FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1999-01-02**
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FILER

LADD FURNITURE INC

CIK:**721669**| IRS No.: **561311320** | State of Incorp.:**NC** | Fiscal Year End: **0103**
Type: **10-K** | Act: **34** | File No.: **000-11577** | Film No.: **99573418**
SIC: **2510** Household furniture

Mailing Address	Business Address
4620 GRANDOVER PARKWAY	*4620 GRANDOVER PARKWAY*
P O BOX 26777	*P O BOX 26777*
GREENSBORO NC 274176777	*GREENSBORO NC 274176777*
	3362945233

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended January 2, 1999 — Commission file Number 0-11577

LADD FURNITURE, INC.

(Exact name of registrant as specified in its charter)

North Carolina	56-1311320
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
Post Office Box 26777, Greensboro, North Carolina	27417-6777
(Address of Principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 336-294-5233

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock - $.30 par value

(Title of Class)

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

Market value of 7,147,407 shares held by nonaffiliates as of March 10, 1999, was $121,505,919.

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

7,850,746 shares outstanding as of March 10, 1999

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 1999 Annual Meeting of Shareholders are incorporated by reference into Part III hereof.

PART I

ITEM 1. BUSINESS

GENERAL - LADD Furniture, Inc., incorporated in 1981 under the laws of the State of North Carolina, is a leading manufacturer of residential furniture, which is sold through diverse retail distribution channels, as well as contract furniture which is sold to the hospitality, healthcare (assisted-living) and governmental markets. The Company produces a wide variety of furniture designed to appeal to a broad range of customers seeking quality, style and value. Based upon industry data published in the trade publication Furniture/Today, LADD is one of the largest manufacturers of residential furniture in North America. Unless the context otherwise indicates, "LADD" and "Company" refer to LADD Furniture, Inc., its divisions, and consolidated subsidiaries.

The Company markets its residential casegoods (wood and wood components) and upholstered furniture domestically under the major brand names American Drew, Barclay, Clayton Marcus, Lea, Pennsylvania House and Pilliod. The operational management for the Company's residential furniture brands is split into a Casegoods Group and an Upholstery Group. LADD's residential brands are exported worldwide through LADD International. In 1998, the Company sold residential furniture to customers in 50 countries.

Under the American of Martinsville brand name, LADD is also one of the leading suppliers of contract casegoods and upholstered furniture. The Company has management, as well as manufacturing facilities, dedicated to this segment of its business.

INDUSTRY SEGMENTS - LADD manufactures and markets casegoods and upholstered furniture for two business segments - the residential furniture market and the contract furniture market.

Residential Furniture - The residential furniture segment is comprised of casegoods, consisting primarily of bedroom, dining room and living room furniture, wall units and occasional tables, and upholstery, consisting primarily of sofas, loveseats and chairs. The residential products are distributed directly and through approximately 200 independent sales representative organizations to approximately 6,700 customers, including leading department stores, furniture retailers, mass merchandisers, catalog merchandisers, and various specialty stores and retail companies.

Residential casegoods furniture, ranging from promotionally-priced products to products in the upper-medium price range, are marketed principally under the brands American Drew, Lea, Pennsylvania House and Pilliod. These products are manufactured in 12 plants in seven states. Residential upholstered furniture, ranging in price from moderate to upper-medium, is marketed under the major brands Barclay, Clayton-Marcus, and Pennsylvania House. These products are manufactured with both fabric and leather covers in six plants located in North Carolina and Mississippi. For further information regarding the residential segment facilities, see page 5 in this Form 10-K.

To improve service to its residential customers and to minimize damage to its products, the Company operates a modern fleet of over-the-road tractors and trailers that are operated as LADD Transportation. LADD's transportation fleet carries approximately 32% of the outbound shipments of LADD's residential furniture products and also hauls a portion of the Company's in-bound raw materials and supplies.

Contract Furniture - Casegoods and upholstered products for the contract furniture segment are manufactured under the brand name American of Martinsville and marketed worldwide to the hospitality (hotel/motel) industry. Contract furniture is also sold to the healthcare furniture market for retirement homes and assisted-living facilities, as well as to certain agencies of the U.S. Government for housing. Through LADD Contract Sales Corporation, the Company distributes its contract products directly through 50 independent sales representative organizations to approximately 1,000 customers. The contract furniture segment operates two manufacturing facilities located in Virginia and utilizes other LADD manufacturing facilities and subcontractors to

meet capacity constraints. For further information regarding the contract segment facilities, see page 5 of this Form 10-K.

MARKETING AND MAJOR CUSTOMERS - The Company's brands are generally marketed under their own trade names. The general marketing practice followed in the furniture industry and by the Company is to exhibit products at national furniture markets. Internationally, the Company markets its residential products primarily through LADD International, a corporate marketing unit formed to coordinate the worldwide marketing efforts for LADD's brands.

The Company has also entered into licensing arrangements for various product lines, including Pennsylvania House's Bill Blass collection; Lea's youth furniture bedroom collections, Stars and Stripes endorsed by America's premier yachtsman, Dennis Conner, and Slam Dunk and Center Court endorsed by NBA basketball star Grant Hill; and American Drew's Bob Mackie collection of bedroom and dining room furniture.

While no single customer accounted for more than 8% of net sales in 1998, at January 2, 1999, approximately 10% of the Company's trade accounts receivable were from Heilig Meyers. Otherwise, the Company's business is not dependent upon a single customer, the loss of which would have a material effect on the Company.

PRODUCT DESIGN AND DEVELOPMENT - Each operating entity develops and manages its own product lines. New product groups are introduced at national or regional furniture markets, and, based upon their acceptance at the markets, the products are either placed into production or withdrawn from the market. Consistent with industry practice, the Company designs and develops new product groups each year, replacing collections or items that are discontinued.

RAW MATERIALS - The most important raw materials used by the Company are hardwood lumber, veneers, upholstery fabrics, polyfoam, leather, plywood, particleboard, hardware, finishing materials, glass, steel springs, and high pressure laminates. The domestic wood species purchased include cherry, oak, maple, ash, white pine, poplar, and other American species, and imports such as rubberwood, guatambue and mahogany. The Company believes that its sources of supply for these materials are adequate and that it is not dependent on any one supplier.

The Company's manufacturing plants are heated by furnaces using gas, fuel oil, wood waste, and other scrap material as energy sources. The furnaces located at casegoods plants have been adapted so that they use alternate energy sources, and are fueled principally by wood wastes. The Company's plants use electrical energy purchased from local utilities. The Company has not experienced a shortage of energy sources and believes that adequate energy supplies will be available for the foreseeable future.

PATENTS AND TRADE NAMES - The trade names of the Company represent many years of continued business, and the Company believes such names are well recognized and associated with quality in the industry. The Company owns intellectual properties that are considered to be important to the business and that do not have a limited duration.

INVENTORY PRACTICES, ORDER BACKLOG AND CREDIT PRACTICES - The Company generally schedules production of its various manufacturing plants based upon orders on hand. Manufacturing efficiencies and investment in inventories are, therefore, directly related to the current volume of orders. The Company, and the industry generally, honors cancellation of orders made prior to shipment. The Company's backlog of unshipped orders believed to be firm at 1998 fiscal year end was approximately $96.5 million, as compared to $97.6 million at 1997 fiscal year end. Generally, orders in the backlog are shipped during the following 12 months. The Company's residential furniture brands as a whole are not subject to significant seasonal variations; however, the Company's contract segment does have some seasonality with higher sales in the second and fourth quarters.

COMPETITION - The furniture industry is highly competitive and includes a large number of manufacturers, none of which dominate the market. Industry estimates indicate that there are over 600 manufacturers of residential and contract furniture in the United States, some of which include furniture types not manufactured by the Company. Competition within the market for furniture occurs principally in the areas of style or design, quality, price, and service.

In recent years, foreign imports of finished furniture and component parts have increased. Some of the imported products compete with products manufactured and marketed by the Company, and the Company's Pilliod brand has experienced the most negative impact. Where appropriate, the Company has capitalized upon the cost advantages of importing selected component parts and a limited number of finished products but is not dependent upon any foreign sources. In 1998 and 1997,

the Company imported approximately $18.3 million and $21.3 million, respectively, of finished furniture and unfinished furniture parts.

The Company has no facilities located outside the continental United States.

GOVERNMENTAL REGULATIONS - The Company is subject to a wide-range of Federal, state and local laws and regulations relating to protection of the environment, worker health and safety, and the emission, discharge, storage, treatment and disposal of hazardous materials. These laws include the Clean Air Act, the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act and the Comprehensive Environmental, Response, Compensation and Liability Act. Certain of the Company's operations use adhesives and coating materials that contain chemicals that are considered hazardous under various environmental laws. Accordingly, management closely monitors the Company's environmental performance at all of its facilities. Management believes that the Company is in substantial compliance with all environmental laws.

See "Legal Proceedings" regarding the status of environmental proceedings in which the Company is involved.

EMPLOYEES - The Company had approximately 6,500 employees as of March 1, 1999. Substantially all of the employees were employed on a full-time basis.

Employees at four Company plants are represented by various labor unions. The Company considers its relations with its employees to be good.

EXPORT SALES - In 1998, the Company's export sales decreased to $29.4 million (approximately 5.1% of 1998 net sales), from $29.7 million in 1997 (approximately 5.7% of 1997 net sales). The Company's export sales in 1996 were $25.4 million, or approximately 5.1% of 1996 net sales. None of the Company's physical assets are dedicated solely to export sales.

ITEM 2. PROPERTIES

The following table summarizes the real estate, both owned and leased, used in the business operations of the Company as of March 1, 1999.

LADD FACILITIES

<TABLE>
<CAPTION>

BUSINESS SEGMENT	LOCATION	USE	APPROX. FACILITY SIZE (SQUARE FEET)	OWNED OR LEASED	LEASE EXPIRATION DATE
<S>	<C>	<C>	<C>	<C>	<C>
Residential	Abingdon, VA	Distribution	122,000	Leased	12/31/99
	Dillon, SC	Distribution	60,000	Leased	mo-to-mo
	Hickory, NC	Manufacturing/Office/Dist.	446,000	Owned	
	Hickory, NC	Manufacturing	121,800	Owned	
	Hickory, NC	Manufacturing	154,000	Owned	
	Lewisburg, PA	Manufacturing/Office/Dist.	618,500	Owned	
	Marion, VA	Manufacturing	204,900	Owned	
	Monroe, NC	Manufacturing	258,000	Leased	3/31/04
	Morristown, TN	Manufacturing	286,380	Owned	
	Morristown, TN	Manufacturing	139,200	Owned	
	Morristown, TN	Distribution	160,000	Leased	10/31/03
	Morristown, TN	Distribution	97,500	Leased	10/31/03
	Myrtle, MS	Manufacturing	162,900	Owned	
	Nichols, SC	Manufacturing	391,000	Owned	
	N. Wilkesboro, NC	Manufacturing	409,000	Owned	
	N. Wilkesboro, NC	Manufacturing	414,000	Owned	
	N. Wilkesboro, NC	Manufacturing	122,500	Owned	
	N. Wilkesboro, NC	Distribution/Office	109,500	Owned	
	Selma, AL	Manufacturing	303,000	Owned	
	Sherman, MS	Manufacturing/Office	317,100	Owned	
	Swanton, OH	Manufacturing/Dist.	290,000	Owned	
	Waynesville, NC	Manufacturing	447,400	Owned	
	White Deer, PA	Manufacturing/Dist.	128,000	Owned	
Contract	Chilhowie, VA	Manufacturing	585,000	Owned	
	Martinsville, VA	Manufacturing	867,000	Owned	
	Martinsville, VA	Office	50,000	Leased	5/31/02
	Martinsville, VA	Distribution	256,500	Leased	9/30/99
	Martinsville, VA	Distribution	50,000	Leased	7/31/99
Corporate	Greensboro, NC	Office	50,000	Leased	10/31/07

</TABLE>

The Company believes that its manufacturing, warehouse and office space is well maintained for its intended purposes and is adequately insured. The Company normally operates all of its furniture manufacturing facilities on a one shift per day, five-day week basis. Increasingly, certain departments and facilities are operated on a multi-shift basis.

The Company also maintains showrooms (the majority of which are leased) in High Point, NC, Sherman and Tupelo, MS, and Martinsville, VA.

The Company owns and leases substantial quantities of woodworking, sewing and material handling equipment located in its various plants. The Company also leases substantially all of its data processing equipment, telephone systems, and other office equipment. The Company considers its present equipment to be adequate, well-maintained, generally modern, and adequately insured.

The Company currently owns and leases approximately 110 tractors and 250 trailers.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in routine litigation from time to time in the regular course of its business. In the opinion of the Company, there are no material legal proceedings pending or known to be contemplated to which the Company is a party or of which any of its property is subject.

The Company has been named as a potentially responsible party ("PRP"), along with numerous parties, at various hazardous waste sites undergoing cleanup or investigation for cleanup. The Company believes that at each of these sites, either it has been improperly named, or it will be considered a "de minimis" party, or the ultimate costs to the Company associated with site will not have a material adverse effect on the Company's financial position and results of operations. Although the Company believes adequate accruals have been provided for environmental contingencies, it is possible, due to uncertainties associated with these types of matters, that additional accruals could be required in the future. However, the ultimate resolution of these contingencies, to the extent not previously provided for, should not have a material adverse effect on the Company's financial position and results of operations.

The Company is cooperating fully with government authorities in each of these matters.

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

No such matters were submitted to security holders of the Company in the fourth quarter of fiscal year 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

STOCK TRANSFER AGENT:

Wachovia Shareholder Services
c/o Boston EquiServe, L.P.
Post Office Box 8217
Boston, MA 02266-8217

Shareholder Account Information: 1-800-633-4236

STOCK LISTING:

The Company's common stock is traded on the Nasdaq Stock Market under the Nasdaq symbol: LADF. At year end 1998, the Company had approximately 3,500 shareholders based upon approximately 590 shareholders of record at that date and an estimate of the number of individual shareholders represented by broker and nominee position listings.

MAJOR MARKET MAKERS:

Huntleigh Securities Corp.	SBC Warburg Dillon Read Inc.
Interstate/Johnson Lane Corp.	Scott & Stringfellow, Inc.
Jefferies & Company, Inc.	Sherwood Securities Corp.
Knight Securities	Smith, Moore & Co.
Mayer & Schweitzer Inc.	Speer Leeds & Kellogg
Raymond, James & Associates	Wheat, First Union, Inc.

See Item 6, Selected Financial Data, for market and dividend information regarding the Company's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The Summary of Selected Financial Data for each of the periods in the six-year period ended January 2, 1999, which appears on page 14 of the LADD Furniture, Inc. Annual Report to Shareholders for 1998, is incorporated by reference in this Form 10-K Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the years in the three year period ended January 2, 1999, which appears on pages 15 to 18 of the LADD Furniture, Inc. Annual Report to Shareholders for 1998, is incorporated by reference in this Form 10-K Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, together with the independent auditors' report thereon of KPMG LLP dated February 5, 1999, and the Selected Quarterly Data, appearing on pages 19 to 31, page 34 and page 32, respectively, of the accompanying LADD Furniture, Inc. Annual Report to Shareholders for 1998 are incorporated by reference in this Form 10-K Annual Report.

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

No changes in accountants or disagreements with accountants on accounting or financial disclosure occurred in fiscal years 1996, 1997, and 1998.

PART III

Part III is omitted as the Company intends to file with the Commission within 120 days after the end of the Company's fiscal year a definitive proxy statement pursuant to Regulation 14A which will involve the election of directors. With the exception of the information specifically required by Items 10, 11, 12 and 13 of this Part III contained in the Company's proxy statement, the Company's proxy statement is not incorporated by reference nor deemed to be filed as a part of this report, including without limitation the Board Compensation Committee Report on Executive Compensation required by Item 402(k) of Regulation S-K and the Performance Graph required by Item 402(l) of Regulation S-K.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

See reference to definitive proxy statement under Part III. See pages 4-6 and 15-16 in the Company's definitive proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

See reference to definitive proxy statement under Part III. See pages 7-14 in the Company's definitive proxy statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See reference to definitive proxy statement under Part III. See pages 2-4 in the Company's definitive proxy statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See reference to definitive proxy statement under Part III. See page 14 in the Company's definitive proxy statement.

PART IV

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

<TABLE>
<CAPTION>

<S>	Page(s) in the Annual Report <C>
(a) The following documents are filed as part of this report:	
(1) Financial Statements	
Consolidated Statements of Operations for the years ended January 2, 1999, January 3, 1998, and December 28, 1996	19
Consolidated Balance Sheets as of January 2, 1999 and January 3, 1998	20

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

</TABLE>

(3) List of Executive Compensation Plans

LADD Furniture, Inc. 1994 Incentive Stock Option Plan

Employee Restricted Stock Purchase Agreements for the named executive officers of the registrant as required by Item 402(a)(2) of Regulation S-K

Executive Employment Agreements with each of Fred L. Schuermann, Jr., William S. Creekmuir, Kenneth E. Church, Donald L. Mitchell, and Michael P. Haley

LADD Furniture, Inc. Executive Retirement Plan

LADD Furniture, Inc. Management Deferred Compensation Plan

LADD Furniture, Inc. Long-Term Incentive Plan (1996)

LADD Furniture, Inc. Long-Term Incentive Plan (1997)

LADD Furniture, Inc. Long-Term Incentive Plan (1998)

LADD Furniture, Inc. Long-Term Incentive Plan (1999)

LADD Furniture, Inc. 1997 Management Incentive Plan

LADD Furniture, Inc. 1998 Management Incentive Plan

LADD Furniture, Inc. 1999 Management Incentive Plan

(b) Reports on Form 8-K filed in the last quarter of fiscal 1998:

Current Report on Form 8-K dated October 13, 1998, filed with the Commission on October 14, 1998 reporting the Company's results of operations for the third fiscal quarter of 1998

(c) Exhibits

3.1 Articles of Incorporation and Amendments.

(Previously filed as Exhibit 10 to Item 14 of the Company's Annual Report on Form 10-K for the year ended December 29, 1990, filed with the Commission on March 28, 1991, and as Exhibit 10.1 to Item 6 of the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995, filed with the Commission on August 15, 1995)

3.2 Bylaws (as amended March 5, 1996)

(Previously filed as Exhibit 3.1 to Item 14 of the Company's Annual Report on Form 10-K for the year ended December 30, 1995, filed with the Commission on March 28, 1996)

LADD Furniture, Inc. 1994 Incentive Stock Option Plan

(Previously filed as Exhibit 10.1 to the Company's Report on Form 10-K for the year ended January 3, 1998, filed with the Commission on March 31, 1998)

Employee Restricted Stock Purchase Agreement between the Company and Fred L. Schuermann, Jr. dated March 2, 1995

Employee Restricted Stock Purchase Agreement between the Company and William S. Creekmuir dated March 2, 1995

(Previously filed as Exhibits 10.2 and 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, filed with the Commission on March 30, 1995)

Employee Restricted Stock Purchase Agreement between the Company and Kenneth E. Church dated March 2, 1995

Employee Restricted Stock Purchase Agreement between the Company and Michael P. Haley dated June 23, 1994

Employee Restricted Stock Purchase Agreement between the Company and Michael P. Haley dated March 2, 1995

(Previously filed as Exhibits 10.4 - 10.6 to Item 14 of the Company's Annual Report on Form 10-K for the year ended December 30, 1995, filed with the Commission on March 28, 1996)

