wages and benefits	3,453	4,378
Other accrued expenses	<u>2,163</u>	<u>2,115</u>
Total current liabilities	14,802	16,456
Deferred income taxes	558	519
Other long-term liabilities	<u>6,476</u>	<u>6,593</u>
Total liabilities	<u>21,836</u>	<u>23,568</u>
STOCKHOLDERS' EQUITY		
Common stock, \$.02 par value, 25,000,000 shares authorized and 14,524,015 shares issued and outstanding	287	287
Capital in excess of par value	15,085	14,898
Retained earnings	40,474	42,037
Accumulated other comprehensive (loss) income	<u>(220)</u>	<u>(182)</u>
Total stockholders' equity	<u>55,626</u>	<u>57,040</u>
Total liabilities and stockholders' equity	<u>\$77,462</u>	<u>\$ 80,608</u>

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

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

	Three Months Ended	
	<u>March 31, 2012</u>	April 2, 2011
Net sales.....	\$ 26,781	\$ 26,571
Cost of sales.....	<u>23,184</u>	<u>24,886</u>
Gross profit.....	3,597	1,685
Selling, general and administrative expenses.....	<u>4,581</u>	<u>5,121</u>
Operating loss.....	(984)	(3,436)
Other income, net.....	21	29
Interest income.....	6	
Interest expense.....	<u>602</u>	<u>538</u>
Loss before income taxes.....	(1,559)	(3,945)
Income tax expense (benefit).....	<u>4</u>	<u>(16)</u>
Net loss.....	<u>\$ (1,563)</u>	<u>\$ (3,929)</u>
Loss per share:		
Basic.....	<u>\$ (.11)</u>	<u>\$ (.27)</u>
Diluted.....	<u>\$ (.11)</u>	<u>\$ (.27)</u>
Weighted average shares outstanding:		
Basic.....	<u>14,345</u>	<u>14,345</u>
Diluted.....	<u>14,345</u>	<u>14,345</u>

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

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

	Three Months Ended	
	March 31, 2012	April 2, 2011
Net loss.....	<u>\$ (1,563)</u>	<u>\$ (3,929)</u>
Other comprehensive income:		
Amortization of prior service benefit	(45)	(42)
Amortization of actuarial loss	<u>7</u>	<u>8</u>
Adjustments to net periodic benefit cost	<u>(38)</u>	<u>(34)</u>
Comprehensive loss.....	<u>\$ (1,525)</u>	<u>\$ (3,895)</u>

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

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

	Three Months Ended	
	March 31, 2012	April 2, 2011
Cash flows from operating activities:		
Cash received from customers	\$ 26,097	\$ 24,139
Cash paid to suppliers and employees.....	(29,234)	(28,330)
Interest received, net	3	
Income taxes paid, net.....	(68)	(52)
Net cash used by operating activities	<u>(3,202)</u>	<u>(4,243)</u>
Cash flows from investing activities:		
Capital expenditures.....	(1,835)	(409)
Purchase of other assets.....	(401)	(38)
Proceeds from sale of assets.....		1,472
Net cash (used) provided by investing activities	<u>(2,236)</u>	<u>1,025</u>
Cash flows from financing activities:		
Capital lease payments.....	(33)	
Net cash used by financing activities	<u>(33)</u>	
Net decrease in cash.....	(5,471)	(3,218)
Cash at beginning of period.....	15,700	25,532
Cash at end of period.....	<u>\$ 10,229</u>	<u>\$ 22,314</u>
Reconciliation of net loss to net cash used by operating activities:		
Net loss.....	\$ (1,563)	\$ (3,929)
Depreciation and amortization	415	387
Stock-based compensation	187	8
Changes in assets and liabilities:		
Accounts receivable.....	(633)	(2,392)
Inventories.....	(648)	2,931
Income tax receivable.....		(68)
Prepaid expenses and other current assets	235	179
Accounts payable	(778)	(1,704)
Accrued salaries, wages and benefits	(951)	331
Other accrued expenses.....	19	(444)
Other assets.....	599	510
Other long-term liabilities	(84)	(52)
Net cash used by operating activities.....	<u>\$ (3,202)</u>	<u>\$ (4,243)</u>

