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

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 28, 2014
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	**54-1272589**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 North Hamilton Street, High Point, North Carolina, 27260
(Address of principal executive offices, Zip Code)

(336-884-7701)
(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 ( ) Smaller reporting company (x)
(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 July 11, 2014, 14,887,854 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)

	June 28, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash	**$ 11,894**	$ 7,218
Restricted cash	**1,190**	1,737
Short-term investments	**-**	10,000
Accounts receivable, less allowances of $1,239 and $716	**12,432**	12,002
Inventories:		
Finished goods	**26,541**	30,830
Work-in-process	**899**	832
Raw materials	**207**	2,004
Total inventories	**27,647**	33,666
Prepaid and other current assets	**3,612**	3,964
Deferred taxes	**44**	699
Total current assets	**56,819**	69,286
Property, plant and equipment, net	**7,843**	20,144
Other assets	**5,317**	5,794
Total assets	**$ 69,979**	$ 95,224
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 5,212**	$ 7,897
Accrued salaries, wages and benefits	**4,067**	3,350
Other accrued expenses	**2,543**	1,951
Total current liabilities	**11,822**	13,198
Deferred income taxes	**44**	699
Other long-term liabilities	**5,556**	5,686
Total liabilities	**17,422**	19,583
STOCKHOLDERS' EQUITY		
Common stock, $.02 par value, 25,000,000 shares authorized,14,887,854 and 14,520,083 shares issued and outstanding	**283**	283
Capital in excess of par value	**16,187**	15,732
Retained earnings	**36,314**	59,784
Accumulated other comprehensive loss	**(227)**	(158)
Total stockholders' equity	**52,557**	75,641
Total liabilities and stockholders' equity	**$ 69,979**	$ 95,224

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

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

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Net sales	**$ 24,038**	$ 24,166	**$ 45,929**	$ 50,218
Cost of sales	**36,064**	21,986	**56,562**	44,653
Gross (loss) profit	**(12,026)**	2,180	**(10,633)**	5,565
Selling, general, and administrative expenses	**6,295**	5,108	**11,713**	9,965
Operating loss	**(18,321)**	(2,928)	**(22,346)**	(4,400)
Other (expense) income, net	**(19)**	16	**312**	18
Interest expense, net	**731**	626	**1,457**	1,257
Loss before taxes	**(19,071)**	(3,538)	**(23,491)**	(5,639)
Income tax benefit	**(11)**	(9)	**(21)**	(16)
Net loss	**$ (19,060)**	$ (3,529)	**$(23,470)**	$ (5,623)
Loss per share:				
Basic	**$ (1.35)**	$ (.25)	**$ (1.66)**	$ (.40)
Diluted	**$ (1.35)**	$ (.25)	**$ (1.66)**	$ (.40)
Weighted average shares outstanding:				
Basic	**14,167**	14,127	**14,165**	14,148
Diluted	**14,167**	14,127	**14,165**	14,148

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

STANLEY FURNITURE COMPANY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Net loss	**$ (19,060)**	$ (3,529)	**$ (23,470)**	$ (5,623)
Other comprehensive loss:				
Amortization of prior service cost	**38**	42	**76**	84
Amortization of actuarial loss	**(4)**	(8)	**(7)**	(17)
Adjustments to net periodic benefit cost	**34**	34	**69**	67
Comprehensive loss	**$ (19,094)**	$ (3,563)	**$ (23,539)**	$ (5,690)