Executive Employment Agreement between the Company and Fred L. Schuermann, Jr. dated October 28, 1994

(Previously filed as Exhibit 10.2 to Item 6 of the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 1994, filed with the Commission on November 15, 1994)

Enclosed as Exhibit 10.1 to this Annual Report on Form 10-K for the year ended January 2, 1999:

10.1 First Amendment to Executive Employment Agreement between the Company and Fred L. Schuermann, Jr., dated March 10, 1999

Executive Employment Agreement between the Company and William S. Creekmuir dated December 1, 1995

Executive Employment Agreement between the Company and Kenneth E. Church dated May 22, 1995

Executive Employment Agreement between the Company and Donald L. Mitchell dated January 1, 1996

Executive Employment Agreement between the Company and Michael P. Haley dated March 5, 1996

(Previously filed as Exhibits 10.7 - 10.10 to Item 14 of the Company's Annual Report on Form 10-K for the year ended December 30, 1995, filed with the Commission on March 28, 1996)

Enclosed as Exhibits 10.2, 10.3, 10.4 and 10.5 to this Annual Report on Form 10-K for the year ended January 2, 1999:

10.2 First Amendment to Executive Employment Agreement between the Company and William S. Creekmuir dated March 10, 1999

10.3 First Amendment to Executive Employment Agreement between the Company and Kenneth E. Church dated March 10, 1999

10.4 First Amendment to Executive Employment Agreement between the Company and Donald L. Mitchell dated March 10, 1999

10.5 First Amendment to Executive Employment Agreement between the Company and Michael P. Haley dated March 10, 1999

Asset Purchase Agreement, dated as of June 1, 1989, among the Company, Maytag Corporation, The BJC Company and The Gunlocke Company

(Previously filed as Exhibit 10(a) to the Company's Current Report on Form 8-K, dated as of June 1, 1989, filed with the Commission on June 2, 1989)

First Amendment and Waiver to Asset Purchase Agreement, dated as of July 7, 1989, by and among the Company, Pennsylvania House, Inc., The McGuire Furniture Company, The Kittinger Company, Charter Furniture, Inc., Brown Jordan Company and The Gunlocke Company, a North Carolina corporation, and Maytag Corporation, The Gunlocke Company, a Delaware corporation, and The BJC Company

(Previously filed as Exhibit 10 to the Company's Current Report on Form 8-K, filed with the Commission on July 21, 1989, as amended by Form 8 filed with the Commission on September 18, 1989)

LADD Furniture, Inc. Executive Retirement Plan

(Previously filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 1998, filed with the Commission on November 13, 1998)

LADD Furniture, Inc. Management Deferred Compensation Plan

(Previously filed as Exhibit 4 to the Company's Registration Statement on Form S-8, No. 333-68189, filed with the Commission on December 1, 1998)

LADD Furniture, Inc. Long-Term Incentive Plan (1996)

(Previously filed as Exhibit - 10.13 to the Company's Annual Report on Form 10-K for the year ended December 30, 1995, filed with Commission on March 28, 1996)

LADD Furniture, Inc. Long-Term Incentive Plan (1997)

(Previously filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 28, 1996, filed with the Commission April 1, 1997)

LADD Furniture, Inc. Long-Term Incentive Plan (1998)

(Previously filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended January 3, 1998, filed with the Commission March 31, 1998)

Enclosed as Exhibit 10.6 to this Annual Report on Form 10-K for the year ended January 2, 1999:

10.6 LADD Furniture, Inc. Long-Term Incentive Plan (1999)

Loan and Security Agreement dated as of July 12, 1996, between the Company, NationsBank, N.A. (South) as Agent, and each of the banks signatory to the Loan and Security Agreement

(Previously filed as an Exhibit to the Company's Current Report on Form 8-K, dated July 18, 1996, filed with the Commission on July 24, 1996)

Amendment No. 1 (dated as of August 15, 1996) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South) as Agent and each of the banks signatory thereto

Amendment No. 2 (dated as of October 10, 1996) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South) as Agent, and each of the banks signatory thereto

Equipment Leasing Agreement dated as of September 19, 1996 between BTM Financial & Leasing Corporation B-4 and the Company

(Previously filed as Exhibits 10.1 - 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 1996, filed with the Commission on November 12, 1996)

Amendment No. 3 (dated December 23, 1996) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent and each of the banks signatory thereto

(Previously filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 28, 1996, filed with the Commission on April 1, 1997)

Amendment No. 4 (dated as of July 24, 1997) to Loan and Security

Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent and each of the banks signatory thereto

Factoring Agreement dated August 1, 1997 between the Company and NationsBanc Commercial Corporation

Amendment No. 5 (dated as of October 1, 1997) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent and each of the banks signatory thereto

(Previously filed as Exhibits 10.1 - 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1997, filed with the Commission on November 12, 1997)

Amendment No. 6 (dated as of May 15, 1998) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent, and each of the banks signatory thereto

(Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 15, 1998, filed with the Commission on May 21, 1998)

Amendment No. 7 (dated as of August 28, 1998) to the Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent and each of the banks signatory thereto

Supplement No. 1 to Amendment No. 7 and Consent (dated as of September 25, 1998) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent and each of the banks signatory thereto

(Previously filed as Exhibits 10.1 and 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 1998, filed with the Commission on November 13, 1998)

Amendment No. 8 (dated as of February 18, 1999) to Loan and Security Agreement dated as of July 12, 1996 among the Company, NationsBank, N.A. (South), as Agent, and each banks signatory thereto

(Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 18, 1999, filed with the Commission on February 24, 1999)

Equipment Leasing Agreement dated as of December 15, 1994 between BOT Financial Corporation and the Company

Equipment Leasing Agreement dated as of December 15, 1994 between UnionBanc Leasing Corporation and the Company

(Previously filed as Exhibits 10.1 and 10.2 to Item 7 of the Company's Current Report on Form 8-K, dated December 28, 1994, filed with the Commission on January 15, 1995)

Amendment No. 1 dated as of June 7, 1995 to the Equipment Leasing Agreement dated as of December 15, 1994 between Unionbanc Leasing Corporation and the Company

Amendment No. 1 dated as of June 7, 1995 to the Equipment Leasing Agreement dated as of December 15, 1994 between BOT Financial Corporation and the Company

Amendment No. 1 dated as of June 15, 1995 amending Lease Supplement No. One to the Equipment Leasing Agreement dated as of December 15, 1994 between BOT Financial Corporation and the Company

(Previously filed as Exhibits 10.2 - 10.4 to Item 6 of the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995, filed with the Commission on August 15, 1995)

Master Lease Agreement dated as of October 17, 1997 between the Company and CoreStates Leasing, Inc.

(Previously filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended January 3, 1998, filed with the Commission on March 31, 1998)

Enclosed as Exhibit 10.7 to this Annual Report on Form 10-K for the year ended January 3, 1998

10.7 Master Lease Agreement dated as of December 2, 1997 between BancBoston Leasing Inc. and the Company

Stock Purchase Agreement dated November 7, 1995 between LADD Furniture, Inc. and BJCL, Inc.

First Amendment to Stock Purchase Agreement dated December 29, 1995 among LADD Furniture, Inc., BJCL, Inc. and BJ Acquisition Corp.

(Previously filed as Exhibits 2.1 - 2.2 to the Company's Current Report on Form 8-K dated December 29, 1995 filed with the Commission on January 16, 1996)

LADD Furniture, Inc. 1997 Management Incentive Plan

(Previously filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 28, 1996 filed with the Commission on April 1, 1997)

LADD Furniture, Inc. 1998 Management Incentive Plan

(Previously filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended January 3, 1998 filed with the Commission on March 31, 1998)

Enclosed as Exhibit 10.8 to this Annual Report on Form 10-K for the year ended January 2, 1999:

10.8 1999 Management Incentive Plan

Enclosed as Exhibit 13.1 to this Annual Report on Form 10-K for the year ended January 2, 1999;

13.1 LADD Furniture, Inc. 1998 Annual Report to Shareholders

22. Subsidiaries of Registrant

American Drew, Inc., a North Carolina corporation

American Furniture Company, Incorporated, a Virginia corporation

Clayton-Marcus Company, Inc., a North Carolina corporation

Kenbridge Furniture, Inc., a North Carolina corporation

LFI Capital Management, Inc., a Delaware corporation

LADD Contract Sales Corporation, a North Carolina corporation

LADD International Sales Corporation, a Barbados corporation

LADD Transportation, Inc., a North Carolina corporation

Lea Industries, Inc., a Tennessee corporation

Lea Industries of Virginia, Inc., a Virginia corporation

Pennsylvania House, Inc., a North Carolina corporation

Pilliod Furniture, Inc., a North Carolina corporation

Enclosed as Exhibit 24.1 to this Annual Report on Form 10-K for the year ended January 2, 1999:

24.1 Consent of KPMG LLP

Enclosed as Exhibit 27.1 to this Annual Report on Form 10-K for the year ended January 2, 1999:

27.1 Financial Data Schedule (EDGAR version only)

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LADD FURNITURE, INC.
(Registrant)

By /S/WILLIAM S. CREEKMUIR 3/26/99

William S. Creekmuir (Date)
Executive Vice President, Chief
Financial Officer, Secretary, and
Treasurer (Principal Financial Officer)

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

<TABLE>

<S>	<C>	<C>	<C>
/s/RICHARD R. ALLEN	3/26/99	/S/DARYL B. ADAMS	3/26/99
Richard R. Allen Director	(Date)	Daryl B. Adams Vice President, Corporate Controller, Assistant Secretary, and Assistant Treasurer (Principal Accounting Officer)	(Date)
/S/THOMAS F. KELLER	3/26/99		
Thomas F. Keller Director	(Date)		
/S/CHARLES R. EITEL	3/26/99	/S/DAVID A. JONES	3/26/99
Charles R. Eitel Director	(Date)	David A. Jones Director	(Date)
/S/FRED L. SCHUERMANN, JR.	3/26/99		3/ /99
Fred L. Schuermann, Jr. Chairman of the Board, President, Chief Executive Officer	(Date)	Ian J. McCarthy Director	(Date)
/S/ZENON S. NIE	3/26/99	/S/L. GLENN ORR, JR.	3/26/99
Zenon S. Nie Director	(Date)	L. Glenn Orr, Jr. Director	(Date)
/s/J. PATRICK DANAHY	3/26/99	/S/WILLIAM S. CREEKMUIR	3/26/99
J. Patrick Danahy Director	(Date)	William S. Creekmuir Executive Vice President, Chief Financial Officer, Secretary, and Treasurer (Principal Financial Officer)	(Date)

</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors
LADD Furniture, Inc.:

Under date of February 5, 1999, we reported on the consolidated balance sheets of LADD Furniture, Inc. and subsidiaries as of January 2, 1999 and January 3, 1998 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 2, 1999, as contained in the 1999 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year ended January 2, 1999. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Greensboro, North Carolina
February 5, 1999

Schedule II

LADD FURNITURE, INC. AND SUBSIDIARIES
Valuation and Qualifying Accounts and Reserves
(dollar amounts in thousands)

<TABLE>
<CAPTION>

Description	Balance at beginning of year	Charged (credited) to costs and expenses	Charged to other accounts	Deductions (c)	Balance at end of year
<S>	<C>	<C>	<C>	<C>	<C>
Year ended January 2, 1999					
Doubtful receivables	$1,229	1,138	-	(1,124)	1,243
Discounts	80	4 (b)	-	-	84
Returns and Allowances	1,426	(271)(b)	-	-	1,155
	$2,735	871	-	(1,124)	2,482
Year ended January 3, 1998					
Doubtful receivables	$1,625	781	-	(1,177)	1,229
Discounts	83	(3)(b)	-	-	80
Returns and Allowances	1,297	129 (b)	-	-	1,426
	$3,005	907	-	(1,177)	2,735
Year ended December 28, 1996					
Doubtful receivables	$2,553	3,308	(540)(a)	(3,696)	1,625
Discounts	123	(40)(b)	-	-	83
Returns and Allowances	1,381	(84)(b)	-	-	1,297
	$4,057	3,184	(540)	(3,696)	3,005

</TABLE>

Notes
(a) Represents businesses divested or reclassified to businesses held for sale.
(b) Represents net increase (decrease) in required reserve.
(c) Represents uncollectible receivables written-off, net of recoveries.

EXHIBIT 10.1

FIRST AMENDMENT
TO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT, made and entered into the 10th day of March, 1999, by and between LADD Furniture, Inc., a North Carolina corporation (the "Company"), and Fred L. Schuermann, Jr., an individual resident of North Carolina ("Executive");

WITNESSETH:

WHEREAS, the Company and the Executive entered into an Executive Employment Agreement dated October 28, 1994 (the "Employment Agreement"); and

WHEREAS, the Company desires to amend the Employment Agreement to conform the definition of "Change in Control" to that definition used in other benefit plans provided by the Company; and

WHEREAS, the Company also desires to amend the Employment Agreement to delete all references to the Supplemental Retirement Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" with such references to be replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. That the last paragraph of Section 12 of the Employment Agreement is deleted in its entirety and replaced with the following:

For purposes of this Agreement, a "change in control" means the date on which the earlier of the following events occur:

(a) the acquisition by any entity, person or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than 30% of the outstanding capital stock of the Company entitled to vote for the election of directors ("Voting Stock");

(b) the merger or consolidation of the Company with one or more corporations as a result of which the holders of outstanding Voting Stock of the Company immediately prior to such a merger or consolidation hold less than 60% of the Voting Stock of the surviving or resulting corporation;

(c) the transfer of substantially all of the property of the Company other than to an entity of which the Company owns at least 80% of the Voting Stock; or

(d) the election to the Board of Directors of the Company of three directors without the recommendation or approval of the incumbent Board of Directors of the Company.

2. That all references in Sections 11 and 12 to the Supplemental Retirement Income Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" shall be deleted and replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

3. Except as expressly amended hereby, the Employment Agreement and all terms, conditions and provisions thereof remain in full force and effect and are hereby ratified and confirmed.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the day and year first above written, the corporate party acting through duly authorized officers.

LADD FURNITURE, INC.

Attest:

____

________________ Secretary

By:_________________________________

Executive Vice President, Secretary
Treasurer and Chief Financial Officer

[CORPORATE SEAL]

____

Witness

_______________________________(SEAL)

Fred L. Schuermann, Jr.

EXHIBIT 10.2

FIRST AMENDMENT
TO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT, made and entered into the 10th day of March, 1999, by and between LADD Furniture, Inc., a North Carolina corporation (the "Company"), and William S. Creekmuir, an individual resident of North Carolina ("Executive");

WITNESSETH:

WHEREAS, the Company and the Executive entered into an Executive Employment Agreement dated December 1, 1995 (the "Employment Agreement"); and

WHEREAS, the Company desires to amend the Employment Agreement to conform the definition of "Change in Control" to that definition used in other benefit plans provided by the Company; and

WHEREAS, the Company also desires to amend the Employment Agreement to delete all references to the Supplemental Retirement Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" with such references to be replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. That the last paragraph of Section 12 of the Employment Agreement is deleted in its entirety and replaced with the following:

For purposes of this Agreement, a "change in control" means the date on which the earlier of the following events occur:

(a) the acquisition by any entity, person or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than 30% of the outstanding capital stock of the Company entitled to vote for the election of directors ("Voting Stock");

(b) the merger or consolidation of the Company with one or more corporations as a result of which the holders of outstanding Voting Stock of the Company immediately prior to such a merger or consolidation hold less than 60% of the Voting Stock of the surviving or resulting corporation;

(c) the transfer of substantially all of the property of the Company other than to an entity of which the Company owns at least 80% of the

Voting Stock; or

(d) the election to the Board of Directors of the Company of three directors without the recommendation or approval of the incumbent Board of Directors of the Company.

2. That all references in Sections 11 and 12 to the Supplemental Retirement Income Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" shall be deleted and replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

3. Except as expressly amended hereby, the Employment Agreement and all terms, conditions and provisions thereof remain in full force and effect and are hereby ratified and confirmed.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the day and year first above written, the corporate party acting through duly authorized officers.

LADD FURNITURE, INC.

Attest:

____

_______________ Secretary

By:______________________________

Chairman of the Board and Chief Executive Officer

[CORPORATE SEAL]

____

Witness

_____________________________(SEAL)

William S. Creekmuir

EXHIBIT 10.3

FIRST AMENDMENT
TO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT, made and entered into the 10th day of March, 1999, by and between LADD Furniture, Inc., a North Carolina corporation (the "Company"), and Kenneth E. Church, an individual resident of North Carolina ("Executive");

WITNESSETH:

WHEREAS, the Company and the Executive entered into an Executive Employment Agreement dated May 22, 1995 and effective May 1, 1995 (the "Employment Agreement"); and

WHEREAS, the Company desires to amend the Employment Agreement to conform the definition of "Change in Control" to that definition used in other benefit plans provided by the Company; and

WHEREAS, the Company also desires to amend the Employment Agreement to delete all references to the Supplemental Retirement Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" with such references to be replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. That the last paragraph of Section 12 of the Employment Agreement is deleted in its entirety and replaced with the following:

For purposes of this Agreement, a "change in control" means the date on which the earlier of the following events occur:

(a) the acquisition by any entity, person or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than 30% of the outstanding capital stock of the Company entitled to vote for the election of directors ("Voting Stock");

(b) the merger or consolidation of the Company with one or more corporations as a result of which the holders of outstanding Voting Stock of the Company immediately prior to such a merger or consolidation hold less than 60% of the Voting Stock of the surviving or resulting corporation;

(c) the transfer of substantially all of the property of the Company other than to an entity of which the Company owns at least 80% of the Voting Stock; or

(d) the election to the Board of Directors of the Company of three directors without the recommendation or approval of the incumbent Board of Directors of the Company.

2. That all references in Sections 11 and 12 to the Supplemental Retirement Income Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" shall be deleted and replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

3. Except as expressly amended hereby, the Employment Agreement and all terms, conditions and provisions thereof remain in full force and effect and are hereby ratified and confirmed.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the day and year first above written, the corporate party acting through duly authorized officers.

LADD FURNITURE, INC.

Attest:

___________________________ By:______________________________

Secretary Chairman of the Board and Chief Executive Officer

[CORPORATE SEAL]

___________________________ _____________________________(SEAL)

Witness Kenneth E. Church

EXHIBIT 10.4

FIRST AMENDMENT
TO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT, made and entered into the 10th day of March, 1999, by and between LADD Furniture, Inc., a North Carolina corporation (the "Company"), and Donald L. Mitchell, an individual resident of North Carolina ("Executive");

WITNESSETH:

WHEREAS, the Company and the Executive entered into an Executive Employment Agreement dated January 1, 1996 (the "Employment Agreement"); and

WHEREAS, the Company desires to amend the Employment Agreement to conform the definition of "Change in Control" to that definition used in other benefit plans provided by the Company; and

WHEREAS, the Company also desires to amend the Employment Agreement to delete all references to the Supplemental Retirement Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" with such references to be replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. That the last paragraph of Section 12 of the Employment Agreement is deleted in its entirety and replaced with the following:

For purposes of this Agreement, a "change in control" means the date on which the earlier of the following events occur:

(a) the acquisition by any entity, person or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than 30% of the outstanding capital stock of the Company entitled to vote for the election of directors ("Voting Stock");

(b) the merger or consolidation of the Company with one or more corporations as a result of which the holders of outstanding Voting Stock of the Company immediately prior to such a merger or consolidation hold less than 60% of the Voting Stock of the surviving or resulting corporation;

(c) the transfer of substantially all of the property of the Company other than to an entity of which the Company owns at least 80% of the

Voting Stock; or

(d) the election to the Board of Directors of the Company of three directors without the recommendation or approval of the incumbent Board of Directors of the Company.