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

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

1. Preparation of Interim Unaudited Consolidated Financial Statements

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

2. Property, Plant and Equipment

	March 31, 2012	December 31, 2011
Land and buildings.....	\$ 13,896	\$ 13,896
Machinery and equipment.....	27,727	27,277
Office furniture and equipment.....	1,168	1,168
Construction in process.....	<u>3,447</u>	<u>2,116</u>
Property, plant and equipment, at cost.....	46,238	44,457
Less accumulated depreciation.....	<u>27,245</u>	<u>26,867</u>
Property, plant and equipment, net.....	<u>\$ 18,993</u>	<u>\$ 17,590</u>

3. Income taxes

During the three months of 2012, we recorded a non-cash charge to our valuation allowance of \$757,000 increasing our valuation allowance against deferred tax assets to \$14.6 million at March 31, 2012. The primary assets covered by this valuation allowance are net operating losses. The valuation allowance was calculated in accordance with the provisions of ASC 740, Income Taxes, which requires an assessment of both positive and negative evidence when measuring the need for a valuation allowance. Our results over the most recent three-year period were heavily affected by our business restructuring activities. Our cumulative loss in the most recent three-year period, in our view, represented sufficient negative evidence to require a valuation allowance under the provisions of ASC 740, Income Taxes. We intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal. Although realization is not assured, we have concluded that the remaining net deferred tax asset in the amount of \$558,000 will be realized based on the reversal of existing deferred tax liabilities. The amount of the deferred tax assets actually realized, however, could vary if there are differences in the timing or amount of future reversals of existing deferred tax liabilities. Should we determine that we will not be able to realize all or part of our deferred tax asset in the future, an adjustment to the deferred tax asset will be charged to income in the period such determination is made.

4. Employee Benefits Plans

Components of other postretirement benefit cost:

	<u>Three Months Ended</u>	
	March 31, 2012	April 2, 2011
Interest cost.....	\$ 33	\$ 40
Amortization of prior service benefit.....	(45)	(42)
Amortization of accumulated loss.....	<u>7</u>	<u>8</u>
Net periodic postretirement benefit (income) cost.....	<u>\$ (5)</u>	<u>\$ 6</u>

5. Stockholders' Equity

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

	<u>Three Months Ended</u>	
	<u>March 31, 2012</u>	<u>April 2, 2011</u>
Weighted average shares outstanding for basic calculation.....	14,345	14,345
Add: Effect of dilutive stock options	<u> </u>	<u> </u>
Weighted average shares outstanding, adjusted for diluted calculation.....	<u>14,345</u>	<u>14,345</u>

In the 2012 and 2011 first quarter periods, the dilutive effect of stock options is not recognized since we have a net operating loss. Approximately 1.8 million shares in 2012 and 1.9 million shares in 2011 are issuable upon the exercise of stock options, which were not included in the diluted per share calculation because they were anti-dilutive. Also, 179,336 shares of restricted stock were not included because they were anti-dilutive.

A reconciliation of the activity in Stockholders' Equity accounts for the quarter ended March 31, 2012 is as follows:

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>
Balance, December 31, 2011	\$ 287	\$ 14,898	\$ 42,037	\$ (182)
Net loss.....			(1,563)	
Stock-based compensation		187		
Adjustment to net periodic benefit cost				(38)
Balance, March 31, 2012.....	<u>\$ 287</u>	<u>\$ 15,085</u>	<u>\$ 40,474</u>	<u>\$ (220)</u>

6. Restructuring and Related Charges

In 2010, we completed a major restructuring plan that ceased all production at our Stanleytown, Virginia manufacturing facility and consisted of the conversion of a portion of this facility to a warehousing and distribution center. In 2011, we evaluated our overall warehousing and distribution requirements for our Stanley Furniture product line and concluded only a portion of the leased warehouse space in Stanleytown, Virginia would be required. Therefore, a restructuring charge for future lease obligations of \$499,000 was taken in 2011 for the portion of the Stanleytown warehouse facility no longer used.