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

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

	Six Months Ended	
	June 28, 2014	June 29, 2013
Cash flows from operating activities:		
Cash received from customers	**$ 45,537**	$ 47,430
Cash paid to suppliers and employees	**(51,066)**	(55,712)
Interest paid, net	**(2,882)**	(2,378)
Income taxes paid, net	**-**	(124)
Net cash used by operating activities	**(8,411)**	(10,784)
Cash flows from investing activities:		
Sale of short-term securities	**10,000**	15,000
Decrease in restricted cash	**547**	-
Capital expenditures	**(51)**	(2,715)
Purchase of other assets	**(44)**	(1,670)
Net cash provided by investing activities	**10,452**	10,615
Cash flows from financing activities:		
Purchase and retirement of common stock	**-**	(358)
Proceeds from insurance policy loans	**2,701**	2,416
Proceeds from exercise of stock options	**-**	25
Capital lease payments	**(66)**	(66)
Net cash provided by financing activities	**2,635**	2,017
Net increase in cash	**4,676**	1,848
Cash at beginning of period	**7,218**	10,930
Cash at end of period	**$ 11,894**	$ 12,778
Reconciliation of net loss to net cash used by operating activities:		
Net loss	**$ (23,470)**	$ (5,623)
Depreciation and amortization	**12,547**	991
Stock-based compensation	**455**	450
Write-off of other assets	**1,810**	-
Changes in assets and liabilities:		
Accounts receivable	**(429)**	(2,716)
Inventories	**6,018**	3,320
Prepaid expenses and other current assets	**(2,444)**	(2,938)
Accounts payable	**(2,649)**	(3,738)
Accrued salaries, wages and benefits	**644**	1,139
Other accrued expenses	**596**	(209)
Other assets	**(1,425)**	(1,272)
Other long-term liabilities	**(64)**	(188)
Net cash used by operating activities	**$ (8,411)**	$ (10,784)

The accompanying notes are an integral part of the 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

	June 28, 2014 (unaudited)	December 31, 2013
Land and buildings	**$ 13,893**	$ 13,893
Machinery and equipment	**27,567**	27,549
Office furniture and equipment	**1,902**	1,902
Construction in process	**14**	16
Property, plant and equipment, at cost	**43,376**	43,360
Less accumulated depreciation	**35,533**	23,216
Property, plant and equipment, net	**$ 7,843**	$ 20,144

3. Income taxes

During the first six months of 2014, we recorded a non-cash charge to our valuation allowance of $9.6 million, increasing our valuation allowance against deferred tax assets to $18.6 million at June 28, 2014. 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 operating 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 $44 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.

The major reconciling items between our effective income tax rate and the federal statutory rate are the changes in our valuation allowance and the cash surrender value on life insurance policies.

4. Employee Benefit Plans

Components of other postretirement benefit cost:

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Interest cost	**$ 28**	$ 25	**$ 55**	$ 50
Amortization of prior service benefit	**(38)**	(42)	**(76)**	(84)
Amortization of accumulated loss	**4**	8	**7**	17
Net periodic postretirement benefit income	**$ (6)**	$ (9)	**$ (14)**	$ (17)

5. Stockholders' Equity

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

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Weighted average shares outstanding for basic calculation	**14,167**	14,127	**14,165**	14,148
Add: Effect of dilutive stock options	**-**	-	**-**	-
Weighted average shares outstanding, adjusted for diluted calculation	**14,167**	14,127	**14,165**	14,148

During the three and six month periods ended June 28, 2014 and June 29, 2013, the dilutive effect of outstanding stock options is not recognized since we have a net loss for those periods. Approximately 1.8 million shares in the three and six month periods of 2014 were issuable upon the exercise of stock options compared to 2.1 million shares in the three and six month periods of 2013. Also, 707,000 shares in 2014 and 381,000 shares in 2013 of restricted stock were not included in the diluted calculation because they were anti-dilutive.

A reconciliation of the activity in Stockholders' Equity accounts for the first half of 2014 is as follows:

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss
Balance, December 31, 2013	$ 283	$15,732	$59,784	$ (158)
Net loss	**-**	**-**	**(23,470)**	**-**
Stock-based compensation	**-**	**455**	**-**	**-**
Exercise of stock options	**-**	**-**	**-**	**-**
Adjustment to net periodic benefit cost	**-**	**-**	**-**	**(69)**
Balance, June 28, 2014	**$ 283**	**$16,187**	**$36,314**	**$ (227)**

6. **Restructuring and Related Charges**

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. As a result, we took charges for future lease obligations in 2011 and in 2012 for the portions of the Stanleytown warehouse facility no longer used. During the second quarter of 2014, we completely exited the facility and recorded a charge of $354 for the remaining lease obligation included in cost of goods sold.