2. That all references in Sections 11 and 12 to the Supplemental Retirement Income Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" shall be deleted and replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

3. Except as expressly amended hereby, the Employment Agreement and all terms, conditions and provisions thereof remain in full force and effect and are hereby ratified and confirmed.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the day and year first above written, the corporate party acting through duly authorized officers.

LADD FURNITURE, INC.

Attest:

____

________________ Secretary

By:______________________________

Chairman of the Board and Chief Executive Officer

[CORPORATE SEAL]

____

Witness

_____________________________(SEAL)

Donald L. Mitchell

EXHIBIT 10.5

FIRST AMENDMENT
TO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT, made and entered into the 10th day of March, 1999, by and between LADD Furniture, Inc., a North Carolina corporation (the "Company"), and Michael P. Haley, an individual resident of Virginia ("Executive");

WITNESSETH:

WHEREAS, the Company and the Executive entered into an Executive Employment Agreement dated March 5, 1996 (the "Employment Agreement"); and

WHEREAS, the Company desires to amend the Employment Agreement to conform the definition of "Change in Control" to that definition used in other benefit plans provided by the Company; and

WHEREAS, the Company also desires to amend the Employment Agreement to delete all references to the Supplemental Retirement Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" with such references to be replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. That the last paragraph of Section 12 of the Employment Agreement is deleted in its entirety and replaced with the following:

For purposes of this Agreement, a "change in control" means the date on which the earlier of the following events occur:

(a) the acquisition by any entity, person or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than 30% of the outstanding capital stock of the Company entitled to vote for the election of directors ("Voting Stock");

(b) the merger or consolidation of the Company with one or more corporations as a result of which the holders of outstanding Voting Stock of the Company immediately prior to such a merger or consolidation hold less than 60% of the Voting Stock of the surviving or resulting corporation;

(c) the transfer of substantially all of the property of the Company other than to an entity of which the Company owns at least 80% of the

Voting Stock; or

(d) the election to the Board of Directors of the Company of three directors without the recommendation or approval of the incumbent Board of Directors of the Company.

2. That all references in Sections 11 and 12 to the Supplemental Retirement Income Plan for Salaried Employees of LADD Furniture, Inc. or "SERP" shall be deleted and replaced with references to the LADD Furniture, Inc. Executive Retirement Plan or "ERP."

3. Except as expressly amended hereby, the Employment Agreement and all terms, conditions and provisions thereof remain in full force and effect and are hereby ratified and confirmed.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the day and year first above written, the corporate party acting through duly authorized officers.

LADD FURNITURE, INC.

Attest:

By:______________________________
Chairman of the Board and Chief Executive Officer

____
_______________ Secretary

[CORPORATE SEAL]

____
Witness

____________________________(SEAL)
Michael P. Haley

EXHIBIT 10.6

LADD FURNITURE, INC.

1999 LONG-TERM INCENTIVE PROGRAM

SHAREHOLDER VALUE PROGRAM

PLAN HIGHLIGHTS

1. The Long-Term Incentive Program consists of an annual award of the following two elements:

   - Stock Option Grants at market price.

   - Performance Bonus payable in cash and stock at the end of a 3-year planning period (1999-2001).

2. Award levels are based on the participant's base salary in effect when the award is granted as follows:

   a) LADD President (CEO)

Stock Options	15,000
Target Performance Bonus	40% of Base Salary

   b) LADD Executive Vice Presidents

Stock Options	9,000
Target Performance Bonus	30% of Base Salary

   c) Operating Presidents

Stock Options	6,000
Target Performance Bonus	20% of Base Salary

   d) Other Designated Participants

Stock Options	4,000
Target Performance Bonus	10% of Base Salary

3. Valuation of Performance Bonus at the end of the 3-year planning period will be based on the following performance criteria achieved by LADD Furniture, Inc.

Performance will be measured by total stockholder return (TSR) of LADD Furniture, Inc. common stock from 1/1/99 to 12/31/01 versus a peer group defined by SIC Code 251 Household Furniture Index as utilized by Media General Financial Services Inc. and incorporated in LADD's annual Proxy to Shareholders.

4. The Performance Bonus will be valued at the end of the performance period (12/31/2001) using a graduated scale as follows:

<TABLE>
<CAPTION>

<S>	TSR Level I	TSR Level II	Bonus as a % of Target
	Below Peers	Below Peers	0%
	At Peers	At Peers	50%
	110% of Peers	Peers + 1% Point	100%
	120% of Peers	Peers + 2% Point	150%
	130% of Peers	Peers + 3% Point	200%
	140% of Peers	Peers + 4% Point	250%
	150% of Peers	Peers + 5% Point	300%

</TABLE>

Payments for Performance Bonus earned will be made no later than March 15, 2002 after the fiscal year end. Payments will be made 50% in cash and 50% in shares of LADD common stock. LADD shares will be restricted from sale for one year.

Payout will be determined and paid on the lower of TSR Level I or TSR Level II - ie, Peer Group total return is 5% and LADD is 6%, LADD return is 120% of Peers (TSR Level I) but only 1 point (TSR Level II). Payout would be based on TSR Level II or 100% of Target.

5. Stock Options will be granted at market price on the day of the grant, and, as long as the participant remains an employee of LADD, will be vested as follows:

After 1 Year	25%
After 2 Years	50%
After 3 Years	75%
After 4 Years	100%

6. The participant must be an employee at the end of the planning period to receive any payment for the Performance Bonus. If the participant changes positions during the planning period into a position which would not qualify as a designated LTIP position, a pro-rata share of

the earned Performance Bonus will be granted for the period the individual participated in the qualifying job grade.

7. Participants who enter the plan other than at the beginning of the planning period will receive stock options and performance bonus as recommended by management and approved by the Compensation Committee and the Board of Directors.

8. When a plan participant retires (minimum age 55), dies or becomes disabled during a three-year plan period, the Compensation Committee and the Board of Directors will determine the amount and terms of payment of performance bonus earned.

EXHIBIT 10.7

[GRAPHIC OMITTED]

MASTER LEASE AGREEMENT

This MASTER LEASE AGREEMENT, dated as of the 2nd day of December, 1997 ("Lease Agreement") is made at Boston, Massachusetts by and between BancBoston Leasing Inc. ("Lessor"), a Massachusetts corporation with its principal place of business at 100 Federal Street, Boston, Massachusetts 02110 and LADD Furniture, Inc. ("Lessee"), a North Carolina corporation with its principal place of business at 4620 Grandover Parkway, Greensboro NC 27407.

IN CONSIDERATION OF the mutual promises and covenants contained herein, Lessor and Lessee hereby agree as follows:

1. Property Leased. At the request of Lessee and subject to the terms and conditions of this Lease Agreement, Lessor shall lease to Lessee and Lessee shall lease from Lessor such personal property ("Equipment") as may be mutually agreed upon by Lessor and Lessee. The Equipment shall be selected by or ordered at the request of Lessee, identified in one or more equipment schedules substantially in the form of Exhibit A attached hereto ("Equipment Schedule") and accepted by Lessee in one or more certificates of acceptance ("Certificate of Acceptance") in the form of Exhibit B attached hereto. Each Equipment Schedule executed by Lessor and Lessee and each Certificate of Acceptance executed by Lessee shall constitute a part of this Lease Agreement.

2. Certain Definitions.

2.1 The "Acquisition Cost" shall mean the total cost of the Equipment paid by Lessor as set forth in the applicable Equipment Schedule.

2.2 The "Commencement Date" shall mean the date on which the Equipment identified in the applicable Equipment Schedule is accepted and placed in service by Lessee under this Lease Agreement. Each Commencement Date shall be evidenced by the Certificate of Acceptance applicable to such Equipment Schedule.

2.3 The "Rent Start Date" shall mean either (i) the first day of the month following the month in which the Commencement Date occurs or (ii) the Commencement Date, if the Commencement Date occurs on the first day of the month.

2.4 The "Monthly Rent" shall mean the amount set forth in the applicable Equipment Schedule as Monthly Rent for the Equipment identified on such Equipment Schedule.

2.5 The "Daily Rent" shall mean one-thirtieth (1/30) of the Monthly Rent.

2.6 The words "herein", "hereof", and "hereunder" shall refer to this Lease Agreement as a whole and not to any particular section. All other capitalized terms defined in this Lease Agreement shall have the meanings assigned thereto.

3. Initial Term of Lease; Payment of Rent.

3.1 The term of lease for the Equipment ("Initial Term") shall begin on the Commencement Date set forth in the applicable Certificate of Acceptance and shall continue during and until the expiration of the number of full calendar months set forth in the applicable Equipment Schedule, measured from the Rent Start Date. The Initial Term may not be cancelled or terminated except as set forth in Section 10.2 below.

3.2 At the expiration of the Initial Term, Lessor and Lessee may extend the lease of the Equipment for any period as they may agree upon in writing ("Extended Term") at the then fair market rental value of the Equipment, as determined in good faith by Lessor.

3.3 Aggregate Daily Rent shall be due and payable by Lessee on the Rent Start Date in an amount equal to the Daily Rent multiplied by the actual number of days elapsed from, and including, the Commencement Date to, but excluding, the Rent Start Date. The Monthly Rent shall be due and payable on the Rent Start Date and, thereafter on the first day of each month of the Initial Term or any Extended Term. All Daily Rents and Monthly Rents shall be paid to Lessor at its office in Boston, Massachusetts.

4. Acceptance of Equipment; Exclusion of Warranties.

4.1 Lessee shall signify its acceptance of the Equipment identified in the applicable Equipment Schedule by promptly executing and delivering to Lessor a Certificate of Acceptance. Lessee acknowledges that its execution and delivery of the Certificate of Acceptance shall conclusively establish, as between Lessor and Lessee, that the Equipment has been inspected by Lessee, is in good repair and working order, is of the design, manufacture and capacity selected by Lessee, and is accepted by Lessee under this Lease Agreement.

4.2 In the event the Equipment is ordered by Lessor from a manufacturer or supplier at the request of Lessee, Lessor shall not be required to pay the Acquisition Cost for such Equipment unless and until the applicable Certificate of Acceptance has been received by Lessor. Lessee hereby agrees to indemnify, defend and hold Lessor harmless from any liability to any manufacturer or supplier arising from the failure of Lessee to lease any Equipment which is ordered by Lessor at the request of Lessee or for which Lessor has assumed an obligation to purchase.

4.3 Lessor leases the Equipment to Lessee and Lessee leases the Equipment from Lessor "AS IS" and "WITH ALL FAULTS". Lessee hereby acknowledges that (i) Lessor is not a manufacturer, supplier or dealer of such Equipment nor an agent thereof; and (ii) LESSOR HAS NOT MADE, DOES NOT MAKE, AND HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT INCLUDING, BUT NOT LIMITED TO, ITS DESIGN, CAPACITY, CONDITION, MERCHANTABILITY, OR FITNESS FOR USE OR FOR ANY PARTICULAR PURPOSE. Lessee further acknowledges that Lessor is not responsible for any repairs, maintenance, service, latent or other defects in the Equipment or in the operation thereof, or for compliance of any Equipment with requirements of any laws, ordinances, governmental rules or regulations including, but not limited to, laws with respect to environmental matters, patent, trademark, copyright or trade secret infringement, or for any direct or consequential damages arising out of the use of or inability to use the Equipment.

4.4 Provided no Event of Default, as defined in Section 16 below, has occurred and is continuing, Lessor agrees to cooperate with Lessee, at the sole cost and expense of Lessee, in making any claim against a manufacturer or supplier of the Equipment arising from a defect in such Equipment. At the request of Lessee, Lessor shall assign to Lessee all warranties on the Equipment available from

any manufacturer or supplier to the full extent permitted by the terms of such warranties and by applicable law.

5. Ownership; Inspection; Maintenance and Use.

5.1 The Equipment shall at all times be the sole and exclusive property of Lessor. Any Equipment subject to titling and registration laws shall be titled and registered by Lessee on behalf of and in the name of Lessor at the sole cost and expense of Lessee. Lessee shall cooperate with and provide Lessor with any information or documents necessary for titling and registration of the Equipment. Upon the request of Lessor, Lessee shall execute any documents or instruments which may be necessary or appropriate to confirm, to record or to give notice of the ownership of the Equipment by Lessor including, but not limited to, financing statements under the Uniform Commercial Code. Lessee, at the request of Lessor, shall affix to the Equipment, in a conspicuous place, any label, plaque or other insignia supplied by Lessor designating the ownership of the Equipment by Lessor.

5.2 The Equipment shall be located at the address specified in the applicable Equipment Schedule and shall not be removed therefrom without the prior written consent of Lessor. Lessor, its agents or employees shall have the right to enter the premises of Lessee, upon reasonable notice and during normal business hours, for the purpose of inspecting the Equipment.

5.3 Lessee shall pay all costs, expenses, fees and charges whatsoever incurred in connection with the use and operation of the Equipment. Lessee shall, at all times and at its own expense, keep the Equipment in good repair and working order, reasonable wear and tear excepted. Any maintenance contract required by a manufacturer or supplier for the care and upkeep of the Equipment shall be entered into by Lessee at its sole cost and expense. Lessee shall permit the use and operation of the Equipment only by personnel authorized by Lessee and shall comply with all laws, ordinances or governmental rules and regulations relating to the use and operation of the Equipment.

6. Alterations and Modifications. Lessee may make, or cause to be made on its behalf, any improvement, modification or addition to the Equipment with the prior written consent of Lessor, provided, however, that such improvement, modification or addition is readily removable without causing damage to or impairment of the functional effectiveness of the Equipment. To the extent that such improvement, modification or addition is not so removable, it shall immediately become the property of Lessor and thereupon shall be considered Equipment for all purposes of this Lease Agreement.

7. Quiet Enjoyment; No Defense, Set-Offs or Counterclaims.

7.1 Provided no Event of Default, as defined in Section 16 below, has occurred and is continuing, Lessee shall have the quiet enjoyment and use of the Equipment in the ordinary course of its business during the Initial Term or any Extended Term without interruption by Lessor or any person or entity claiming through or under Lessor.

7.2 Lessee acknowledges and agrees that ANY DAMAGE TO OR LOSS, DESTRUCTION, OR UNFITNESS OF, OR DEFECT IN THE EQUIPMENT, OR THE INABILITY OF LESSEE TO USE THE EQUIPMENT FOR ANY REASON WHATSOEVER, SHALL NOT (i) GIVE RISE TO ANY DEFENSE, COUNTERCLAIM, OR RIGHT OF SET-OFF AGAINST LESSOR, OR (ii) PERMIT ANY ABATEMENT OR RECOUPMENT OF, OR REDUCTION IN DAILY OR MONTHLY RENT, OR (iii) RELIEVE LESSEE OF THE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS LEASE AGREEMENT INCLUDING, BUT NOT LIMITED TO, ITS OBLIGATION TO PAY THE FULL AMOUNT OF DAILY RENT AND MONTHLY RENT, WHICH OBLIGATIONS ARE ABSOLUTE

AND UNCONDITIONAL, unless and until this Lease Agreement is terminated with respect to such Equipment in accordance with the provisions of Section 10.2 below. Any claim that Lessee may have which arises from a defect in or deficiency of the Equipment shall be brought solely against the manufacturer or supplier of the Equipment and Lessee shall, notwithstanding any such claim, continue to pay Lessor all amounts due and to become due under this Lease Agreement.

8. Adverse Claims and Interests.

8.1 Except for any liens, claims, mortgages, pledges, encumbrances or security interests created by Lessor, Lessee shall keep the Equipment, at all times, free and clear from all liens, claims, mortgages, pledges, encumbrances and security interests and from all levies, seizures and attachments. Without limitation of the covenants and obligations of Lessee set forth in the preceding sentence, Lessee shall immediately notify Lessor in writing of the imposition of any prohibited lien, claim, levy or attachment on or seizure of the Equipment at which time Lessee shall provide Lessor with all relevant information in connection therewith.

8.2 Lessee agrees that the Equipment shall be and at all times shall remain personal property. Accordingly, Lessee shall take such steps as may be necessary to prevent any person from acquiring, having or retaining any rights in or to the Equipment by reason of its being affixed or attached to real property.

9. Indemnities; Payment of Taxes.

9.1 Lessee hereby agrees to indemnify, defend and hold harmless Lessor, its agents, employees, successors and assigns from and against any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities whatsoever arising out of or in connection with the manufacture, ordering, selection, specifications, availability, delivery, titling, registration, rejection, installation, possession, maintenance, ownership, use, leasing, operation or return of the Equipment including, but not limited to, any claim or demand based upon any STRICT OR ABSOLUTE LIABILITY IN TORT and upon any infringement or alleged infringement of any patent, trademark, trade secret, license, copyright or otherwise. All costs and expenses incurred by Lessor in connection with any of the foregoing including, but not limited to, reasonable legal fees, shall be paid by Lessee on demand.

9.2 Lessee hereby agrees to indemnify, defend and hold Lessor harmless against all Federal, state and local taxes, assessments, licenses, withholdings, levies, imposts, duties, assessments, excise taxes, registration fees and other governmental fees and charges whatsoever, which are imposed, assessed or levied on or with respect to the Equipment or its use or related in any way to this Lease Agreement ("Tax Assessments") except for taxes on or measured by the net income of Lessor determined substantially in the same manner as under the Internal Revenue Code of 1986, as amended. Lessee shall file all returns, reports or other such documents required in connection with the Tax Assessments and shall provide Lessor with copies thereof. If, under local law or custom, Lessee is not authorized to make the filings required by a taxing authority, Lessee shall notify Lessor in writing and Lessor shall thereupon file such returns, reports or documents. Without limiting any of the foregoing, Lessee shall indemnity, defend and hold Lessor harmless from all penalties, fines, interest payments, claims and expenses including, but not limited to, reasonable legal fees, arising from any failure of Lessee to comply with the requirements of this Section 9.2.

9.3 The obligations and indemnities of Lessee under this Section 9 for events occurring or arising during the Initial Term or any Extended Term shall continue in full force and effect, notwithstanding the expiration or other termination of this Lease Agreement.

10. Risk of Loss; Loss of Equipment.

10.1 Lessee hereby assumes and shall bear the entire risk of loss for theft, damage, seizure, condemnation, destruction or other injury whatsoever to the Equipment from any and every cause whatsoever. Such risk of loss shall be deemed to have been assumed by Lessee from and after such risk passes from the manufacturer or supplier by agreement or pursuant to applicable law.