Restructuring accrual activity for the three months ending March 31, 2012 was as follows:

	<u>Severance and other termination costs</u>	<u>Lease Obligations</u>	<u>Other Cost</u>	<u>Total</u>
Accrual at January 1, 2012.....	\$ 57	\$ 499	\$ 50	\$ 606
Charges and adjustments to expense	49		(40)	9
Cash payments.....	(52)	(31)	(10)	(93)
Accrual at March 31, 2012.....	<u>\$ 54</u>	<u>\$ 468</u>	<u>\$</u>	<u>\$ 522</u>

Restructuring accrual activity for the three months ending April 2, 2011 was as follows:

	Severance and other termination costs	Other Cost	Total
Accrual at January 1, 2011.....	\$ 1,239	\$ 730	\$ 1,969
Charges to expense.....	5	(36)	(31)
Cash payments.....	(368)	(152)	(520)
Accrual at April 2, 2011	<u>\$ 876</u>	<u>\$ 542</u>	<u>\$ 1,418</u>

The restructuring accrual is classified as “Other accrued expenses”.

7. Commitments and Contingencies

During the first quarter of 2012, we entered into a lease agreement for a new corporate office and showroom location that will allow for the consolidation of our corporate offices and our High Point Market showroom into a single location in High Point, North Carolina. In addition, we entered into a lease agreement to open a new showroom within the Las Vegas Design Center at World Market Center Las Vegas in January 2013. With the addition of these leases, our future minimum operating lease payments will be \$1.5 million in 2013 and 2014, \$1.6 million in 2015, \$1.2 million in 2016, \$800,000 in 2017 and \$3.7 million thereafter.

8. Subsequent Event

The Continued Dumping and Subsidy Offset Act (“CDSOA”) provides for distribution of monies collected by U.S. Customs and Border Protection (“Customs”) for imports covered by antidumping duty orders entering the United States through September 30, 2007 to eligible domestic producers that supported a successful antidumping petition (“Supporting Producers”) for wooden Bedroom furniture imported from China. Antidumping duties for merchandise entering the U.S. after September 30, 2007 remain with the U.S. Treasury.

Certain manufacturers who did not support the antidumping petition (“Non-Supporting Producers”) filed actions in the United States Court of International Trade, challenging the CDSOA’s “support requirement” and seeking to share in the distributions. As a result, Customs held back a portion of those distributions (the “Holdback”) pending resolution of the Non-Supporting Producers’ claims. The Court of International Trade dismissed all of the actions of the Non-Supporting Producers, who appealed to the United States Court of Appeals for the Federal Circuit. Customs advised that it expected to distribute the Holdback to the Supporting Producers after March 9, 2012. The Non-Supporting Producers sought injunctions first from the Court of International Trade and, when those efforts were unsuccessful, from the Federal Circuit directing Customs to retain the Holdback until the Non-Supporting Producers’ appeals were resolved.

On March 5, 2012, the Federal Circuit denied the motions for injunction, “without prejudicing the ultimate disposition of these cases.” As a result, we expect to receive a CDSOA distribution of approximately \$40 million by the end of April 2012, based on our allocation of the CDSOA funds distributed in each of the past six years. If the Federal Circuit were to reverse the decisions of the Court of International Trade and to determine that the Non-Supporting Producers were entitled to CDSOA distributions, it is possible that Customs may seek to have us return all or a portion of our company’s share of the Holdback. Based on what we know today, we believe it is a remote possibility this will occur.

Since March 31, 2012, we have received \$9.5 million in distributions and we expect to receive the remaining \$30.5 million by the end of April, 2012. The entire \$40 million in distributions will be recorded as income in the second quarter and subject to income taxes but our current net operating loss carryforwards should be sufficient to offset a majority of this taxable income.