In 2012, we made the strategic decision to consolidate our corporate office and High Point showroom into a single multi-purpose facility in High Point, North Carolina. During 2013, we recorded $770 in restructuring charges in selling, general and administrative expenses for severance and relocation costs associated with this move and consolidation, with $522 of that total recorded in the first half.

During the second quarter of 2014, we concluded that revenue on our Young America product line remained below the level needed to reach profitability and that the time frame needed to assure sustainable profitability was longer than we felt was economically justified. Therefore, we made the decision to cease manufacturing operations at our Robbinsville, North Carolina facility.

Restructuring accrual activity for the six months ending June 28, 2014 was as follows:

	Lease Obligations	Severance and other termination costs-Corporate Office	Severance and other termination costs – Robbinsville Closing	Total
Accrual at January 1, 2014	$ 488	$ 169	$ -	$ 657
Charges (credits) to expense	**354**	**(39)**	**254**	**569**
Cash payments	**(122)**	**(116)**	**(30)**	**(268)**
Accrual at June 28, 2014	**$ 720**	**$ 14**	**$ 224**	**$ 958**

Restructuring accrual activity for the six months ending June 29, 2013 was as follows:

	Lease Obligations	Severance and other termination costs	Total
Accrual at January 1, 2013	$ 732	$ -	$ 732
Charges to expense	-	522	522
Cash payments	(122)	(235)	(357)
Accrual at June 29, 2013	$ 610	$ 287	$ 897

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

6. **Restructuring and Related Charges (continued)**

The following table summarizes restructuring and related expenses:

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Property, plant and equipment	**$ 11,793**	$ -	**$ 11,793**	$ -
Inventory write-down	**1,664**	-	**2,254**	-
System and website write-down	**1,578**	-	**1,810**	-
Allowances for floor samples	**495**	-	**495**	-
Lease obligation	**354**	-	**354**	-
Severance and other termination costs	**254**	262	**254**	522
Other costs	**106**	-	**461**	-
Total restructuring and related charges	**$ 16,244**	$ 262	**$ 17,421**	$ 522

The above restructuring and related expenses are classified in the statement of operations as follows:

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Net sales	**$ 495**	$ -	**$ 495**	$ -
Cost of sales	**14,105**	-	**14,696**	-
Selling, general and administrative expenses	**1,644**	262	**2,230**	522
Total restructuring and related charges	**$ 16,244**	$ 262	**$ 17,421**	$ 522

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

Overview

We took a number of strategic steps over the last several years to reposition our company and to align our cost structure and operating models in response to lower sales volume and the changing marketplace. Major restructuring action was taken to consolidate facilities and ultimately reduce our domestic manufacturing footprint. At the same time, we shifted our operating strategy so we could respond to the demands of a changing marketplace and position our company for growth. For our Young America product line, we implemented a strategy to differentiate us in the marketplace by ensuring safety, quality, selection and service. This led us to shift the production of imported Young America items to our domestic operation in Robbinsville, North Carolina. After significant investment into upgrading both our manufacturing capabilities and our Young America product line, revenue remained below the level needed to reach profitability and we concluded during the second quarter of 2014 that the time frame needed to assure sustainable profitability was longer than we felt was economically justified. Therefore, we made the decision to cease manufacturing operations in the coming months at our Robbinsville, North Carolina facility. Restructuring charges related to this decision were $17.4 million in the first six months, with $16.2 million recorded during the second quarter. The vast majority of these costs were non-cash charges to properly value plant and equipment, information systems, inventory and accounts receivable.

During the third quarter of this year we expect further restructuring and related charges for severance and other termination costs that we project to be less than $500,000. Cash restructuring charges will primarily consist of severance and other termination costs and will occur mostly in the third quarter and range from $300,000 to $500,000. We expect to generate $3.5 million to $4.5 million in cash after shipping the remaining Young America backlog, selling off the remaining Young America inventory, paying for severance and other costs relating to termination and final production of the Young America product line. This cash generation excludes any proceeds that may be received for the disposition of property, plant and equipment. Further non-cash restructuring charges will be required if proceeds differ from the current book value of these assets. We anticipate receiving the majority of proceeds for the disposition of property, plant and equipment during the third quarter after we cease final manufacturing activities.