10.2 In the event of any loss, seizure, condemnation or destruction of the Equipment or damage to the Equipment which cannot be repaired by Lessee, Lessee shall immediately notify Lessor in writing. Within thirty (30) days of such notice, during which time Lessee shall continue to pay Monthly Rent, Lessee shall, at the option of Lessor, either (i) replace the Equipment with equipment of the same type and manufacture and in good repair, condition and working order, transfer title to such equipment to Lessor free and clear of all liens, claims and encumbrances, whereupon such equipment shall be deemed Equipment for all purposes of this Lease Agreement, or (ii) pay to Lessor an amount equal to the present value of both the aggregate of the remaining unpaid Monthly Rents and the anticipated residual value of the Equipment plus any other costs actually incurred by Lessor. Lessor and Lessee agree that the residual value of the Equipment at the expiration of the Initial Term is reasonably anticipated to be not less than twenty (20) percent of the Acquisition Cost of the Equipment. The present value shall be determined by discounting the aggregate of the remaining unpaid Monthly Rents and the anticipated residual value of the Equipment to the date of payment by Lessee at the rate of five (5) percent per annum. When and as requested by Lessor, Lessee shall also pay to Lessor amounts due pursuant to Section 18 below, if any, arising as a result of the loss, seizure, replacement, condemnation or destruction of the Equipment. Any insurance or condemnation proceeds received by Lessor shall be credited to the obligation of Lessee under this Section 10.2 and the remainder of such proceeds, if any, shall be paid to Lessee by Lessor in full compensation for the loss of the leasehold interest in the Equipment by Lessee.

10.3 Upon any replacement of or payment for the Equipment as provided in Section 10.2 above, this Lease Agreement shall terminate only with respect to the Equipment so replaced or paid for, and Lessor shall transfer to Lessee title only to such Equipment "AS IS," "WITH ALL FAULTS", and WITH NO WARRANTIES WHATSOEVER, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR USE OR FOR ANY PARTICULAR PURPOSE. Lessee shall pay any sales or use taxes due on such transfer.

11. Insurance.

11.1 Lessee shall keep the Equipment insured against all risks of loss or damage from every cause whatsoever occurring during the Initial Term, or any Extended Term for an amount not less than the higher of the full replacement value of the Equipment or the aggregate of unpaid Daily Rent and Monthly Rent for the balance of the Initial Term, or the Extended Term. Lessee shall also carry public liability insurance, both personal injury and property damage, covering the Equipment, and Lessee shall be liable for any deductible portions of all required insurance.

11.2 All insurance required under this Section 11 shall name Lessor as additional insured and loss payee. Such insurance shall also be with such insurers and shall be in such forms and amounts as are satisfactory to Lessor. All applicable policies shall provide that no act, omission or breach of warranty by Lessee shall give rise to any defense against payment of the insurance proceeds to Lessor. Lessee shall pay the premiums for such insurance and, at the request of Lessor, deliver to Lessor duplicates of such policies or other evidence satisfactory to Lessor of such insurance coverage. In any event, Lessee shall provide Lessor with endorsements upon the policies issued by the insurers which evidence the existence of insurance coverage required by this Section 11 and by which the insurers agree

to give Lessor written notice at least twenty (20) days prior to the effective date of any expiration, modification, reduction, termination or cancellation of any such policies.

11.3 The proceeds of insurance required under this Section 11 and payable as a result of loss or damage to the Equipment shall be applied as set forth in Section 10.2 above. Upon the occurrence of an Event of Default as defined in Section 16 below, Lessee hereby irrevocably appoints Lessor as its attorney-in-fact, which power shall be deemed coupled with an interest, to make claim for, receive payment of, execute and endorse all documents, checks or drafts received in payment for loss or damage under any insurance policies required by this Section 11.

11.4 Notwithstanding anything herein, Lessor shall not be under any duty to examine any evidence of insurance furnished hereunder, or to ascertain the existence of any policy or coverage, or to advise Lessee of any failure to comply with the provisions of this Section 11.

12. Surrender To Lessor. Immediately upon the expiration of the Initial Term or any Extended Term or at any other termination of this Lease Agreement, Lessee shall surrender the Equipment to Lessor in good repair and working order, reasonable wear and tear excepted, by assembling and delivering the Equipment, ready for shipment, to a place or carrier, as Lessor may designate, within the state in which the Equipment was originally delivered to

Lessee or to which the Equipment was thereafter moved with the written consent of Lessor. All costs of removal, assembly, packing and delivery of such Equipment to the place designated by Lessor shall be borne by Lessee.

13. Fair Market Value Purchase Option. Lessor hereby grants to Lessee the option to purchase all, but not less than all, Equipment set forth on any Equipment Schedule at the expiration of the applicable Initial Term or Extended Term. Any such purchase shall be for cash in an amount equal to the then fair market value of such Equipment, as determined in good faith by Lessor. This purchase option may be exercised by Lessee, provided that no Event of Default, as defined in Section 16 below, has occurred and is continuing. Lessee shall notify Lessor in writing of its intention to exercise its purchase option at least thirty (30) days prior to the expiration of the Initial Term or any Extended Term. Upon payment of the fair market value by Lessee to Lessor, Lessor shall transfer title to the Equipment to Lessee "AS IS", "WITH ALL FAULTS", and WITH NO WARRANTIES WHATSOEVER, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR USE OR FOR ANY PARTICULAR PURPOSE.

14. Financial Statements. Lessee shall annually, within ninety (90) days after the close of the fiscal year for Lessee, furnish to Lessor financial statements of Lessee, including a balance sheet as of the close of such year and statements of income and retained earnings for such year, prepared in accordance with generally accepted accounting principles, consistently applied from year to year, and certified by independent public accountants for Lessee. If requested by Lessor, Lessee shall also provide quarterly financial statements of Lessee, similarly prepared for each of the first three quarters of each fiscal year, certified (subject to normal year-end audit adjustments) by the chief financial officer of Lessee and furnished to Lessor within sixty (60) days following the end of the quarter, and such other financial information as may be reasonably requested by Lessor.

15. Delayed Payment Charge. Lessee shall pay to Lessor interest upon the amount of any Daily Rent, Monthly Rent or other sums not paid by Lessee when due and owing under this Lease Agreement, from the due date thereof until paid, at the rate of one and one half (1-1/2) percent per month, but if such rate violates applicable law, then the maximum rate of interest allowed by such law.

16. Default.

16.1 The occurrence of any of the following events shall constitute an event of default ("Event of Default") under this Lease Agreement.

(a) Lessee fails to pay any Daily Rent or any Monthly Rent when due and such failure to pay continues for ten (10) consecutive days; or

(b) Lessee fails to pay any other sum required hereunder, and such failure continues for a period of ten (10) days following written notice from Lessor; or

(c) Lessee fails to maintain the insurance as required by Section 11 above and such failure continues for ten (10) days after written notice from Lessor; or

(d) Lessee violates or fails to perform any other term, covenant or condition of this Lease Agreement or any other document, agreement or instrument executed pursuant hereto or in connection herewith, which failure is not cured within thirty (30) days after written notice from Lessor; or

(e) Lessee ceases to exist or terminates its independent operations by reason of any discontinuance, dissolution, liquidation, merger, sale of substantially all of its assets, or otherwise ceases doing business as a going concern; or

(f) Lessee (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official for itself or for all or a substantial part of its property, (ii) is generally not paying its debts as such debts become due, (iii) makes a general assignment for the benefit of its creditors, (iv) commences a voluntary case under the United States Bankruptcy Code, as now or hereafter in effect, seeking liquidation, reorganization or other relief with respect to itself or its debts, (v) files a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) takes any action under the laws of its jurisdiction of incorporation or organization similar to any of the foregoing, or (vii) takes any corporate action for the purpose of effecting any of the foregoing; or

(g) A proceeding or case is commenced, without the application or consent of Lessee, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up of Lessee or composition or readjustment of the debts of Lessee, (ii) the appointment of a trustee, receiver, custodian, liquidator or similar official for Lessee or for all or any substantial part of its assets, or (iii) similar relief with respect to Lessee under any law providing for the relief of debtors; or an order for relief is entered with respect to Lessee in an involuntary case under the United States Bankruptcy Code, as now or hereafter in effect, or an action under the laws of the jurisdiction of incorporation or organization of Lessee, similar to any of the foregoing, is taken with respect to Lessee without its application or consent; or

(h) Lessee makes any representation or warranty herein or in any statement or certificate at any time given in writing pursuant to or in connection with this Lease Agreement, which is false or misleading in any material respect; or

(i) defaults under any promissory note, credit agreement, loan agreement, conditional sales contract, guaranty, lease, indenture, bond, debenture or other material obligation whatsoever, and a party thereto or a holder thereof is entitled to accelerate the obligations of thereunder; or defaults in meeting any of its trade, tax or other

current obligations as they mature, unless such obligations are being contested diligently and in good faith; or

(j) Any party to any guaranty, letter of credit, subordination or credit agreement or other undertaking, given for the benefit of Lessor and obtained in connection with this Lease Agreement, breaches, fails to continue, contests, or purports to terminate or to disclaim such guaranty, letter of credit, subordination or credit agreement or other undertaking; or such guaranty, letter of credit, subordination agreement or other undertaking becomes unenforceable; or a guarantor of this Lease Agreement shall die, cease to exist or terminate its independent operations.

16.2 No waiver by Lessor of any Event of Default shall constitute a waiver of any other Event of Default or of the same Event of Default at any other time.

17. Remedies.

17.1 Upon the occurrence of an Event of Default and while such Event of Default is continuing, Lessor, at its sole option, upon its declaration, and to the extent not inconsistent with applicable law, may exercise any one or more of the following remedies:

(a) Lessor may terminate this Lease Agreement whereupon all rights of Lessee to the quiet enjoyment and use of the Equipment shall cease;

(b) Whether or not this Lease Agreement is terminated, Lessor may cause Lessee, at the sole cost and expense of Lessee, to return any or all of the Equipment promptly to the possession of Lessor in good repair and working order, reasonable wear and tear excepted. Lessor, at its sole option and through its employees, agents or contractors, may peaceably enter upon the premises where the Equipment is located and take immediate possession of and remove the Equipment, all without liability to Lessor, its employees, agents or contractors for such entry. LESSEE HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO NOTICE AND/OR HEARING PRIOR TO THE REPOSSESSION OR REPLEVIN OF THE EQUIPMENT BY LESSOR, ITS EMPLOYEES, AGENTS OR CONTRACTORS;

(c) Lessor may proceed by court action to enforce performance by Lessee of this Lease Agreement or pursue any other remedy Lessor may have hereunder, at law, in equity or under any applicable statute, and recover such other actual damages as may be incurred by Lessor;

(d) Lessor may recover from Lessee damages, not as a penalty but as liquidation for all purposes and without limitation of any other amounts due from Lessee under this Lease Agreement, in an amount equal to the sum of (i) any unpaid Daily Rents and/or Monthly Rents due and payable for periods prior to the repossession of the Equipment by Lessor plus any interest due thereon pursuant to Section 15 above, (ii) the present value of all future Monthly Rents required to be paid over the remaining Initial Term or any Extended Term after repossession of the Equipment by Lessor, determined by discounting such future Monthly Rents to the date of payment by Lessee at a rate of five (5) percent per annum, and (iii) all costs and expenses incurred in searching for, taking, removing, storing, repairing, restoring, refurbishing and leasing or selling such Equipment; or

(e) Lessor may sell, lease or otherwise dispose of any or all of the Equipment, whether or not in the possession of Lessor, at public or private sale and with or without notice to Lessee,

which notice is hereby expressly waived by Lessee, to the extent permitted by and not inconsistent with applicable law. Lessor shall then apply against the obligations of Lessee hereunder the net proceeds of such sale, lease or other disposition, after deducting therefrom (i) the present value of the residual value of the Equipment at the expiration of the Initial Term, which is anticipated by Lessor and Lessee to be not less than twenty (20) percent of the Acquisition Cost, such present value to be determined by discounting the residual value to the date of sale, lease or other disposition at a rate of five (5) percent per annum, and (ii) all costs incurred by Lessor in connection with such sale, lease or other disposition including, but not limited to, costs of transportation, repossession, storage, refurbishing, advertising or other fees. Lessee shall remain liable for any deficiency, and any excess of such proceeds over the total obligations owed by Lessee shall be retained by Lessor. If any notice of such sale, lease or other disposition of the Equipment is required by applicable law, ten (10) days written notice to Lessee shall be deemed reasonable.

17.2 No failure on the part of Lessor to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof. No single or partial exercise of any right or remedy hereunder shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Each right and remedy provided hereunder is cumulative and not exclusive of any other right or remedy including, without limitation, any right or remedy available to Lessor at law, by statute or in equity.

17.3 Lessee shall pay all costs and expenses including, but not limited to, reasonable legal fees incurred by Lessor arising out of or in connection with any Event of Default or this Lease Agreement. Lessee shall also be liable for any amounts due and payable to Lessor under any other provision of this Lease Agreement including, but not limited to, amounts due and payable under Section 18 below.

18. Tax Indemnification.

18.1 Lessee represents and warrants that the Equipment is and will remain, during the entire Initial Term and any Extended Term, property used in a trade or business or for the production of income within the meaning of Section 167 of the Internal Revenue Code of 1986, as amended ("Code"). Lessee further acknowledges and agrees that, pursuant to the Code, Lessor or its affiliated group, as defined in Section 1504 of the Code ("Affiliated Group"), shall be entitled to deductions for the recovery of the Acquisition Cost of the Equipment over the recovery period as set forth in the applicable Equipment Schedule, using the Accelerated Cost Recovery System as provided by Section 168 (b) (1) of the Code ("ACRS Deductions").

18.2 If as a result of any reason or circumstance whatsoever, except as specifically set forth in Section 18.3 below, Lessor or its Affiliated Group shall not be entitled to, shall not be allowed, shall suffer recapture of or shall lose any ACRS Deductions, then Lessee shall pay to Lessor, upon demand, a sum to be computed by Lessor in the following manner. Such sum, after deduction of all federal, state and local income taxes payable by Lessor as a result of the receipt of such sum, shall be sufficient to restore Lessor or its Affiliated Group to substantially the same position, on an after-tax basis, as it would have been in but for the loss of such ACRS Deductions. In making its computation, Lessor or its Affiliated Group shall consider but shall not be limited to, the following factors: (i) the amounts and timing of any net loss of tax benefits resulting from any such lack of, entitlement to or loss, recapture, or disallowance of ACRS Deductions but offset by any tax benefits derived from any depreciation or other capital recovery deductions or exclusions from income allowed to Lessor or its Affiliated Group with respect to the same Equipment;

(ii) penalties, interest or other charges imposed; (iii) differences in tax years involved; and (iv) the time value of money at a reasonable rate determined, in good faith, by

Lessor. For purposes of computation only, the amount of indemnification payments hereunder shall be calculated on the assumption that Lessor and its Affiliated Group have or will have, in all tax years involved, sufficient taxable income and the tax liability to realize all tax benefits and incur all losses of tax benefits at the highest marginal Federal corporate income tax rate in each year. Upon request, Lessor shall provide Lessee with the methods of computation used in determining any sum that may be due and payable by Lessee under this Section 18.

18.3 Lessee shall not be obligated to pay any sums required under this Section 18 in the event that lack of entitlement to, or loss, recapture or disallowance of any ACRS Deductions results from one or more of the following events: (i) a disqualifying disposition due to the sale of the Equipment by Lessor when no Event of Default, as defined in Section 16 above, has occurred, (ii) a failure of Lessor or its Affiliated Group to timely claim any ACRS Deductions for the Equipment in its tax return, and/or (iii) the fact that Lessor or its Affiliated Group does not have, in any taxable year or years, sufficient taxable income or tax liability to realize the benefit of any ACRS Deductions that are otherwise allowable to Lessor or its Affiliated Group.

18.4 The representations, obligations and indemnities of Lessee under this Section 18 shall continue in full force and effect, notwithstanding the expiration or other termination of this Lease Agreement.

19. Assignment; Sublease.

19.1 Lessor may sell, assign or otherwise transfer all or any part of its right, title and interest in and to the Equipment and/or this Lease Agreement to a third-party assignee, subject to the terms and conditions of this Lease Agreement including, but not limited to, the right to the quiet enjoyment of the Equipment by Lessee as set forth in Section 7.1 above. Such assignee shall assume all of the rights and obligations of Lessor under this Lease Agreement and shall relieve Lessor therefrom. Thereafter, all references to Lessor herein shall mean such assignee. Notwithstanding any such sale, assignment or transfer, the obligations hereunder shall remain absolute and unconditional as set forth in Section 7.2 above.

19.2 Lessor may also pledge, mortgage or grant a security interest in the Equipment and assign this Lease Agreement as collateral. Each such pledgee, mortgagee, lienholder or assignee shall have any and all rights as may be assigned by Lessor but none of the obligations of Lessor hereunder. Any pledge, mortgage or grant of security interest in the Equipment or assignment of this Lease Agreement shall be subject to the terms and conditions hereof including, but not limited to, the right to the quiet enjoyment of the Equipment by Lessee as set forth in Section 7.1 above. Lessor, by reason of such pledge, mortgage, grant of security interest or collateral assignment, shall not be relieved of any of its obligations hereunder which shall remain absolute and unconditional as set forth in Section 7.2 above. Upon the written request of Lessor, Lessee shall acknowledge such obligations the pledgee, mortgagee, lienholder or assignee.

19.3 LESSEE SHALL NOT SELL, TRANSFER, ASSIGN, SUBLEASE, CONVEY OR PLEDGE ANY OF ITS INTEREST IN THIS LEASE AGREEMENT OR ANY OF THE EQUIPMENT, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. Any such sale, transfer, assignment, sublease, conveyance or pledge, whether by operation of law or otherwise, without the prior written consent of Lessor, shall be void.

20. Optional Performance By Lessor. If an Event of Default, as defined in Section 16 above, occurs and is continuing, Lessor in its sole discretion may pay or perform such obligation in whole or in part, without thereby becoming obligated to pay or to perform the same on any other occasion or to pay

any other obligation of Lessee. Any payment or performance by Lessor shall not be deemed to cure any Event of Default hereunder. Upon such payment or performance by Lessor, Lessee shall pay forthwith to Lessor the amount of such payment or an amount equal to all costs and expenses of such performance, as well as any delayed payment charges on such amounts as set forth in Section 15 above.

21. Compliance and Approvals. Lessee warrants and agrees that this Lease Agreement and the performance by Lessee of all of its obligations hereunder have been duly authorized, do not and will not conflict with any provision of the charter or bylaws of Lessee or of any agreement, indenture, lease or other instrument to which Lessee is a party or by which Lessee or any of its property is or may be bound. Lessee warrants and agrees that this Lease Agreement does not and will not require any governmental authorization, approval, license or consent except those which have been duly obtained and will remain in effect during the entire Initial Term and any Extended Term.

22. Miscellaneous.

22.1 The section headings are inserted herein for convenience of reference and are not part of and shall not affect the meaning or interpretation of this Lease Agreement.

22.2 Any provision of this Lease Agreement which is unenforceable in whole or in part in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such unenforceability without invalidating any remaining part or other provision hereof and shall not be affected in any manner by reason of such enforceability in any other jurisdiction. The validity and interpretation of this Lease Agreement and the rights and obligations of the parties hereto shall be governed in all respects by the laws of The Commonwealth of Massachusetts without giving effect to the conflicts of laws provisions thereof.

22.3 This Lease Agreement, including all Equipment Schedules and Certificates of Acceptance, constitutes the entire agreement between Lessor and Lessee. Lessor and Lessee agree that this Lease Agreement shall not be amended, altered or changed except by a written agreement signed by the parties hereto. LESSEE ACKNOWLEDGES THAT THERE HAVE BEEN NO REPRESENTATIONS, EXPRESS OR IMPLIED, BY LESSOR OTHER THAN AS SET FORTH HEREIN AND LESSEE EXPRESSLY CONFIRMS THAT IT HAS NOT RELIED UPON ANY REPRESENTATIONS BY LESSOR, EXCEPT THOSE SET FORTH HEREIN, AS A BASIS FOR ENTERING INTO THIS LEASE AGREEMENT.