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

Results of Operations

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

	Three Months Ended	
	March 31, 2012	April 2, 2011
Net sales.....	100.0%	100.0%
Cost of sales	86.6	93.6
Gross profit.....	13.4	6.4
Selling, general and administrative expenses	17.1	19.3
Operating loss	(3.7)	(12.9)
Other income, net.....	.1	.1
Interest expense, net.....	2.2	2.0
Loss before income taxes.....	(5.8)	(14.8)
Income tax (benefit)		
Net loss	<u>(5.8)%</u>	<u>(14.8)%</u>

Net sales increased \$210,000, or 0.8%, for the three month period ended March 31, 2012, from the comparable 2011 period. The increase was primarily due to increased unit volume. Although we are seeing signs of improvement in the general economy, demand for the higher-end segment of residential wood furniture continues to be inconsistent.

Gross profit for the first three months of 2012 increased to \$3.6 million, or 13.4% of net sales, from \$1.7 million, or 6.4% of net sales, for the comparable three months of 2011. Restructuring and related charges of \$768,000 are included in gross profit for the first three months of 2011. The remaining improvement in gross profit for the first quarter of 2012 resulted from lower fixed cost burden on the Stanley Furniture product line as it continued to transition during the first quarter of 2011 and improved operating efficiencies in the manufacturing of our Young America furniture as we continue to improve the cost structure for this product line.

Selling, general and administrative expenses decreased to \$4.6 million, or 17.1% of net sales, for the three month period of 2012 from \$5.1 million, or 19.3% of net sales, for the comparable three month period of 2011. The reduction in expenses and the lower percentage to net sales are primarily due to a decrease in spending on marketing and advertising related costs during the first quarter of 2012.

As a result of the above, operating loss as a percentage of net sales was 3.7% for the three month period of 2012 compared to an operating loss of 12.9% for the comparable 2011 period.

Net interest expense for the three month period of 2012 increased \$58,000 from the comparable 2011 period. Interest expense is primarily composed of interest on insurance policy loans from a legacy deferred compensation plan.

Our effective tax rate is essentially zero since we have used all of our available carry back income and are maintaining a full valuation allowance for our deferred tax assets in excess of our deferred tax liabilities.

Financial Condition, Liquidity and Capital Resources

Sources of liquidity include cash on hand and cash generated from operations. We expect these sources of liquidity to be adequate to fund ongoing operations and capital expenditures for the foreseeable future. At March 31, 2012 cash on hand was \$11.8 million which includes \$1.6 million in restricted cash.

Working capital, excluding cash and restricted cash, increased during the first three months of 2012 to \$31.5 million from \$28.8 million on December 31, 2011. The increase was the result of increased inventory on globally sourced product, increased accounts receivable due to higher sales and the payout of accrued compensation and benefits.

Cash used by operations was \$3.2 million in the current quarter of 2012 compared to \$4.2 million in the comparable prior year quarter. The decrease in cash used by operations in 2012 was primarily due to an increase in cash received from customers due to higher sales, lower fixed cost on our Stanley Furniture product line and operating improvements at our Young America manufacturing facility. Partially offsetting these receipts and operational improvements was higher payments to suppliers for inventory that supports the globally sourced Stanley Furniture product line.

Net cash used by investing activities was \$2.2 million in the current quarter of 2012 compared to cash provided of \$1.0 million in the comparable prior year quarter. During the first quarter of 2012, we invested \$1.8 million in capital expenditures as part of the modernization of our Young America manufacturing operation in Robbinsville, North Carolina and \$401,000 as part of our investment in improved systems. Cash provided in the prior year quarter was driven by proceeds of \$1.5 million from sale of assets, partially offset by \$409,000 in normal capital expenditures. Capital expenditures for the remainder of 2012 are anticipated to be \$2.7 million in support of the strategic investment in our Young America manufacturing facility with approximately \$2.0 million in the second quarter. We initiated our investment in new systems during the current quarter with a projected total spend of approximately \$3.0 million through the end of 2013. We anticipate spending \$2.0 million in 2012, with \$1.0 million in the second quarter.