Results of Operations

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

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	**June 28, 2014**	June 29, 2013
Net sales..	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales..	**150.0**	91.0	**123.2**	88.9
Gross (loss) profit	**(50.0)**	9.0	**(23.2)**	11.1
Selling, general and administrative expenses	**26.2**	21.1	**25.5**	19.8
Operating loss...	**(76.2)**	(12.1)	**(48.7)**	(8.7)
Other (expense) income, net.........................	**(.1)**	.1	**.7**	-
Interest expense, net....................................	**3.0**	2.6	**3.2**	2.5
Loss before income taxes...........................	**(79.3)**	(14.6)	**(51.2)**	(11.2)
Income tax (benefit)	**-**	-	**(.1)**	-
Net loss...	**(79.3)%**	(14.6)%	**(51.1)%**	(11.2)%

Net sales for the three month period ended June 28, 2014 decreased $128,000, or 0.5%, from the comparable 2013 period. This slight decline was driven by a decrease in shipments of our Young America product line as we stopped taking new orders on April 29, 2014 for product requiring additional production, and used discounting to assist customers in selling off floor samples and inventory. This decline was largely offset by a 10.9% increase in shipments on our Stanley Furniture product line driven by higher unit volume and, to a lesser extent, higher average selling prices. For the six month period ended June 28, 2014, net sales decreased $4.3 million, or 8.5% from the comparable 2013 six month period. The decrease was entirely driven by lower unit volume and discounting on the Young America product line.

Gross loss for the current three month period was $12.0 million, or 50.0% of net sales compared to a gross profit of $2.2 million, or 9.0% of net sales, in the prior year three month period. Gross loss for the first half of 2014 was $10.6 million, or 23.2% of net sales compared to a gross profit of $5.6 million, or 11.1% of net sales, for the prior year six month period. The current year three and six month periods include restructuring related charges of $14.6 million and $15.2 million, respectively, associated with our decision to cease manufacturing operations in our Robbinsville, North Carolina facility. After adjusting for the restructuring charges, the current three month period benefited from higher sales on the Stanley product brand and lower operating expenditures as we exited the Young America product line. In addition to the restructuring charges, the current six month period was also negatively impacted by lower sales volumes on the Young America product line hindering absorption of fixed operational costs and higher raw material inflation.

Selling, general and administrative expenses for the three and six month periods of 2014 as a percentage of net sales were 26.2% and 25.5%, respectively, compared to 21.1% and 19.8% for the comparable 2013 periods. The higher percentage in the current three and six month periods is primarily the result of restructuring charges associated with exiting the Young America product line and consisted of system and website development write-offs and higher bad debts. The 2014 six month percentage was also negatively impacted by lower sales. Selling, general and administrative expenses for the three and six month periods increased $1.2 million and $1.7 million, respectively, compared to the 2013 periods. Restructuring charges associated with the exiting of the Young America product line were $1.6 million for the three month period and $2.2 million in the six month period. The prior year expenses include restructuring charges associated with consolidating the corporate offices of $262,000 for the three month period and $522,000 for the six month period ended June 29, 2013. Excluding these costs, lower expenditures in the current three month period were driven by the elimination of marketing and advertising costs for the Young America brand. The current six month period was essentially flat to the comparable six month period of 2013 after excluding these costs.

As a result, operating loss as a percentage of net sales was 76.2% and 48.7% for the three and six month periods of 2014 compared to 12.1% and 8.7% for the comparable 2013 periods.

Net interest expense for the three month period of 2014 increased $105,000 from the comparable 2013 period and $200,000 for the six month period. Interest expense is primarily composed of interest on insurance policy loans from a legacy deferred compensation plan, which increases annually based on growth in cash surrender value.

Our effective tax rate for the current three and six months is essentially zero since we have established a valuation allowance for our deferred tax assets in excess of our deferred tax liabilities, accordingly no current year benefit was recorded for the current period losses. The benefit in both years was primarily the release of reserves due to lapse of statute of limitations.