22.4 Any notice required to be given by Lessee or Lessor hereunder shall be deemed adequately given if sent by registered or certified mail, return receipt requested, to the other party at their respective addresses stated herein or at such other place as either party may designate in writing to the other.

22.5 Lessee agrees to execute and deliver such additional documents and to perform such further acts as may be reasonably requested by Lessor in order to carry out and effectuate the purposes of this Lease Agreement. Upon the written request of Lessor, Lessee further agrees to execute any instrument necessary for filing or recording this Lease Agreement or to confirm the ownership of the Equipment by Lessor. Lessor is hereby authorized to insert in any Equipment Schedule the serial numbers of the Equipment and other identifying marks or similar information and to sign, on behalf of Lessee, any Uniform Commercial Code financing statements.

22.6 This Lease Agreement cannot be cancelled or terminated except as expressly provided herein.

22.7 Whenever the context of this Lease Agreement requires, the singular includes the plural and the plural includes the singular. Whenever the word Lessor is used herein, it includes all assignees and successors in interest of Lessor. If more than one Lessee are named in this Lease Agreement, the liability of each shall be joint and several.

22.8 All agreements, indemnities, representations and warranties of Lessee made herein and all rights and remedies of Lessor shall survive the expiration or other termination of this Lease Agreement, whether or not expressly provided herein.

22.9 Any waiver of any power, right, remedy or privilege of Lessor hereunder shall not be effective unless in writing signed by Lessor.

22.10 This Lease Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee, each by its duly authorized officer or agent, have duly executed and delivered this Lease Agreement, which is intended to take effect as a sealed instrument, as of the day and year first written above.

Accepted at Boston, Massachusetts

BANCBOSTON LEASING INC.	LADD Furniture, Inc.
By: ------------------------------	By: --------------------------------
Title: ---------------------------	Title: -----------------------------

AMENDMENT NO. 1
TO
MASTER LEASE AGREEMENT

This Amendment No. 1 (the "Amendment") is entered into between BANCBOSTON LEASING INC. ("Lessor") and LADD FURNITURE, INC. ("Lessee"), amends the Master Lease Agreement dated the 2nd day of December, 1997, together with all riders and amendments thereto between Lessor and Lessee (the "Master Agreement"). It is the intention of Lessor and Lessee that, upon execution, this Amendment shall constitute a part of the Master Agreement.

IN CONSIDERATION OF the mutual covenants and promises as hereinafter set forth, Lessor and Lessee hereby agree as follows:

1. All capitalized terms used in this Amendment shall, unless otherwise defined, have the meanings set forth in the Master Agreement.

2. To delete section 19.1 of the Master Agreement in its entirety and replace it with the following:

"19.1 Subject to the restrictions set forth in the last sentence of this subsection, Lessor may, with the consent of Lessee, which consent shall not be unreasonably withheld or delayed, sell, assign or otherwise transfer or grant a security interest in, its right, title and interest in the Equipment, this Lease or any Schedule and the rent due or to become due thereunder and when so sold, assigned, transferred or encumbered, Lessee will after notice and direction from Lessor make all payments under this Lease to such assignee free of any counterclaim, set-off, defense or cross-claim by Lessee as against Lessor or any other person whatsoever whether arising before or after such sale, assignment, transfer or security grant. After such notice of assignment, Lessor shall hold Lessee harmless from and against any liability for any payment obligation made to such assignee at the direction of Lessor. Restrictions to an assignment are: a) assignment of Lease Schedules and\or Equipment Schedules which in the aggregate represent not less than $2,000,000 in Equipment Acquisition Cost; b) no assignments to be made to a competitor of Lessee; and c) Assignee to have a Net Worth greater than $25,000,000. Should an Event of Default under the Master Agreement have occurred and be continuing, the restrictions and Lessee's right to notice and consent herein shall be void."

The terms and conditions of this Amendment shall prevail where there may be conflicts or inconsistencies with the terms and conditions of the Master Agreement.

IN WITNESS WHEREOF, Lessor and Lessee, by their duly authorized representatives, have executed and delivered this Rider which is intended to take effect as a sealed instrument as of the date hereof.

LADD FURNITURE, INC.

By: ___________________________

Title:__________________________

Accepted and Agreed to at Boston, Massachusetts
BANCBOSTON LEASING INC.

By: __________________________

Title: _______________________

RIDER NO. 1
TO
MASTER LEASE AGREEMENT

This Rider No. 1 (the "Rider") is entered into between BancBoston Leasing Inc. ("Lessor") and LADD Furniture, Inc. ("Lessee"), is contemporaneous with and amends the Master Lease Agreement dated the 2nd day of December, 1997, together with all riders and amendments thereto between Lessor and Lessee (the "Lease Agreement"). It is the intention of Lessor and Lessee that, upon execution, this Rider shall constitute a part of the Lease Agreement.

IN CONSIDERATION OF the mutual covenants and promises as hereinafter set forth, Lessor and Lessee hereby agree as follows:

1. All capitalized terms used in this Rider shall, unless otherwise defined, have the meanings set forth in the Lease Agreement.

2. To modify, amend or replace terms of the Lease Agreement, as follows:

A. Section 6 - In Line 2 insert a comma after the word "Equipment" and delete the words: "with the prior written consent of Lessor". In Line 4, after the word "removable,", add the phrase: "Lessee must obtain the prior written consent of Lessor and";

B. Section 9.1 - In Line 6, after the words: "reasonable legal fees", add the phrase: "actually incurred at normal hourly rates typically charged in the Boston, Massachusetts area";

C. Section 9.2 - In Line 8, after the words: "reasonable legal fees", insert the phrase: "actually incurred at normal hourly rates typically charged the Boston, Massachusetts area";

D. Section 10.2 - In Line 8, delete the sentence which begins with the words: "The present value", and insert the following sentence in its place: "The present value shall be determined by discounting the aggregate of the remaining unpaid Monthly Rents and the anticipated residual value of the Equipment to the date of payment by Lessee at the rate set forth on the applicable Equipment Schedule (the "Funding Rate").";

E. Section 11.1 - Delete the first sentence of this section and insert in its place the following: "Lessee shall keep the Equipment insured against all risks of loss or damage from every cause whatsoever occurring during the Initial Term or any Extended Term for an amount not less than the higher of the full replacement value of the Equipment or the present value of the aggregate of the unpaid Daily Rent and Monthly Rent for the balance of the Initial Term or any Extended Term, plus the anticipated residual value of the Equipment, discounted at the Funding Rate.";

F. Section 11.2 - In Line 4, after the words: "deliver to Lessor", delete the words: "duplicates of such policies or other", and add, after the word "evidence", the word "reasonably". In Line 6, change the reference of "twenty (20) days" to "ten (10) days". In Line 7, delete the word "modification";

G. Section 14 - Delete this section in its entirety and substitute therefor the following: "Lessee shall furnish to Lessor copies of Forms 10-K and 10-Q concurrently with the filing of such documents with the Securities & Exchange Commission.";

H. Section 15 - In Line 2, replace the words: "at the rate of one and one half (1-1/2) percent" with the words: "at the rate of one (1) percent";

I. Section 16.1(i) - In Line 2, after the words: "material obligation", delete the word "whatsoever" and insert the phrase: "which in the aggregate exceed $2,000,000". In Line 2, after the words: "holder thereof", delete the words: "is entitled to accelerate", and replace with the word "accelerates";

J. Section 16.1(j) is deleted in its entirety;

K. Section 17.1(d) - In Line 5, after the words: "payment by Lessee at", delete the words: "a rate of five (5) percent" and insert in their stead the words: "the Funding Rate";

L. Section 17.1(e) - In Line 6, after the words: "or other disposition at", delete the words: "a rate of five (5) percent" and insert in their stead the words: "the Funding Rate";

M. Section 17.3 - After the words: "reasonable legal fees," delete the word "incurred" and insert the words: "actually incurred at normal hourly rates typically charged in the Boston, Massachusetts area";

N. Section 18.2(iv) - After the words: "the time value of money at", delete the words: "a reasonable rate determined, in good faith, by the Lessor", and insert the words: "the Funding Rate";

O. Section 18.3 - In the Line 4, after the words: "tax return," delete the words: "and/or" at the end of this section and add the following: ", (iv) a change in federal or state tax law or tax rates after the date of this Lease Agreement, and/or (v) inability of Lessor to realize the tax benefits for any reason other than acts or omissions of Lessee, Lessee's assigns or Lessee's sublessees."

P. Section 19.3 - After the words: "CONSENT OF LESSOR", add the phrase: ",WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED";

Q. Section 22.3 - In Line 1, after the words: "Certificates of Acceptance," add the words: "Riders, and such portions of any of Lessor's proposal letters which set forth the pricing and which may include a waiver of the Documentation/Funding Fee applicable to the Equipment Schedule(s) to which such proposal pertains,"; and

R. Section 22.5 - At the end of this section delete the period and add the words: ", provided that, as to the statements granting the security interest or providing initial notice of Lessor's interest in the equipment only, and not as to any continuation or assignment thereof, the content of such financing statements and the location of filing locations have been previously approved by Lessee, which approval shall not be unreasonably withheld or delayed.".

The terms and conditions of this Rider shall prevail where there may be conflicts or inconsistencies with the terms and conditions of the Lease Agreement.

IN WITNESS WHEREOF, Lessor and Lessee, by their duly authorized representatives, have executed and delivered this Rider which is intended to take effect as a sealed instrument as of the date of the Lease Agreement.

LADD FURNITURE, INC.

By:_________________________________

Title:______________________________

Accepted and Agreed to at Boston, Massachusetts

BANCBOSTON LEASING INC.

By: ________________________________

Title: _____________________________

[GRAPHIC OMITTED]

RIDER NO. 2
TO
MASTER AGREEMENT
DATED AS OF
DECEMBER 2, 1997

This Rider No. 2 (the "Rider") is entered into between BANCBOSTON LEASING INC. ("Lessor") and ("Lessee"), is contemporaneous with and amends the above-referenced Master Agreement between Lessor and Lessee (the "Master Agreement"). It is the intention of Lessor and Lessee that, upon execution, this Rider shall constitute a part of the Master Agreement as it applies to each Lease Schedule designated as a Finance (Tax) Lease Schedule.

IN CONSIDERATION OF the mutual covenants and promises as hereinafter set forth, Lessor and Lessee hereby agree as follows:

1. All capitalized terms used in this Rider shall, unless otherwise defined, have the meanings set forth in the Master Agreement.

2. At the end of Section 22 of the Master Agreement, add the following:

"23. Termination for Obsolete or Surplus Equipment. Lessee shall have the right to terminate a Lease Schedule with respect to all, but not less than all, Equipment set forth on such Lease Schedule provided that (i) such Equipment has become obsolete or surplus to the Lessee's requirements, (ii) thirty-six (36) months shall have elapsed from the Commencement Date applicable to the Equipment, (iii) Lessee shall have given Lessor sixty (60) days prior written notice of its intention to terminate the Lease Schedule with respect to the Equipment, (iv) no Event of Default (or event which upon the passing of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing, and (v) Lessor has received the appropriate termination value (the "Termination Value") as defined in the Termination Value Table (the "Termination Table"), which is attached hereto and incorporated by reference herein, in accordance with the procedure as hereinafter set forth. Any termination under this Section 23 may only occur on the first termination date set forth in such Termination Table or on the first day of any succeeding month (the "Effective Date of Termination").

"During the time from the giving of notice of termination by Lessee until the Effective Date of Termination, Lessee shall use its best efforts to solicit and to obtain firm written bids for the purchase of the Equipment. Such bids shall be solicited from qualified bidders who shall not be Lessee or any person, firm or corporation affiliated with Lessee. The bids shall be submitted to Lessor, shall be for immediately available funds, and shall contain an expiration date of not less than fifteen (15) days after the Effective Date of Termination. On the Effective Date of Termination, Lessor shall sell the Equipment for cash to the bidder named in the highest bid certified by Lessee. The sale of the Equipment shall be on an "AS IS, WHERE IS" and "WITH ALL FAULTS" basis and Lessor shall DISCLAIM ANY REPRESENTATION OR WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE OR FOR A PARTICULAR PURPOSE. The proceeds of such sale (the "Proceeds") for purposes of

this Section 23, shall be determined as the highest certified bid after deducting all reasonable expenses of Lessor, if any, incurred in connection with such sale.

"Lessor shall retain all Proceeds from the sale of the Equipment. In addition to any Periodic Rent due and owing on the Effective Date of Termination, Lessee shall also pay to Lessor an amount calculated in the following manner. If the Proceeds of the sale are less than the Termination Value for the Equipment, Lessee shall pay to Lessor the excess of such Termination Value over the Proceeds. If the Proceeds paid to Lessor from the sale of the Equipment equal or exceed the applicable Termination Value, Lessee shall not be required to pay any additional amounts. Upon receipt of the full Termination Value by Lessor, the Lease Schedule shall be terminated with respect to the Lease Schedule as of the Effective Date of Termination provided, however, that any liability or obligation of Lessee under the Lease Schedule shall survive for events occurring during any term of the Lease Schedule.

"The Lessee may, within five (5) days prior to the Effective Date of Termination, revoke the notice of termination by giving written notice of such revocation to Lessor, thereby continuing all of its obligations under the Lease Schedule. In addition, if no sale of the Equipment shall have occurred on or as of the Effective Date of Termination, the Lease Schedule shall continue in full force and effect.

"Lessor may, in its sole discretion, solicit bids but shall be under no duty to do so. Lessor may also inquire into the efforts of Lessee to obtain bids, and may take any other action in connection with the sale of the Equipment. Notwithstanding the foregoing, Lessor's sole responsibility under this Section 23 shall be to transfer, in the manner set forth above, all of Lessor's right, title and interest in and to the Equipment to the purchaser named in the highest cash bid certified by Lessee.

"In addition to the payment of the Termination Value, Lessee shall also pay to Lessor, upon demand, a dollar amount, if such amount is greater than zero, computed pursuant to the formula set forth below. Such payment shall compensate Lessor for any cost for funds borrowed by Lessor to purchase the Equipment which Lessor may continue to incur, notwithstanding the termination of the Lease Schedule pursuant to this Section 23. To the extent the Proceeds for the sale of the Equipment are in excess of the Termination Value any amount payable hereunder shall be reduced to the extent such Proceeds exceed the Termination Value.

$$L = \frac{(R-T) \times TVxD}{360}$$

L = amount payable to Lessor for loss.

R = the effective fixed rate of interest quoted by the Treasury Division of BankBoston, N.A. ("Treasury") to Lessor on the Commencement Date applicable to the Equipment for funds in the amount of the Acquisition Cost of the Equipment and for a term equal to the Initial Term of lease for such Equipment.

T = the effective fixed rate of interest quoted on the Effective Date of Termination by Treasury for funds in the outstanding amount of the Termination Value and maturing on the last day of the Initial Term of the lease for the Equipment.

TV = the amount of the Termination Value for the Equipment applicable to the Effective Date of Termination.

D = the number of days remaining from, but excluding, the Effective Date of Termination to, and including, the last day of the Initial Term of lease for the Equipment.

"Any amounts received by Lessor as a Termination Value under this Section 23 shall not be available to Lessee for the lease of additional Equipment under the Master Agreement."

3. In Section 10.2 of the Master Agreement, delete the words "twenty (20) percent of the Acquisition Cost of the Equipment" and insert the following: "the Termination Value for the last Effective Date of Termination set forth on the Termination Table attached to the applicable Rider to this Master Agreement".

4. In Section 17.1 (e) of the Master Agreement, delete the words "twenty (20) percent of the Acquisition Cost" and insert the following: "the Termination Value for the last Effective Date of Termination set forth on the applicable Termination Table attached to the applicable Rider to this Master Agreement".

The terms and conditions of this Rider shall prevail where there may be conflicts or inconsistencies with the terms and conditions of the Master Agreement.

IN WITNESS WHEREOF, Lessor and Lessee, by their duly authorized representatives, have executed and delivered this Rider, which is intended to take effect as a sealed instrument as of the date of the Master Agreement.

Accepted at Boston, Massachusetts BANCBOSTON LEASING INC.	LADD FURNITURE, INC.
By: ------------------------------	By: ------------------------------
Title: ---------------------------	Title: ---------------------------

EXHIBIT 10.8

LADD FURNITURE, INC.

1999 MANAGEMENT INCENTIVE PLAN

PLAN HIGHLIGHTS

1. Incentive payments based on financial performance and individual performance as follows:

   For Corporate Participants

   -- achievement of PBTDA targets
   -- achievement of individual objectives

   For Operating Group and Company Participants

   -- achievement of PBTDA targets
   -- LADD PBTDA targets
   -- achievement of individual objectives

2. No individual objective incentive payments will be made to any individual if the operating unit to which the individual is assigned does not achieve minimum PBTDA targets. Incentive payment expense will be accrued in results before calculation of profit.

3. Total of 153 officers and key managers to participate in the plan (Exhibit I). Maximum incentives range from 20% to 120% of January 1, 1999 base salary. Incentive payments are based on achieving performance criteria established by senior management and approved by the Board of Directors.

4. Program includes $50,000 discretionary incentive pool for extraordinary performance by LADD employees not covered by the Management Incentive Plan.

5. Estimated incentive payout at planned performance levels is $6.1 million.

6. Incentives earned in 1998 will be paid in cash after completion of annual audit (not later than March 31, 2000).

7. In the event of a transfer of a participant during the fiscal year to an operating unit other than the unit in which originally a Plan participant, an appropriate adjustment will be made in Incentive Plan eligibility pro-rata for the time worked in each unit.

8. In the event of a promotion of a participant within the same operating unit, an appropriate adjustment will be made in Incentive Plan eligibility pro-rata. In the event of a demotion which would place participants in a

position substantially different from that in which they were nominated as a participant, an appropriate adjustment may be made as to the amount of incentive payment for which they are eligible as determined by the Compensation Committee of the Board of Directors.

9. Participants will forfeit all income from plan if employment is terminated prior to January 1, 2000 for any reason other than death, disability or retirement (over age 55).

10. The 1999 Management Incentive Plan only applies to fiscal year 1999.

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4620 GRANDOVER PARKWAY
P.O. BOX 26777
GREENSBORO, NC 27417-6777
PH:336-294-LADD(5233)
FX:336-315-4399
WWW.LADDFURNITURE.COM

2

1998 ANNUAL REPORT

TAKING
SHAPE

[PHOTO]
CASEGOODS

[PHOTO]
UPHOLSTERY

[PHOTO]
CONTRACT

3

TAKING
SHAPE

LADD Furniture, Inc. 1998 Annual Report

TABLE OF CONTENTS

LADD is one of North America's largest residential furniture manufacturers, as well as one of the world's premier suppliers of residential furniture for the hospitality, assisted-living and government markets. In the U.S., the company markets its wide range of bedroom, dining room, occasional and upholstered furniture under the major brand names American Drew, Barclay, Clayton Marcus, HickoryMark, Lea, Pennsylvania House and Pilliod. These brands are exported through LADD International to more than 50 foreign countries.