Net cash used by financing activities was \$33,000 in the current quarter of 2012 in payment on our capital lease obligation.

In 2011, we evaluated our overall warehousing and distribution requirements for our Stanley Furniture product line. We concluded that with a distribution warehouse in Asia and our Martinsville, Virginia warehouse, we would have adequate space to service our Stanley Furniture product line. Therefore, in 2011 we began to reduce our usage of the facility at Stanleytown, Virginia and took a restructuring charge of \$499,000 for future lease payments. During the second quarter of 2012, we expect to further reduce the warehouse footage required at this leased facility and take an additional restructuring charge for future lease commitment of approximately \$500,000.

We entered into a lease agreement for a new corporate office and showroom location that will allow for the consolidation of our corporate offices and our High Point Market showroom into a single location in High Point, North Carolina. As a result of the consolidation, we expect to record \$500,000 to \$750,000 in restructuring charges for severance and relocation cost in the second half of 2012 and first part of 2013. In addition, we entered into a lease agreement to open a new showroom within the Las Vegas Design Center at World Market Center Las Vegas in January 2013. With the addition of these leases, our future minimum operating lease payments will be \$1.5 million in 2013 and 2014, \$1.6 million in 2015, \$1.2 million in 2016, \$800,000 in 2017 and \$3.7 million thereafter.

Continued Dumping and Subsidy Offset Act (“CDSOA”)

The CDSOA provides for distribution of monies collected by U.S. Customs and Border Protection (“Customs”) for imports covered by antidumping duty orders entering the United States through September 30, 2007 to eligible domestic producers that supported a successful antidumping petition (“Supporting Producers”) for wooden Bedroom furniture imported from China. Antidumping duties for merchandise entering the U.S. after September 30, 2007 remain with the U.S. Treasury.

Certain manufacturers who did not support the antidumping petition (“Non-Supporting Producers”) filed actions in the United States Court of International Trade, challenging the CDSOA’s “support requirement” and seeking to share in the distributions. As a result, Customs held back a portion of those distributions (the “Holdback”) pending resolution of the Non-Supporting Producers’ claims. The Court of International Trade dismissed all of the actions of the Non-Supporting Producers, who appealed to the United States Court of Appeals for the Federal Circuit. Customs advised that it expected to distribute the Holdback to the Supporting Producers after March 9, 2012. The Non-Supporting Producers sought injunctions first from the Court of International Trade and, when those efforts were unsuccessful, from the Federal Circuit directing Customs to retain the Holdback until the Non-Supporting Producers’ appeals were resolved.

On March 5, 2012, the Federal Circuit denied the motions for injunction, “without prejudicing the ultimate disposition of these cases.” As a result, we expect to receive a CDSOA distribution of approximately \$40

million by the end of April 2012, based on our allocation of the CDSOA funds distributed in each of the past six years. If the Federal Circuit were to reverse the decisions of the Court of International Trade and to determine that the Non-Supporting Producers were entitled to CDSOA distributions, it is possible that Customs may seek to have us return all or a portion of our company's share of the Holdback. Based on what we know today, we believe it is a remote possibility this will occur.

Since March 31, 2012, we have received \$9.5 million in distributions and we expect to receive the remaining \$30.5 million by the end of April 2012. The entire \$40 million in distributions will be recorded as income in the second quarter and subject to income taxes but our current net operating loss carryforwards will be sufficient to offset a majority of this taxable income.