Financial Condition, Liquidity and Capital Resources

Sources of liquidity include cash on hand and cash generated from operations. While we believe that our business strategy and restructuring efforts will be successful, we cannot predict with certainty the ultimate impact on our revenues, operating costs and cash flow from operations. We expect cash on hand to be adequate for ongoing operational and capital expenditures for the foreseeable future. At June 28, 2014 we had $11.9 million in cash and $1.2 million in restricted cash.

Working capital, excluding cash and restricted cash, decreased to $31.9 million at June 28, 2014 from $37.1 million on December 31, 2013. The decrease was primarily the result of ceasing production and exiting the Young America product line.

Cash used by operations was $8.4 million in the six month period of 2014 compared to cash used by operations of $10.8 million in the comparable prior year period. The decrease in cash used by operations during the first half of 2014 was due to a decrease in spending for raw materials and payments to employees as we phased-down production of our Young America product line. This decrease in spending was partially offset by lower receipts from customers due to lower sales volumes during the six month period and a higher accounts receivable balance as shipments increased in the latter part of the six month period of 2014.

Net cash provided by investing activities was $10.5 million in the current six month period of 2014 compared to $10.6 million in the comparable prior year quarter. During the six month period of 2014, the net cash provided was the result of $10.0 million of short term investments maturing and the release of $500,000 of restricted cash. During the six month period of 2013, we invested $2.1 million in capital expenditures for the consolidation of our corporate offices and High Point showroom and $640,000 in equipment purchases for the Young America manufacturing operation. Also in 2013, we spent $1.7 million as part of our continued investment in our Enterprise Resource Planning (ERP) system. Offsetting these uses of cash in 2013 was the maturity of a short term investment of $15.0 million. With the announcement of our ceasing manufacturing in our Robbinsville, NC facility, our capital expenditure requirements will be minimal for the remainder of 2014.

Net cash provided by financing activities was $2.6 million in the current six months of 2014 compared to $2.0 million in the prior year period. In both years, cash was provided from loans against the cash surrender value of insurance policies. These proceeds were used to pay interest due on outstanding policy loans which is shown as a use of cash in operating activities. Approximately $358,000 was used in the first six months of 2013 to purchase and retire 80,077 shares of our common stock.

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 have remained 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 received a CDSOA distribution of $39.9 million in April 2012. On August 19, 2013, the Federal Circuit issued a decision affirming the dismissal of the claims of two of the four Non-Supporting Producers. On January 3, 2014, the Federal Circuit denied those Non-Supporting Producers' petitions for rehearing en banc. On May 2, 2014, these Non-Supporting Producers filed a petition for writ of certiorari, seeking review by the United States Supreme Court. If the Supreme Court were to accept this petition for certiorari review and thereafter to reverse the decisions of the Federal Circuit and 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 that distribution. Based on what we know today, we believe that the chance Customs will seek and be entitled to obtain a return of our CDSOA distribution is remote.

In November 2012 and December 2013, Customs disclosed that it withheld $3.0 million and $6.4 million, respectively, in funds related to the antidumping duty order on wooden bedroom furniture from China that was otherwise available for distribution until the amounts at issue in the pending litigation have been resolved. It is expected that Customs will continue withholding such funds until a final decision is reached in the pending litigation. Assuming our historic allocation of approximately 30%, the portion of these undistributed funds that may be allocated to us is approximately $2.8 million.

Recently, Customs also preliminarily disclosed that as of April 30, 2014, an additional $4.3 million of total collected duties was potentially available for distribution in 2014 to eligible domestic manufacturers of wooden bedroom furniture. Customs noted that the final amounts available for distribution in 2014 could be higher or lower than the preliminary amounts due to liquidations, re-liquidations, protests, or other events affecting entries. We expect Customs to withhold these funds from distribution if a final decision is not reached in the pending litigation before the end of the fourth quarter of 2014. Assuming our historic allocation of approximately 30%, the portion of these undistributed funds that may be allocated to us is approximately $1.3 million.

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, if any, and we cannot predict when we may receive any additional CDSOA funds.

New Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08), which updated the guidance in ASC Topic 205, *Presentation of Financial Statements,* and ASC Topic 360, *Property, Plant and Equipment.* The amendments in ASU 2014-08 change the criteria for reporting discontinued operations for all public and nonpublic entities. The amendments also require new disclosures about discontinued operations and disposals of components of an entity that do not qualify for discontinued operations reporting. This guidance will become effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. We intend to early adopt and follow such guidance for the expected reporting of the discontinued Young America product line in the third quarter of 2014.

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 2013 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,” “could”, 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 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, our ability to realize value on the disposal of fixed assets in connection with ceasing production at our Robbinsville, NC facility, our ability to collect receivables from Young America customers whose businesses are negatively impacted by the cease of Young America production, our ability to manage relations with Stanley Furniture customers who have also been Young America customers, the inability to raise prices in response to inflation and increasing costs, lower sales due to worsening of current economic conditions, the cyclical nature of the furniture industry, business failures or loss of large customers, , failure to anticipate or respond to changes in consumer tastes, fashions and perceived values in a timely manner, competition in the furniture industry, environmental, health, and safety compliance costs, failure or interruption of our information technology infrastructure, and the possibility that U.S. Customs Border Protection may seek to reclaim all or a portion of the $39.9 million of Continued Dumping and Subsidy Offset Act (CDSOA) proceeds received in the second quarter of 2012. Any forward looking statement speaks only as of the date of this news release 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 is 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 June 28, 2014, the end of the period covered by this quarterly report.

(b) Changes in internal controls over financial reporting. There were no changes in our internal control over financial reporting that occurred during the second quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1A. Risk Factors

The following description of risk factors includes material changes to, and supersedes, the description of risk factors previously disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the year ending December 31, 2013.

Our results of operations and financial condition can be adversely affected by numerous risks. You should carefully consider the risk factors detailed below in conjunction with the other information contained in this document. Should any of these risks actually materialize, our business, financial condition and future prospects could be negatively impacted.

As a result of our reliance on foreign sourcing for our Stanley Furniture product line:

- **Our ability to service customers could be adversely affected and result in lower sales, earnings and liquidity.**

  Our supply of goods could be interrupted for a variety of reasons. Physical damage from a natural disaster, fire or other cause to any one of our sourcing partners' factories could interrupt production for an extended period of time. Our sourcing partners may not supply goods that meet our manufacturing, quality or safety specifications, in a timely manner and at an acceptable price. We may reject goods that do not meet our specifications, requiring us to find alternative sourcing arrangements at a higher cost, or possibly forcing us to discontinue the product. Also, delivery of goods from our foreign sourcing partners may be delayed for reasons not typically encountered with domestic manufacturing or sourcing, such as shipment delays caused by customs or labor issues.

- **Our ability to properly forecast consumer demand on product with extended lead times could result in lower sales, earnings and liquidity.**

  Our use of foreign sources exposes us to risks associated with forecasting future demand on product with extended order lead times. Extended order lead times may adversely affect our ability to respond to sudden changes in demand, resulting in the purchase of excess inventory in the face of declining demand, or lost sales due to insufficient inventory in the face of increasing demand, either of which could have an adverse effect on our sales, earnings and liquidity.

- **Changes in political, economic and social conditions, as well as laws and regulations, in the countries from which we source products could adversely affect us.**

  Foreign sourcing is subject to political and social instability in countries where our sourcing partners are located. This could make it more difficult for us to service our customers. Also, significant fluctuations of foreign exchange rates against the value of the U.S. dollar could increase costs and decrease earnings.

- **International trade policies of the United States and countries from which we source products could adversely affect us**.

  Imposition of trade sanctions relating to imports, taxes, import duties and other charges on imports could increase our costs and decrease our earnings.

As a result of our decision to cease production of our Young America product line:

- **Our ability to realize value on the disposal of fixed assets could adversely affect earnings and liquidity.**
- **We may not be able to collect receivables from customers whose businesses are negatively impacted by the cease of Young America production.**
- **The Stanley product line market share could be negatively impacted by this decision due to shared resources and shared customer base.**

We may not be able to maintain or to raise prices in response to inflation and increasing costs.