LADD's contract sales group markets its furniture under the American of Martinsville brand name. LADD also owns and operates LADD Transportation, a full service trucking company. Headquartered in Greensboro, North Carolina, LADD employs approximately 6,500 people and operates 20 manufacturing facilities in eight states. Its stock is traded on the Nasdaq Stock Market under the symbol LADF.

LADD BRANDS

4

Financial Highlights

<TABLE>
<CAPTION>

LADD Furniture, Inc. (Dollars in thousands, except per share amounts, ratios and number of employees)	Fiscal Years 1998	1997	1996
<S>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA			
Net Sales	$571,063	525,500	497,457
Gross Profit	110,284	96,450	85,875
Operating Income	29,769	22,215	8,081
EBITDA	43,430	35,651	23,013
Net Earnings	12,259	6,312	(2,435)
PER SHARE DATA			
Net Sales	$ 73.14	67.86	64.42
Net Earnings (Loss) - Basic	1.57	0.81	(0.32)
Net Earnings (Loss) - Diluted	1.53	0.81	(0.32)
Year-end Book Value	18.45	16.87	16.05
Year-end Stock Price	16.19	15.00	14.63
BALANCE SHEET DATA			
Net Working Capital	$122,695	116,330	98,740
Total Assets	336,965	329,190	315,031
Total Debt	111,175	125,393	130,952
Shareholders' Equity	144,521	130,925	123,900
RATIOS			
Gross Margin	19.3%	18.4	17.3
Operating Margin	5.2	4.2	1.6
EBITDA/Sales	7.6	6.8	4.6
Net Earnings/Sales	2.1	1.2	(0.5)
Net Earnings/Beginning Equity	9.4	5.1	(1.9)
Total Debt Ratio	43.5	48.9	51.4
OTHER DATA			
Capital Spending	$009,121	7,504	8,347
Depreciation and Amortization	14,036	14,228	15,331
Year-end Employees (Actual Number)	6,480	6,150	5,800

</TABLE>

[GRAPH] [GRAPH]

Fiscal years ended January 2, 1999; January 3, 1998; and December 28, 1996. Fiscal 1997 contained 53 weeks, whereas Fiscal 1998 and Fiscal 1996 each contained 52 weeks. Fiscal 1996 reflects the sale of Fournier Furniture, effective February 26, 1996, and the liquidation of Daystrom Furniture, beginning June 28, 1996. EBITDA=Earnings before interest, taxes, depreciation and amortization. Total debt ratio is defined as the percentage of total debt to the sum of total debt plus shareholders' equity.

AT A GLANCE

The third largest publicly traded residential furniture manufacturer. Covering all major price points in both casegoods and upholstery. Operating 20 plants in eight states. Employing 6,500 people. Exporting to more than 50 countries around the world.

RESIDENTIAL

Brands

- American Drew
- Lea
- Pennsylvania House
- Pilliod

Casegoods

Selected New Groups

- Attic Treasures
- Bill Blass
- Bob Mackie Home
- Cavendish Court
- Dennis Connor Stars & Stripes

- Essentials
- Grant Hill Slam Dunk and Center Court
- Old Havana
- Pine Shop

[PHOTO]

Don Mitchell
President
LADD Casegoods

Growth Strategy

The LADD casegoods group has three primary objectives for 1999. First, we must continue to broaden our distribution base, while simultaneously earning and capturing additional floor space from our strong existing customers. Second, our focus on product value and style must remain intense. And finally, we must keep working diligently to reduce our fulfillment period - the amount of elapsed time between a customer's order and the date we ship that order.

Brands
- Barclay
- Clayton Marcus
- HickoryMark
- Pennsylvania House

Upholstery

Selected New Groups/Programs

- Classics
- Designer's Choice
- Estate
- Manor
- Medallion
- Old Havana
- Simply Casual
- Townhouse

[PHOTO]

Ken Church
President
LADD Upholstery

Growth Strategy

Our overriding goal for the LADD upholstery group in 1999 is to consistently meet and exceed the expectations of the customers with whom we are privileged to do business. We will accomplish this by improving our already strong operational efficiency, offering the most stylish, highest value upholstered furniture available at our price points, and significantly shortening our delivery times.

CONTRACT

Brand

- American of Martinsville

Selected Contract Groups

- Ambassador
- American Ancestry
- Biltmore
- Carmel
- Georgian

[PHOTO]

Mike Haley
President
LADD Contract

Growth Strategy

American of Martinsville has long been recognized as a contract furniture industry leader, with a reputation for providing our customers with the highest quality and best service available in the marketplace. We intend to maintain and strengthen this leadership position in 1999 by emphasizing customer satisfaction, continuous quality improvement, the highest level of efficiency in all of our operations and the further development of our outstanding, dedicated work force.

Product Mix   Contribution To Net Sales   Contribution To Profit(*)

[GRAPH]   [GRAPH]   [GRAPH]

Retail Price Points (Four-piece Master Bedroom)   Product Mix   Customer Mix

[GRAPH]   [GRAPH]   [GRAPH]

Retail Price Points (Three-cushion Fabric Sofa)   Product Mix   Customer Mix

[GRAPH]   [GRAPH]   [GRAPH]

Partial List of Major Customers

Bass Hotels & Resorts
Beverly Enterprises, Inc.
Hyatt International
Marriott International, Inc.
Wyndham Hotels & Resorts

Partial List of Major Projects

Atlantis Paradise Island
Nassau, The Bahamas
Caesars Palace
Las Vegas, Nevada
Grand Floridian Resort
Disney World
Orlando, Florida
Marriott Marquis
New York, New York
Ritz-Carlton
San Juan, Puerto Rico

Product Mix   Customer Mix

[GRAPH]   [GRAPH]

LETTER TO OUR SHAREHOLDERS

The U.S. furniture industry enjoyed an excellent year in 1998. It was also a very solid year for LADD. Sales increased for both our residential and contract furniture businesses, gross profit rose 14% and debt was reduced by over $14 million. Our goal for 1998 was to show improvement in each of these three key financial areas, so we are pleased to report these results, verifying our success across the board.

STRENGTHENING PERFORMANCE

Last year's performance measures were similar to those we achieved some years ago. Gross margin, for example, climbed to its highest level since 1992. Operating margin was the best since 1989. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 22%, to $43.4 million, or 7.6% of net sales. Although this is still below our 10% objective, it was LADD's highest EBITDA return since 1989. Our 1998 fourth quarter profit of $3.7 million represented LADD's highest quarterly earnings since the second quarter of 1989. And finally, total financing at the end of 1998 dropped to its lowest level in five years.

We believe these recent financial advancements provide conclusive proof that our performance, relative to our objectives, is taking shape. While we readily admit that there is room for considerable further improvement in the years just ahead, we are, nevertheless, pleased with the progress achieved thus far.

Total net sales for fiscal 1998 rose 9%, in spite of the fact that fiscal 1998 contained the usual 52 weeks, whereas fiscal 1997 contained 53 weeks - a peculiarity of LADD's fiscal calendar which occurs every fifth or sixth year. Adjusting for this weekly differential, the 1998 sales gain was 11%. Total residential furniture sales increased 8%, adjusted for the weekly differential, while our contract furniture sales rose an impressive 19% on the same basis.

"It has been rewarding to set a new course for LADD and see our performance taking shape. It is our goal that, in 1999, for the third year in a row, LADD's gross profit, operating income and net earnings will all increase faster than sales."

Gross margin on the increased sales base moved up to 19.3% from fiscal 1997's 18.4%, producing a gain in gross income of 14%. With good control maintained over SG&A (selling, general and administrative) expenses, the 1998 operating margin improved to 5.2% of net sales, from 4.2% in 1997.

Last year also saw us reduce our total debt by over $14 million, or 11%. And financing expense for the year fell more than 17%. Together, even after a modest increase in the effective income tax rate, these financial improvements produced a 94% profit gain for the year. Net earnings for fiscal 1998 jumped to $12.3 million, or $1.53 per diluted share, from $6.3 million, or $0.81 per diluted share, in fiscal 1997. All in all, we feel LADD is making substantial progress and we plan to continue this positive trend going forward.

RESIDENTIAL AND CONTRACT
BOTH GAIN MOMENTUM

For the first time, our financial results are being reported to you in two segments: residential (retail) furniture and contract (primarily hotel) furniture. We believe this will help you get a better picture of LADD's performance.

Our American of Martinsville contract operation continued to make outstanding progress last year. But the most substantial portion of our 1998 profitability improvement was directly attributable to our residential business. We are very encouraged by this trend, and feel we are regaining the kind of marketplace recognition and prominence LADD enjoyed in its early years. Moreover, we believe that the strong momentum we have established in our residential business will continue to build in 1999 and beyond.

NEW PRODUCT OFFERINGS VERY STRONG

In part, the success of our residential furniture business has been the result of new product development efforts, including a number of high-visibility licensed furniture lines. Over the past two years, we have introduced four licensed collections including nearly 250 individual pieces. Under the Bill Blass, Dennis Conner, Grant Hill and most recently, Bob Mackie names, these new collections have enjoyed substantial success at both the retail and consumer levels. We will continue to look for promising new celebrity endorsement opportunities to enhance our marketing efforts.

POSITIVE GROWTH TARGETED FOR LADD

The major economic variables that influence consumer furniture purchases were all very positive in 1998. Unemployment, interest rates and inflation reached historically low levels, while disposable personal income and consumer confidence continued to grow. Sales of new and existing homes remained robust nationwide. And the U.S. stock market enjoyed its fourth strong year in a row, despite a short-lived but sharp late summer drop. Within this environment, the residential furniture industry enjoyed one of its best years in recent history.

Many experts foresee U.S. economic growth slowing in 1999 and expect housing starts and home sales to decline from 1998's very high levels despite a strong start in early 1999. As a result, the "consensus" forecast for the residential furniture industry currently calls for a reduced 1999 growth rate in manufacturers' shipments. Even if this somewhat subdued industry forecast proves correct, we believe LADD is capable of increasing its 1999 top-line sales at greater-than-industry rates. Our strategy for accomplishing this includes: additional successful new product introductions, innovative merchandising programs and superior customer service. Moreover, it is our goal that, in 1999, for the third year in a row, LADD's gross profit, operating income and net earnings will all increase faster than sales.

It has been rewarding to set a new course for LADD and see our performance taking shape. These achievements would not have been possible without the dedicated efforts of LADD's 6,500 employees, the guidance of our Board of Directors and the loyalty and support of our vendors and shareholders. I want to thank each of you and personally invite you to attend our 1999 Annual Meeting on April 29 at Greensboro's Grandover Resort and Conference Center. There you will learn more about how we plan to substantially enhance LADD's shareholder value.

Fred L. Schuermann, Jr.
Chairman, President and Chief Executive Officer

EARNING
ARE MOVING UP

The new direction set in place by LADD's management at the beginning of 1996 continued to drive earnings higher last year, maintaining the positive profitability momentum which began in the second quarter of 1996. Earnings for 1998 reached $12.3 million, up 94% from 1997.

The strategies that have set the stage for this ongoing earnings improvement include the following: divesting nonessential businesses; using the divestiture proceeds to reduce debt; focusing on three main product groups - residential casegoods, residential upholstery and contract furniture; aggressively developing attractive, profitable new product lines; and steadily moving the company's profit margins up toward industry standards.

[PHOTO]

When the Sun International Bahamas consortium was planning a $450 million tower addition to its Atlantis Paradise Island resort and casino in Nassau, the Bahamas, LADD's American of Martinsville (AOM) contract sales group was chosen to provide the furnishings for the 1,200 new rooms. Working with an extremely tight 12-week deadline, AOM manufactured all the custom-designed casegoods and upholstery pieces and shipped them to the Bahamas for on-site installation -- and an on-time grand opening! With its new 50,00 square foot gambling casino, the 2,300 room Atlantis now dwarfs all other Caribbean hotels. The selection of AOM to furnish this magnificent resort represents a powerful endorsement of LADD as one of the premier players in the guest room furniture market.

A strong flow of new, higher margin residential furniture lines contributed significantly to 1998's improved earnings. At the core of this improvement were a number of reengineered and redesigned furniture groups, which reinvigorated some of LADD's traditional lines. In addition, the very popular licensed furniture groups that several LADD companies introduced over the past two years, and a variety of new non-licensed groups, demonstrated strong consumer appeal and contributed to the year's improved earnings.

With its comfortable lines and distressed honey-hued finish, accented by antiqued brass hardware, the Cottage collection evokes a sense of tradition while appealing to the modern preference for more relaxed living.

American Drew's well-known 18th Century-style Cherry Grove collection, initially introduced in 1960, was reengineered and remerchandised during 1997 in a warm nutmeg finish, with a dramatic positive impact on sales volume.

The upholstery group's stylish new fabric introductions and increased emphasis on leather at all price points also had a positive influence on 1998 earnings.

On the contract side of the business, our American of Martinsville ("AOM") brand also contributed to LADD's increased earnings. AOM has enjoyed very strong sales growth over the last several years. This growth plus AOM's premier industry position has allowed it to become more selective in accepting new contract orders, permitting AOM to concentrate on the higher value spectrum of its customer base.

Another factor positively influencing LADD's increased earnings was the company's significant debt reduction. During 1998, total debt declined by $14.2 million, or 11%. This represented the fourth consecutive year that the company has lowered its debt. The continued debt repayment, combined with performance-based interest rate reductions, produced a 17% drop in interest expense in 1998, adding about $0.15 to earnings per share.

A final contributor to 1998 earnings was the containment of SG&A expenses. These expenses increased a little over 8% in 1998, and declined slightly as a percentage of net sales. LADD's ratio of SG&A expenses to sales of approximately 14% compares most favorably with our major competitors.

[GRAPH]

GROSS MARGINS ARE WIDENING

One of management's primary strategic objectives since the restructuring efforts in early 1996 has been to steadily raise gross margins toward premier industry levels, in the mid-20% range. Although LADD's business mix will most likely keep the company's gross margins somewhat below the highest in the industry, a gross margin in the 22-23% range seems clearly attainable. In the last two years, LADD has made substantial improvement in its gross margin, from 17.3% in 1996 to 19.3% in 1998 - the best level since 1992. We will continue to leverage the strategies that have brought us this far: combating price discounting pressure with highly popular furniture introductions, eliminating less profitable furniture lines and streamlining our manufacturing operations.

[PHOTO]

To help its retail dealers merchandise youth furniture more effectively and profitabily, LADD's youth bedroom furniture specialist, Lea Industries, initiated its new Kid's Generation display program in 1998. Using the Kid's Gernation format, a participating retailer is able to display 6 to 12 of Lea's best-selling youth bedroom groups in only 750 to 1,250 square feet of retail floor space. Accessorization guidance and product layout assistance are available from Lea, along with a new "quick-ship" program. At present 270 furniture retailers have enrolled in the Kid's Generation program, and Lea is planning to have a total of 500 participating Kid's Generation dealer in place by year-end 1999.

A number of factors contributed to making last year's gross margin, at 19.3%, the best since 1992. Price increases in the residential sector averaged about 2-3% overall in 1998, and were both typical for our industry and consistent with prior years' increases. However, the heightened fashion appeal and popularity of LADD's new residential product lines has enhanced our ability to establish a solid pricing base and obtain improved margins. This is critical in the context of an environment where price discounting pressures are always heavy.

The 1998 addition of leather to the entire LADD upholstery group product line has been supported by the installation of highly automated leather cutting equipment.

The Old Havana collection introduced in October of this year at the International Home Furnishings Market features a gently-aged finish and uniquely shaped components which emphasize the group's Caribbean heritage.

[PHOTO]

In addition, we were able to widen margins through more selective acceptance of new orders by LADD's contract group, American of Martinsville. This segment has won some very prestigious business and will continue to concentrate on strengthening relationships with its most important customers.

Our gross margins were also favorably affected by our concerted effort to fine tune our product portfolio. We selectively discontinued some of the older, less profitable lines, while introducing new higher value collections. Simultaneously, we also made headway in reducing the number of SKU's (stock keeping units) in other lines. This strong emphasis on "streamlining" and repositioning the furniture lines we manufacture helped raise margins significantly last year. We will continue addressing our product portfolio with the same eye to margin improvement in 1999. In the upholstery area, a new vendor alliance program highlighting competitive quality, service and value has helped LADD become a lower cost producer.

Finally, the reengineering of a number of existing residential furniture groups led to better margins. Judicious materials substitution, replacement of lower margin SKU's with similar, higher margin pieces, and minor changes in construction details all enhance the overall profitability of a given suite. We have continued to import some furniture parts and components that can be more cost-effectively manufactured outside the U.S. This is especially the case with carved elements (such as bed posts and table legs) and other highly labor-intensive parts. And, as necessary, LADD has initiated plant sharing programs between the residential and contract segments to maximize asset utilization.

[GRAPH]

NEW PRODUCTS ARE DELIVERING NEW SALES

Our solid success introducing popular new residential furniture is heartening. This is particularly evident in our case-goods offerings, where today close to 60% of our total sales comes from pieces created since 1995. To look at it another way, 20% of our 1998 case goods sales were directly attributable to our celebrity-endorsed and reengineered furniture lines. This kind of new sales momentum fueled by excellent new products is a phenomenon we plan to replicate over and over at upcoming International Home Furnishings Market showings. Much of this success has come about because LADD's product managers have placed major design emphasis on meeting the more casual tastes and lifestyles of today's consumers while offering strong value to retailers.

[PHOTO]

LADD's most recent licensed furniture group, American Drew's 45-piece Bob Mackie Home collection of luxury bedroom, dining room and occasional furniture features two elegant primary finishes, Sable and Baroque Pearl. Several of the pieces are also available in an opulent Veiled Silver accent finish. The collection was a huge success when it was introduced at the October 1998 International Home Furnishings Market. Internationally known fashion designer Bob Mackie and his fashion models were on hand and drew extensive trade press and media coverage during the market, adding to the overall air of excitement. The Mackie group, American Drew's most successful new product introduction of recent years, has significantly broadened the company's dealer base.

Pennsylvania House Casegoods continued to color outside the lines in 1998 with the introduction of its "fashion forward" Scandinavian-inspired Studio group in a soft, natural finish, with brushed nickel hardware accents -- one of three widely acclaimed suites in the Essentials collection.

Adding elegant softness and style to the classic good looks of the Bill Blass casegoods collection are complementary upholstered pieces such as this custom-designed signature Byron chair.

Enhancing, strengthening and adding value to LADD's residential furniture line-up has been a primary strategic objective of LADD management. Accomplishing this goal has taken time for several reasons. First, new residential furniture lines are primarily introduced twice a year, in April and October. And secondly, 9-12 months or more can elapse between the time a new line is conceived and the time it finally makes its appearance on retailers' sales floors. Nonetheless, after three years of intensive, coordinated product development work throughout the LADD residential furniture organization, the collective verdict of furniture dealers and consumers alike has been a resounding round of applause, as well as impressive sales results.

The Bill Blass collection from Pennsylvania House and Lea's Dennis Conner Stars & Stripes youth furniture line, both introduced in 1997, have sold extremely well. Both are multi-million-dollar groups.

[PHOTO]

Lea's spring 1998 introduction of Slam Dunk and Center Court, Grant Hill-endorsed youth bed-room furniture lines, represented one of the industry's strongest youth furniture introductions ever. And American Drew's Bob Mackie Home collection (above) was also a smash hit with dealers. Other sparkling new introductions have included Pilliod's Farmingdale and Prominence groups, American Drew's Cavendish Court and Pine Shop, the Pennsylvania House Essentials collection and the upholstery group's Classics and Simply Casual lines.