In addition, according to Customs, as of October 1, 2011, approximately \$9.1 million in duties had been secured by cash deposits and bonds on unliquidated entries of wooden bedroom furniture that are subject to the CDSOA, and this amount is potentially available for distribution under the CDSOA to eligible domestic producers in connection with the case involving wooden bedroom furniture imported from China. The amount ultimately distributed will be impacted by appeals concerning the results of the annual administrative review process, which can retroactively increase or decrease the actual duties owed on entries secured by cash deposits and bonds, by collection efforts concerning duties that may be owed, and by any applicable legislation and Custom's interpretation of that legislation. Assuming that such funds are distributed and that our percentage allocation in future years is the same as it was for the 2011 distribution (approximately 30% of the funds distributed) and the \$9.1 million collected by the government as of October 1, 2011 does not change as a result of the annual administrative review process or otherwise, we could receive approximately \$2.7 million in CDSOA funds in addition to any funds received from the Holdback discussed above. Due to the uncertainty of the various legal and administrative processes, we cannot provide assurances as to the amount of additional CDSOA funds that ultimately will be received or when we may receive any additional CDSOA funds.

Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our 2011 Annual Report on Form 10-K.

Forward-Looking Statements

Certain statements made in this report are not based on historical facts, but are forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "expects," "may," "will," "should," or "anticipates," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. These statements reflect our reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include our success in profitably producing Young America products in our domestic manufacturing facility, disruptions in foreign sourcing including those arising from supply or distribution disruptions or those arising from changes in political, economic and social conditions, as well as laws and regulations, in countries from which we source products, international trade policies of the United States and countries from which we source products, lower sales due to worsening of current economic conditions, the cyclical nature of the furniture industry, business failures or loss of large customers, the inability to raise prices in response to inflation and increasing costs, failure to anticipate or respond to changes in consumer tastes and fashions in a timely manner, competition in the furniture industry including competition from lower-cost foreign manufacturers, the inability to obtain sufficient quantities of quality raw materials in a timely manner, environmental, health, and safety compliance costs, failure or interruption of our information technology infrastructure, limited use of operating loss carry forwards due to ownership change and extended business interruption at our manufacturing facility. In addition, we have made certain forward looking statements with respect to payments we expect to receive under the Continued Dumping and Subsidy Offset Act, which are subject to the risks and uncertainties described in our discussion of those payments that may cause the actual payments to be subject to claims for recovery or to differ materially from those in the forward looking statements. Any forward-looking statement speaks only as of the date of this filing, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new developments or otherwise.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

ITEM 4. Controls and Procedures

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

Part II. OTHER INFORMATION

Item 6. Exhibits

- 3.1 Restated Certificate of Incorporation of the Registrant as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q (Commission File No. 0-14938) for the quarter ended July 2, 2005).
- 3.2 By-laws of the Registrant as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (Commission File No. 0-14938) filed February 3, 2010).
- 31.1 Certification by Glenn Prillaman, our Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(1)
- 31.2 Certification by Micah S. Goldstein, our Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)
- 32.1 Certification of Glenn Prillaman, our Chief Executive Officer, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. (1)
- 32.2 Certification of Micah S. Goldstein, our Chief Financial Officer, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. (1)
- 101 The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in Extensible Business Reporting Language ("XBRL"): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) condensed consolidated statements of cash flow, and (iv) the notes to the consolidated financial statements, tagged as blocks of text (1) (2)

(1) Filed herewith

(2) Under Rule 406T of Regulation S-T, this exhibit is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under those sections.

SIGNATURE

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

Date: April 17, 2012

STANLEY FURNITURE COMPANY, INC.

By: /s/ Micah S. Goldstein

Micah S. Goldstein

Chief Financial Officer

(Principal Financial and Accounting Officer)

I, Glenn Prillaman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stanley Furniture Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 17, 2012

/s/ Glenn Prillaman
Glenn Prillaman
Chief Executive Officer

I, Micah S. Goldstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stanley Furniture Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 17, 2012

/s/Micah S. Goldstein
Micah S. Goldstein
Chief Financial Officer

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

In connection with the Stanley Furniture Company, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn Prillaman, Chief Executive Officer of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: April 17, 2012

/s/ Glenn Prillaman
Glenn Prillaman
Chief Executive Officer

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

In connection with the Stanley Furniture Company, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Micah S. Goldstein, Chief Financial Officer of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: April 17, 2012

/s/ Micah S. Goldstein
Micah S. Goldstein
Chief Financial Officer