Future market and competitive pressures may prohibit us from successfully raising prices to offset increased costs of finished goods, freight and other inflationary items. This could lower our earnings.

We may not be able to sustain sales, earnings and liquidity levels due to economic downturns.

The furniture industry historically has been cyclical in nature and has fluctuated with economic cycles. During economic downturns, the furniture industry tends to experience longer periods of recession and greater declines than the general economy. We believe that the industry is significantly influenced by economic conditions generally and particularly by housing activity, consumer confidence, the level of personal discretionary spending, demographics and credit availability. These factors not only affect the ultimate consumer, but also impact smaller independent brick-&-mortar furniture retailers, which are our primary customers. As a result, a worsening of current conditions could lower our sales and earnings and impact our liquidity.

Business failures, or the loss, of large customers could result in a decrease in our future sales and earnings.

Although we have no single customer representing 10% or more of our total annual sales, the possibility of business failures, or the loss of large customers could result in a decrease of our future sales and earnings. Lost sales may be difficult to replace and any amounts owed to us may become uncollectible.

Failure to anticipate or respond to changes in consumer tastes, fashions and perceived values in a timely manner could result in a decrease in our sales and earnings.

Residential furniture is a fashion business based upon products styled for a changing marketplace and is sometimes subject to changing consumer trends and tastes. If we are unable to predict or respond to changes in these trends and tastes in a timely manner, we may lose sales and have to sell excess inventory at reduced prices. This could lower our sales and earnings.

We may not be able to sustain current sales and earnings due to the actions and strength of our competitors.

The furniture industry is very competitive and fragmented. We compete with mostly overseas manufacturers and/or retailers who source products from overseas and/or are vertically integrated. In addition, some competitors have greater financial resources than we have and often offer extensively advertised, highly promoted products. As a result, we are continually subject to the risk of losing market share, which may lower our sales and earnings.

Future cost of compliance with environmental, safety and health regulations could reduce our earnings.

We are subject to federal, state and local laws and regulations in the areas of safety, health and environmental protection. The timing and ultimate magnitude of costs for compliance with environmental, health and safety regulations are difficult to predict and could reduce our earnings.

Our business and operations would be adversely impacted in the event of a failure or interruption of our information technology infrastructure.

The proper functioning of our information technology infrastructure is critical to the efficient operation and management of our business. If our information technology systems fail or are interrupted, our operations may be adversely affected and operating results could be harmed. Our information technology systems, and those of third parties providing service to us, may also be vulnerable to damage or disruption caused by circumstances beyond our control. These include catastrophic events, power anomalies or outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access and cyber attacks. Any material disruption, malfunction or similar challenges with our information technology infrastructure, or disruptions or challenges relating to the transition to new processes, systems or providers, could have a material adverse effect on the operation of our business and our results of operations.

Item 6. Exhibits

3.1 Restated Certificate of Incorporation of the Registrant as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q (Commission File No. 0-14938) for the quarter ended July 2, 2005).

3.2 By-laws of the Registrant as amended (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K (Commission File No. 0-14938) filed 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 June 28, 2014, formatted in Extensible Business Reporting Language ("XBRL"): (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) condensed consolidated statements of comprehensive loss, (iv) condensed consolidated statements of cash flows, (v) the notes to the consolidated financial statements, and (vi) document and entity information.(1)

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(1) Filed herewith

SIGNATURE

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

Date: July 14, 2014

STANLEY FURNITURE COMPANY, INC.
By: /s/ Micah S. Goldstein
Micah S. Goldstein
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

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: July 14, 2014

By: /s/ Glenn Prillaman
Glenn Prillaman
Chief Executive Officer

Exhibit 31.2

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: July 14, 2014

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

Exhibit 32.1

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

In connection with the Stanley Furniture Company, Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ended June 28, 2014 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: July 14, 2014

By: /s/ Glenn Prillaman
Glenn Prillaman
Chief Executive Officer

Exhibit 32.2

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

In connection with the Stanley Furniture Company, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended June 28, 2014 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: July 14, 2014

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