Simultaneously, several major long-time furniture lines such as American Drew's Cherry Grove and the Hallmark Cherry collection by Pennsylvania House were substantially reengineered and refreshed in 1997, with a dramatic subsequent 1998 sales boost. In the upholstery area, a combination of popular new casual lifestyle designs and the introduction of leather at all price points has significantly enhanced recent top-line growth.

[GRAPH]

IMPROVED SERVICE IS GIVING LADD AN EDGE

In addition to fashion, function and value, furniture retailers are looking for product quality and reliability, dependable on-time delivery and prompt, satisfactory resolution of problems. LADD is working hard to improve its performance in all of these areas.

As indicated in the graph below, American of Martinsville's estimated overall cost of correcting quality has improved dramatically in the past three years and, in 1998, was only about one-sixth of its 1995 level. Similarly, as a result of continuing attention and effort, the aggregate product returns and allowances of the LADD upholstery group have steadily declined from fiscal 1996 to fiscal 1998. This kind of decline is directly indicative of significantly enhanced product quality and improved customer service.

Lea Industries, LADD's youth and adult bedroom furniture producer, has made dramatic customer service progress by recently shortening its product delivery times through a new quick-ship program based upon SKU reduction and enhanced manufacturing flows. During the past several years, 75-80% of Lea products on average have typically been delivered in 30 days or less. By mid-1999, it is believed that this delivery measure will have increased to 85-90% of all Lea products, with more than 90% of Lea's best-selling bedroom furniture lines expected to be shipped within the 30-day time frame.

Service is a top priority at LADD and we will continue to implement systems, as well as build relationships that assure our customers the best service possible.

[GRAPH]

Whether for quality "in-line" hotel furniture available with virtually no lead time, or custom-designed furnishings such as this strikingly unique armoire, American of Martinsville's reputation as the premier U.S. contract furniture supplier has been well-earned.

FINANCIAL STRATEGIES

[PHOTO]

Prior to 1996, many of the Company's functions were managed on a decentralized basis, including several of its financial and administrative functions. Since 1996, two of the Company's key financial strategies have been to minimize selling, general and administrative (SG&A) expenses and to reduce financing expense.

Over the past five years, the Company has invested significantly in its support systems and has merged each of its previously decentralized financial systems, such as accounts payable and payroll, and its credit and collection functions, into centralized systems. In addition, all order entry to cash application systems have been consolidated along business group lines in order to take advantage of the synergies of the Company's multiple brands. And, the Company has established uniform company-wide benefit policies and consolidated, where possible, its benefit plans. As a result of these and other actions, the Company has been able to reduce its SG&A expenses to around 14% in 1997 and 1998 from slightly more than 16% in prior years, and to enhance its cash management capabilities.

At December 30, 1995, total financing was $152 million, compared to $111 million at January 2, 1999. From the end of fiscal 1996 through the end of fiscal 1998, the Company has reduced its total debt ratio from 51.4% to 43.5%. This has reflected the Company's improved operating performance, which has allowed LADD to repay debt while simultaneously increasing our equity base. In addition to the decrease in financing and debt ratio, the average cost of funds for the Company has declined by over 1.20% during the past three years. The combined decrease in borrowings and in LADD's effective interest rate has allowed LADD to reduce its financing expense from $14.4 million in 1995 to $9.3 million in 1998, a 35% decrease. From an earnings per share (EPS) standpoint, this decrease accounted for a $0.37 increase in EPS from 1995 to 1998.

In addition to the above-mentioned financial strategies, the actions taken over the past three years to invest in our financial and operating systems, and the acquisition of machinery and equipment to upgrade and/or replace older equipment in our facilities, has substantially prepared the Company to become Year 2000 compliant. The Company believes it will spend between $300,000 to $500,000 in fiscal 1999 to complete its Y2K compliance effort.

As we move toward the new century, LADD management's goal is to continually enhance our systems, streamline our internal processing procedures, further reduce debt, and generate the highest possible return on our shareholders' investment.

Bill Creekmuir
Executive Vice President and
Chief Financial Officer

Selected Annual Data LADD Furniture, Inc. and Subsidiaries

<TABLE>
<CAPTION>

Dollar and share data in thousands, except per share amounts	Fiscal 1998	Fiscal 1997	Fiscal 1996	Fiscal 1995	Fiscal 1994	Fiscal 1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING STATEMENT DATA						
Net sales	$571,063	525,500	497,457	599,203	576,549	507,586
Cost of sales	460,779	429,050	411,582	502,999	468,794	414,534
Gross profit	110,284	96,450	85,875	96,204	107,755	93,052
Selling, general and administrative expenses	80,515	74,235	74,363	101,345	93,911	81,953
Restructuring expense	--	--	3,431	25,120	--	--
Operating income (loss)	29,769	22,215	8,081	(30,261)	13,844	11,099
Other (income) deductions:						
Interest expense	9,298	11,242	12,069	11,798	8,939	5,542
Other, net	375	792	399	1,367	(199)	(1,046)
Earnings (loss) before income taxes	20,096	10,181	(4,387)	(43,426)	5,104	6,603
Income tax expense (benefit)	7,837	3,869	(1,952)	(18,236)	744	2,639
Net earnings (loss)	$ 12,259	6,312	(2,435)	(25,190)	4,360	3,964
Depreciation	$ 10,300	10,119	10,887	12,671	14,143	10,508
Amortization	3,736	4,109	4,444	3,758	3,669	2,554
Cash dividends paid	--	--	--	2,086	2,771	2,767
Weighted average shares outstanding - basic	7,808	7,744	7,722	7,721	7,697	7,686
Weighted average shares outstanding - diluted	8,017	7,839	7,722	7,721	7,705	7,702
PER SHARE DATA						
Net sales	$ 73.14	67.86	64.42	77.61	74.91	66.04
Net earnings (loss) - basic	1.57	0.81	(0.32)	(3.26)	0.57	0.52
Net earnings (loss) - diluted	1.53	0.81	(0.32)	(3.26)	0.57	0.51
Cash dividends	--	--	--	0.27	0.36	0.36
Year-end book value	18.45	16.87	16.05	16.30	19.83	19.62
BALANCE SHEET DATA						
Net working capital	$122,695	116,330	98,740	80,317	124,474	123,741
Net property, plant and equipment	66,297	67,530	74,729	82,586	109,522	97,497
Total assets	336,965	329,190	315,031	313,775	380,137	336,971
Total debt	111,175	125,393	130,952	115,944	149,271	111,072
Shareholders' equity	144,521	130,925	123,900	125,986	152,695	150,840
RATIOS, OTHER						
Gross profit margin	19.3%	18.4	17.3	16.1	18.7	18.3
Operating profit (loss) margin	5.2%	4.2	1.6	(5.0)	2.4	2.2
EBITDA to sales	7.6%	6.8	4.6	(2.5)	5.5	5.0
Return (loss) on sales	2.1%	1.2	(0.5)	(4.2)	0.8	0.8
Effective income tax rate	39.0%	38.0	44.5	42.0	14.6	40.0
Dividend payout ratio	N/M	N/M	N/M	N/M	63.6	69.8
Return (loss) on beginning assets	3.7%	2.0	(0.8)	(6.6)	1.3	1.3
Return (loss) on beginning equity	9.4%	5.1	(1.9)	(16.5)	2.9	2.7
Total debt ratio	43.5%	48.9	51.4	47.9	49.4	42.4
Current ratio	2.6x	2.7	2.6	2.3	3.0	3.1

Inventory turnover ratio	4.8x	4.8	4.7	4.7	4.2	4.2
Asset turnover ratio	1.7x	1.6	1.6	1.7	1.6	1.6
Year-end employees (actual number)	6,480	6,150	5,800	6,880	7,860	6,670
Sales per employee (000's)	$ 89.8	88.1	79.8	77.0	75.9	75.0
STOCK DATA						
High	$ 31.50	19.38	15.75	19.88	35.25	44.25
Low	13.38	12.25	9.50	12.25	14.63	22.50
Close	16.19	15.00	14.63	13.13	19.50	30.00
Trading volume (shares)	14,321	8,685	8,000	9,599	6,473	8,260

</TABLE>

Total debt ratio is defined as total debt to the sum of total debt plus shareholders' equity. Fiscal year 1997 comprised 53 weeks; all other years comprised 52 weeks. Stock price and volume data for calendar years. N/M = Not Meaningful. EBITDA = Earnings before interest, taxes, depreciation, and amortization. Sales per employee based on monthly employee average. Pilliod Furniture is included in consolidated results from its acquisition date of January 31, 1994. Fiscal year 1995 reflects the sale of Brown Jordan Company and Lea Lumber & Plywood - effective December 29, 1995. Fiscal 1996 reflects the sale of Fournier Furniture - effective February 26, 1996; and the liquidation of Daystrom Furniture beginning June 28, 1996. Fiscal 1994, 1995 and 1996 reflect the Company's accounts receivable securitization program which commenced January 31, 1994 and terminated on March 28, 1996.

The following four pages, Management's Discussion and Analysis of Financial Condition and Results of Operations("Management's Discussion and Analysis"), should be read in conjunction with the Consolidated Financial Statements and Notes thereto, which begin on page 19.

Results of Operations
The table below sets forth the percentage relationship of net sales to certain items included in the consolidated statements of operations in each of the last three fiscal years.

<TABLE>
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	1998	1997	1996
<S>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%
Cost of sales	80.7	81.6	82.7
Gross profit	19.3	18.4	17.3
Selling, general and administrative expenses	14.1	14.2	15.0
Restructuring expense	--	--	0.7
Operating income	5.2	4.2	1.6
Other deductions, net	1.7	2.3	2.5
Earnings (loss) before income taxes	3.5	1.9	(0.9)
Income tax expense (benefit)	1.4	0.7	(0.4)
Net earnings (loss)	2.1%	1.2%	(0.5)%

</TABLE>

The following paragraphs provide an analysis of the changes in net sales, selected cost and expense items, and net earnings (loss) over the three-year period ended January 2, 1999.

Fiscal 1998 Compared to 1997

Consolidated net sales for fiscal 1998 increased $45.6 million, or 8.7%, to $571.1 million from $525.5 million in 1997. Taking into account that fiscal 1997 was a 53-week fiscal year (an anomaly which occurs every five or six years) and therefore had one more week of shipments than the 1998 fiscal year, the Company's 1998 sales actually rose 10.8% on a normalized basis. The following table compares net sales by segment for the two years:

<TABLE>
<CAPTION>

(In thousands)	1998	1997	Increase	Percent Change
<S>	<C>	<C>	<C>	<C>

Residential	$435,366	409,025	26,341	6.4%
Contract	135,697	116,475	19,222	16.5%
Total	$571,063	525,500	45,563	8.7%

</TABLE>

Total residential furniture sales for the year increased 8.5%, adjusted for the weekly differential, while contract furniture sales rose 18.7% on the same basis. In addition, 1997 residential furniture sales included $8.8 million in sales of HomeTech - a home-office product line that was discontinued in late 1997. The increases in the residential furniture sales were due largely to the Company's recent successful new product introductions, as well as improved overall industry conditions. Although most of the Company's residential brands have experienced sales increases, the Company's promotionally-priced upholstery business is still under performing as compared to peer companies in the furniture industry.

The adjusted contract furniture sales growth of 18.7% in 1998 was due primarily to: continued hotel expansion and refurbishment (a trend the Company anticipates will continue into 1999); increased market share; and strong growth in health care (assisted-living) sales. However, because of the very strong growth rate in contract sales since the 1997 fourth quarter, the comparative year-over-year growth rate decelerated during the 1998 fiscal year. The Company believes that through existing production capacity and planned capital spending at its own manufacturing facilities, through production from other LADD manufacturing plants, or production from outside contractors, capacity will be sufficient to accommodate contract sales growth anticipated for 1999.

The contract sales backlog decreased 5.4% during 1998, while the residential backlog increased 2.6%. The Company's order rate continues to be favorable through the first two months of 1999 and is comparable to the corresponding period of 1998.

The Company's export sales in 1998 totaled $29.4 million (5.1% of net sales), compared to $29.7 million (5.7% of net sales) in 1997. This flat sales pattern reflected global uncertainties, as last year's financial markets were experiencing the devaluation of several foreign currencies, and several key export markets were mired in recession. Export sales will continue to be a focus of the Company and are expected to have a positive impact on the Company's future net sales growth.

Cost of sales in 1998 decreased to 80.7% of net sales from 81.6% in 1997. The 1998 gross margin of 19.3% increased from 18.4% in 1997, primarily due to the following: (i) successful product introductions from the October 1997 and April 1998 furniture markets, which have higher margins, were shipped in 1998; and (ii) increased absorption of plant overhead due to increased sales and production. Although the gross margin for the year increased 0.9%, the 1998 gross margin was negatively impacted by price discounts offered to customers to liquidate discontinued products. The Company believes that increases in sales, new product introductions, and further cost saving actions will continue to increase gross margins in 1999.

Selling, general and administrative (SG&A) expenses were 14.1% of net sales in 1998, compared to 14.2% of net sales in 1997. The Company anticipates that its SG&A expense as a percent of net sales will continue to be in the range of 14.0% to 14.5% during 1999.

Other deductions, principally interest expense, represented 1.7% of net sales for 1998, compared to 2.3% in 1997. Average outstanding borrowings were down approximately $4.3 million for the year, and the effective interest rate was approximately 130 basis

points (1.3%) lower for the same time period. As a result, interest expense declined by $1.9 million, or 17.3%, in 1998. The interest rate margin over LIBOR and prime on the Company's bank borrowings can be reduced upon the Company meeting specified financial ratios related to operating cash flow and debt levels. Based on the Company's financial performance, the interest rate margin was reduced by 0.25% as of April 21,1998 and by another 0.25% as of July 21, 1998. Also, due to continued improvement in the Company's operating performance, the Company's loan agreement was amended to reduce its interest rate margin an additional 0.25% effective May 15, 1998. Further, the base prime lending rate was reduced by 0.25% on September 30, 1998, 0.25% on October 16, 1998, and 0.25% on November 18, 1998. The decrease in other deductions as a percent of sales was also due to increased profits from the Company's transportation operations.

The effective income tax rate was 39.0% in 1998 compared to 38.0% in 1997.

Fiscal 1997 Compared to 1996

Consolidated net sales for fiscal 1997 increased $28.0 million, or 5.6%, to $525.5 million from $497.5 million in 1996. On a pro forma basis, excluding two companies which were divested during 1996, fiscal 1997 consolidated net sales would have increased by 9.0%. The following table compares net sales by segment for the two years:

(In thousands)	1997	1996	Increase (Decrease)	Percent Change
Residential	$409,025	401,696	7,329	1.8%
Contract	116,475	80,215	36,260	45.2%
Divestiture Companies	--	15,546	(15,546)	N/M
Total	$525,500	497,457	28,043	5.6%

Considering that fiscal 1997 had one more week of shipments than the prior year, the Company's residential sales growth in 1997 was slightly below the growth rate estimated for the industry. These sales trends were due primarily to the Company's decision during 1996 to significantly reduce shipments to a major furniture retailer because profit margins were not considered to be acceptable, and the decision during the third quarter of 1997 to reduce shipments to another major furniture retailer due to their weakening credit position. The 1997 sales growth in contract sales continued to exceed sales trends estimated for the hospitality sector, where hotels/motels continued to refurbish rooms at an accelerated pace, and in the assisted-living and government sectors. The Company's backlog increased 35.0% during the 1997 fiscal year, principally due to strong late third quarter and fourth quarter orders received in each business segment.

In 1997, the Company's export sales increased to $29.7 million (5.7% of net sales), from $25.4 million (5.1% of net sales) in 1996. Excluding the sales of companies divested in 1996, export sales increased 22.7% in 1997 and were 5.7% and 5.0% of net sales in 1997 and 1996, respectively.

Cost of sales in 1997 decreased to 81.6% of net sales, from 82.7% in 1996. Cost of sales in 1996 was positively impacted by the Company's 1996 decision to curtail health care benefits to retirees and to terminate its qualified defined benefit pension plan. In the aggregate, these two actions resulted in a one-time $4.4 million decrease in cost of sales in 1996. Excluding the divestiture companies and the above-mentioned nonrecurring 1996 transactions, "pro forma" cost of sales was 83.1% of net sales in 1996, compared to the reported 81.6% in 1997. The "pro forma" 1996 gross margin of 16.9% increased to 18.4% in 1997 primarily due to the following factors: (i) successful product introductions at the October 1996 and April 1997 furniture markets were shipped in 1997; (ii) the ongoing savings that resulted from the termination of the above mentioned retiree and employee benefits; and (iii) increased absorption of plant overhead due to increased sales and production.

Selling, general and administrative (SG&A) expenses were 14.2% of net sales in 1997, compared to 15.0% of net sales in 1996. On a pro forma basis, excluding the divestiture companies, SG&A expenses were 14.2% in 1997 and 14.8% in 1996. The decrease in SG&A expenses as a percent of net sales was due principally to a reduction in 1997 bad debt expense. Bad debt expenses, net of recoveries, was 0.1% of net sales in 1997, compared to 0.7% of net sales in 1996.

Other deductions decreased in the aggregate to 2.3% of net sales from 2.5% in the prior year. The principal reason for the decline was that interest expense, as a percent of net sales, was 2.1% in 1997, down from 2.4% in 1996, due mainly to a decrease of $10.0 million in average outstanding borrowings during the 1997 fiscal year. Based on the Company's financial performance, the interest rate margin was reduced by 0.50% effective April 16, 1997. Additionally, effective October 1, 1997, the Company received an interest rate margin reduction of 0.25% on both its prime and LIBOR rate matrices from its bank group. These decreases in the Company's interest rate margin were somewhat offset by increases in the prime and LIBOR base rates in the first quarter of 1997.

The principal reason for the decrease in the Company's effective tax rate to 38.0% in fiscal 1997 from a tax benefit of 44.5% in the previous year was due to a reduction in various tax credits realized in 1997.

Liquidity and Capital Resources

In July 1996, the Company refinanced its long-term and short-term bank credit facility. The new credit facility ("the Facility") consisted of a $125.0 million

three-year revolving credit loan and a $65.0 million term loan. On January 1, 1997, the Facility was amended to reduce the revolving credit loan to $110.0 million. On May 15, 1998, the Facility was amended to extend the term of the revolving credit loan to July 12, 2000. Effective February 1, 1999, the Facility was further amended to extend the term of the revolving credit loan to July 12, 2001. The Facility is secured by substantially all the assets of the Company, including equipment, inventory, receivables and real property. Borrowings under the Facility currently bear interest at rates selected periodically by the Company of LIBOR plus 1.00%, or prime, for the revolving credit and term loans. The term loan portion of the Facility is payable in quarterly installments of $1.625 million. The Facility restricts the amount of the Company's capital spending, lease obligations, borrowings, and dividend payments. In connection with the 1996 refinancing, unamortized financing costs of $890,000 were charged to operations. Due to the refinancing, the Company incurred fees and expenses in 1996 aggregating approximately $4.0 million, which are being amortized over the terms of the Facility.

On January 2, 1999, net working capital totaled $122.7 million compared to $116.3 million at January 3, 1998, and the current ratio was 2.6:1 and 2.7:1, respectively. The increase in working capital was primarily attributable to increases in trade accounts receivable and inventories related to the Company's sales growth.

During 1998, the Company's improved earnings enabled it to generate net cash from operating activities of $21.7 million, an increase of $15.0 million compared to the prior year. During 1998, capital spending totaled $9.1 million, up from the prior year's $7.5 million. Capital expenditures during 1997 and 1998 were funded from the Company's operations and from borrowings under the Company's existing long-term credit facility.

Total debt ratio was 43.5% at the end of 1998, compared to 48.9% at the end of 1997. The decrease resulted from improved operating performance, which allowed the Company to repay debt while simultaneously increasing its equity base. At January 2, 1999, $36.0 million was available for future borrowings under the Company's revolving credit loan. Management believes that the Company's unused revolving credit loan, in addition to cash generated from operations, will be adequate to fund the Company's future operations, planned capital expenditures, and its lease commitments. The Company forecasts spending approximately $11 million for capital improvements during 1999. The Company anticipates that its cash flow from operations will exceed its capital expenditures in 1999, enabling a further reduction in the Company's outstanding borrowings and, accordingly, its total debt ratio.

On December 10, 1998, the Company's Board of Directors authorized the repurchase of up to 600,000 shares of the Company's Common Stock over the next 24 months, not to exceed $10,000,000 in the aggregate. The Common Stock will be purchased on the open market and availability under the Company's facility will be utilized to fund any purchases. As of January 2, 1999, the Company had not repurchased any stock.

New Accounting Standards

In June 1997, the Financial Accounting Standards Board issued SFAS 130, "Reporting Comprehensive Income." This Statement established standards for reporting comprehensive income and its components in consolidated financial statements. The Statement was effective for fiscal years beginning after December 15, 1997. The Company adopted the provisions of SFAS 130 in 1998, and there are no reportable items to disclose relating to this Statement.

In June 1997, the Financial Accounting Standards Board issued SFAS 131, "Disclosure about Segments of an Enterprise and Related Information." This Statement established standards for public companies for reporting certain financial information about operating segments in annual and interim financial statements, as well as certain information about those operating segments' products and services, the geographic areas in which they operate, and their major customers. The Statement was effective for fiscal years beginning after December 15, 1997. The Company adopted the provisions of SFAS 131 in 1998.

In June 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards for derivative instruments and hedging activities. The Statement is effective for fiscal years beginning after June 15, 1999. The Company plans to adopt the provisions of SFAS 133 in 1999 and believes the adoption of this SFAS will not have a material effect on the financial statements.

Year 2000 Compliance

The Company continues to actively address the business issues associated with the expected impact of the Year 2000 ("Y2K") on information technology systems and non-information technology systems (i.e., embedded technology) both internally and in relation to the Company's external customers and suppliers. Factors involved in assessing such business issues include the evaluation and testing of the Company's systems; evaluation, upgrading and certifying of automated plant machinery and equipment; and assessing the compliance strategies of significant customers and vendors and monitoring the status of those strategies (including electronic commerce with those companies).

The Company has created a corporate-wide Y2K Steering Committee with subcommittees located at each of the Company's business units for the purpose of directing the Company's compliance efforts and identifying and addressing the impact of non-compliance on information technology systems and non-information technology systems. An inventory of all the Company's equipment containing date sensitive embedded technology has been completed, and at the present time, a majority of this equipment has been either tested and/or deemed to be Y2K compliant. Since the fourth quarter of 1994, the Company has been upgrading its information technology systems with Y2K compliant software to support its manufacturing, sales and order entry, and financial reporting systems. As a result, a significant portion of the Company's information technology systems were Y2K compliant prior to 1998. At the present time, the Company believes it has completed almost all of the necessary internal software and hardware implementation required for Y2K compliance. The Company does not believe any material exposures or contingencies exist with respect to its internal information systems.

The Company is currently requesting assurances from its major suppliers and business partners that they will be Y2K compliant so that there will be no disruption of their products or services as the new century begins. The Company is assessing the risk of each of its significant suppliers and business partners to determine the possible impact of their non-compliance, if that should occur. Where appropriate, contingency plans and alternative suppliers are being developed or investigated. Although the Company is presently not aware of any material exposures or contingencies related to the Y2K compliance efforts of its significant vendors and business partners, if a significant vendor or business partner should be non-compliant there can be no assurance such an event will not have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. The Company believes the actions it is taking (including the continued monitoring of third-party compliance and the development of appropriate contingency plans) will minimize these risks and believes it is taking responsible steps to prevent any major disruptions of its business units.

The Company believes the actions it has taken since late 1994 with regard to Y2K issues have minimized Y2K related capital costs and expenses incurred to date and estimates that it has already incurred a majority of the required Y2K compliance expenditures. Total direct Y2K expenditures in 1998 were $114,000. This amount excludes funds invested in the purchase and lease of personal computers and the implementation of other computer system upgrades. While such investments were made primarily to resolve technological obsolescence and capacity constraints, they also resulted in the new equipment and upgraded systems being Y2K compliant. Anticipated 1999 expenditures and lease commitments relating to Y2K compliance are currently expected to be in the range of $300,000 to $500,000. However, new developments may occur that could affect the Company's estimates of the costs for Y2K compliance.

Forward-Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "forecasts," "should," or "anticipates." The Company cautions readers that these forward-looking statements, including without limitation, those relating to sales, operating costs, working capital, liquidity, capital needs, interest costs and Y2K compliance, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. This is due to several important factors herein identified, including without limitation: anticipated growth in sales; success of new product introductions; increased cash flow from operations; anticipated selling, general and administrative expense levels; projected capital spending; decreased interest expense and debt levels; Y2K readiness (particularly with respect to third-party customer and vendor compliance); and other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission.

Impact of Inflation

Although the effects of inflation on the Company cannot be accurately determined, in 1998 the impact of inflation marginally affected the Company's manufacturing costs in the areas of manufacturing overhead and raw materials other than lumber. The price of lumber, like the prices of other commodities, is affected more by the interaction of supply and demand than by inflation. For example, the market price of cherry lumber increased approximately 36% in 1998, whereas the market price of poplar lumber decreased approximately 16%. Although 1998 margins were impacted by inflation, the Company's gross profit margins during the past several years have, in general, been impacted more by promotional selling discounts and plant downtime taken to curtail production than by inflation. The Company believes it will be able to largely offset the effects of inflation by improving its manufacturing efficiency, increasing employee productivity, substituting raw materials, and increasing the selling prices of its products.

LADD Furniture, Inc and Subsidiaries Consolidated Statements of Operations

<TABLE>
<CAPTION>

Dollar amounts in thousands, except share data	For the Years Ended January 2, 1999	January 3, 1998	December 28, 1996
<S>	<C>	<C>	<C>
Net sales	$ 571,063	525,500	497,457
Cost of sales	460,779	429,050	411,582
Gross profit	110,284	96,450	85,875
Selling, general and administrative expenses	80,515	74,235	74,363
Restructuring expense	--	--	3,431
Operating income	29,769	22,215	8,081
Other deductions:			
Interest expense	9,298	11,242	12,069
Other, net	375	792	399
	9,673	12,034	12,468
Earnings (loss) before income taxes	20,096	10,181	(4,387)
Income tax expense (benefit)	7,837	3,869	(1,952)
Net earnings (loss)	$ 12,259	6,312	(2,435)
Net earnings (loss) per common share - basic	$ 1.57	0.81	(0.32)
Net earnings (loss) per common share - diluted	$ 1.53	0.81	(0.32)
Weighted average number of common shares outstanding - basic	7,808,431	7,743,986	7,722,085
Weighted average number of common shares outstanding - diluted	8,017,304	7,838,747	7,722,085

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets LADD Furniture, Inc and Subsidiaries

<TABLE>
<CAPTION>

Dollar amounts in thousands, except share data	January 2, 1999	January 3, 1998

ASSETS		
Current assets:		
Cash	$ 110	75
Trade accounts receivable, less allowances for doubtful receivables, discounts, returns and allowances of $2,482 and $2,735, respectively	90,286	83,297
Inventories	98,798	93,189
Prepaid expenses and other current assets	8,771	8,016
Total current assets	197,965	184,577
Property, plant and equipment, net	66,297	67,530
Intangible and other assets, net	72,703	77,083
	$336,965	329,190
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 6,590	6,807
Trade accounts payable	31,296	29,488
Accrued expenses and other current liabilities	37,384	31,952
Total current liabilities	75,270	68,247
Long-term debt, excluding current installments	104,585	118,586
Deferred and other liabilities	12,589	11,432
Total liabilities	192,444	198,265
Shareholders' equity:		
Preferred stock of $100 par value Authorized 500,000 shares; no shares issued	--	--
Common stock of $.30 par value. Authorized 50,000,000 shares; issued 7,831,080 shares and 7,759,683 shares, respectively	2,349	2,328
Additional paid-in capital	51,418	50,102
Retained earnings	90,754	78,495
Total shareholders' equity	144,521	130,925
Commitments and contingencies - Note 12		
	$336,965	329,190

See accompanying notes to consolidated financial statements.

LADD Furniture, Inc and Subsidiaries Consolidated Statements of Cash Flows

Dollar amounts in thousands	For the Years Ended January 2, 1999	January 3, 1998	December 28, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	$ 12,259	6,312	(2,435)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation of property, plant and equipment	10,300	10,119	10,887
Amortization	3,736	4,109	4,444
Restructuring expense	--	--	3,431
Provision for losses on trade accounts receivable	1,138	781	3,308
Gain on sales of assets	(198)	(182)	(147)
Provision for deferred income taxes	979	7,319	1,953
Forgiveness of debt	(217)	--	--
Increase (decrease) in deferred and other liabilities	1,097	152	(2,564)
Change in assets and liabilities, net of effects from divestitures and classification of businesses held for sale:			
(Increase) decrease in trade accounts receivable	(8,127)	(17,348)	5,736
(Increase) decrease in inventories	(5,609)	(7,269)	5,302
(Increase) decrease in prepaid expenses and other current assets	(755)	(2,248)	5,648
Increase (decrease) in trade accounts payable	1,808	5,130	(3,738)
Increase (decrease) in accrued expenses and other current liabilities	5,319	(179)	(6,320)

Total adjustments	9,471	384	27,940
Net cash provided by operating activities	21,730	6,696	25,505
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(9,121)	(7,504)	(8,347)
Purchase of leased manufacturing equipment	--	--	(4,648)
Proceeds from sales of property, plant and equipment	76	16	246
Proceeds from sales of idle assets	--	--	1,570
Proceeds from sales of businesses	--	--	5,284
(Additions to) reductions in other assets	431	764	(2,759)
Net cash used in investing activities	(8,614)	(6,724)	(8,654)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	291	10,955	127,092
Repayments of sales of trade accounts receivable	--	--	(36,000)
Proceeds from sale leaseback of assets	--	5,141	3,538
Principal payments on borrowings	(14,292)	(16,514)	(112,103)
Other	920	52	(181)
Net cash used in financing activities	(13,081)	(366)	(17,654)
Net increase (decrease) in cash	35	(394)	(803)
Cash at beginning of year	75	469	1,272
Cash at end of year	$ 110	75	469

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

LADD Furniture, Inc and Subsidiaries

<TABLE>
<CAPTION>

Years ended January 2, 1999, January 3, 1998, and December 28, 1996 Dollar amounts in thousands, except share data	Number of Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 30, 1995	7,726,993	$2,318	49,050	74,618	125,986
Purchase of restricted stock	(7,426)	(2)	--	--	(2)
Amortization of employee restricted stock awards	--	--	351	--	351
Net loss	--	--	--	(2,435)	(2,435)
Balance at December 28, 1996	7,719,567	2,316	49,401	72,183	123,900
Purchase of restricted stock	(3,273)	(1)	--	--	(1)
Shares issued in connection with incentive stock option plan	4,500	2	51	--	53
Shares issued in connection with employee defined contribution plan	38,889	11	536	--	547
Amortization of employee restricted stock awards	--	--	114	--	114
Net earnings	--	--	--	6,312	6,312
Balance at January 3, 1998	7,759,683	2,328	50,102	78,495	130,925
Shares issued in connection with incentive stock option plan	75,747	22	985	--	1,007
Retirement of stock and purchase of restricted stock	(4,350)	(1)	(86)	--	(87)
Amortization of employee restricted stock awards	--	--	87	--	87
Tax benefit from exercise of stock options	--	--	330	--	330
Net earnings	--	--	--	12,259	12,259
Balance at January 2, 1999	7,831,080	$2,349	51,418	90,754	144,521

</TABLE>

See accompanying notes to consolidated financial statements.

LADD Furniture, Inc. and Subsidiaries Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Description of Business

The Company is one of the largest residential furniture manufacturers in the United States, with 20 manufacturing facilities in eight states. The Company's products consist principally of casegoods and upholstery in a wide range of styles for bedrooms, family rooms, dining rooms and living rooms in the low-medium to high-medium price ranges for the residential and contract (principally hotel/motel) markets. Residential and contract products comprised approximately 76% and 24%, respectively, of the Company's 1998 net sales. The Company currently sells to approximately 7,700 customers, including retail furniture chains, national general retailers, department stores, independent furniture retailers, major hotel chains and others located throughout the United States and overseas.

Principles of Consolidation

The consolidated financial statements include the accounts of LADD Furniture, Inc. and its subsidiaries, all of which are wholly owned. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year ends on the Saturday nearest the end of December. Fiscal year 1998 ended January 2, 1999; fiscal year 1997 ended January 3, 1998; and fiscal year 1996 ended December 28, 1996. Fiscal 1997 comprised 53 weeks; fiscal years 1998 and 1996 comprised 52 weeks.

Revenue Recognition

Sales are recognized when products are shipped and invoiced to customers. Monthly provision is made for doubtful receivables, discounts, returns and allowances.

Substantially all of the Company's accounts receivable are due from customers described above. Management periodically performs credit evaluations of its customers and generally does not require collateral. At January 2, 1999, one customer accounted for approximately 10% of the Company's trade accounts receivable balance.

Inventories

Approximately 70% in 1998 and 68% in 1997 of the Company's inventories are valued using the last-in, first-out (LIFO) cost method, which is not in excess of market. All other inventories in 1998 and 1997 are valued at the lower of first-in, first-out (FIFO) cost, or market (net realizable value).

Property, Plant and Equipment

Property, plant and equipment are stated at cost.
Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on the straight-line method. Estimated useful lives are 5 to 35 years for buildings and improvements and 3 to 13 years for machinery and equipment.

Income Taxes

Deferred tax assets and liabilities are recognized for the temporary differences between the financial statement carrying amounts and the tax bases of the Company's assets, liabilities, and loss and tax credit carry forwards at income tax rates expected to be in effect when such amounts are realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Earnings per Share

Diluted earnings per share amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an antidilutive effect. The difference between basic and diluted weighted average number of common and common equivalent shares outstanding during the year is solely attributable to stock options and there are no differences in net earnings (loss).

Intangible Assets

Intangible assets consist principally of values assigned to patents, furniture designs, trade names and the excess of cost over the assigned value of net assets acquired. These assets are being amortized using the straight-line method over periods of 15 to 40 years. The Company assesses the recoverability of the excess of cost over the assigned value of net assets acquired by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operations. The assessment of the recoverability of the excess of cost over the assigned value of net assets acquired will be impacted if estimated future operating cash flows are not achieved.

Pension and Other Postretirement Plans
The Company's defined benefit plan was amended on December 13, 1996 to provide that no additional benefits would accrue under the plan after December 31, 1996. The Company terminated the plan during 1998 and assets were distributed to participants in 1998 and 1997. The Company provided certain health care benefits for certain retired employees through June 1, 1996, when these benefits were curtailed. Prior to curtailment, the Company provided for the cost of its obligation over the period the employees rendered the services necessary to earn the postretirement benefits. Prior to their termination, the cost of the above benefit plans was funded currently.

Fair Value of Financial Instruments
The carrying amount of cash, trade accounts receivable, prepaid expenses and other current assets, trade accounts payable, accrued expenses and other current liabilities approximates fair value because of the short maturity of these financial instruments.

The fair value of the Company's long-term debt is estimated by discounting the future cash flows at rates currently offered to the Company for similar debt instruments of comparable maturities. The fair value of the Company's long-term debt approximates the face value of the debt due to the variable interest rates on the majority of long-term debt at January 2, 1999.

Stock Option Plan
The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its stock options. As such, compensation expense would be recorded on the date of the grant only if the current market price of the underlying stock exceeded the exercise price.

Transportation Operations
The Company operates trucking fleets for its residential furniture operations for the delivery of products to customers and inbound raw materials. The Company accounts for the revenues and direct operating expenses of the transportation operations as other, net.

Use of Estimates
Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Note 2: Segment Information

The Company's operations are classified into two business segments: residential and contract furniture. The residential furniture segment principally manufactures and sells to various retailers at wholesale prices. The contract furniture segment principally manufactures and sells to hospitality, government and assisted-living facilities at retail prices. The products in both segments consist of casegoods, upholstery, and accessories. The Company has no operations located outside the United States and has no sales to foreign countries that are individually material.

Profit by business segment represents net sales, less operating expenses, less interest expense. A portion of corporate expenses is included in each segment. Unallocated corporate expenses are included in the Corporate column below. Corporate assets include principally: fixed assets, unamortized bank fees, investments and tax assets. Because the Company was undergoing restructuring and divestitures during 1996, restating segment data for that year is not practicable.

The following table shows net sales, profits, and other financial information by business segment for the fiscal years ended January 2, 1999 and January 3, 1998 (dollars in thousands):

<TABLE>
<CAPTION>

1998	Residential	Contract	Corporate	Consolidated
<S>	<C>	<C>	<C>	<C>
Net sales	$435,366	135,697	--	571,063
Profit	13,995	10,889	(4,788)	20,096
Interest expense	5,700	2,019	1,579	9,298
Depreciation and amortization	10,180	1,924	1,932	14,036

Total assets	256,623	65,703	14,639	336,965
Capital expenditures	5,974	2,140	1,007	9,121
Net sales to foreign countries	18,399	10,961	--	29,360

<CAPTION>

<S> <C> <C> <C> <C>

1997	Residential	Contract	Corporate	Consolidated
Net sales	$409,025	116,475	--	525,500
Profit	5,934	8,852	(4,605)	10,181
Interest expense	6,607	1,934	2,701	11,242
Depreciation and amortization	10,519	1,806	1,903	14,228
Total assets	254,608	59,842	14,740	329,190
Capital expenditures	3,882	1,597	2,025	7,504
Net sales to foreign countries	16,947	12,773	-	29,720

</TABLE>

Note 3: Inventories

A summary of inventories follows:

<TABLE>
<CAPTION>

<S> <C> <C>

(In thousands)	January 2, 1999	January 3, 1998
Inventories on the FIFO cost method:		
Finished goods	$ 51,414	49,329
Work in process	15,708	15,697
Raw materials and supplies	42,374	38,170
Total inventories on FIFO cost method	109,496	103,196
Less adjustments of certain inventories to the LIFO cost method	(10,698)	(10,007)
	$ 98,798	93,189

</TABLE>

Note 4: Property, Plant and Equipment

A summary of property, plant and equipment follows:

<TABLE>
<CAPTION>

<S> <C> <C>

(In thousands)	January 2, 1999	January 3, 1998
Land and improvements	$ 4,575	4,496
Buildings and improvements	72,718	70,342
Machinery and equipment	79,956	76,810
Construction in progress	2,672	2,755
	159,921	154,403
Less accumulated depreciation	(93,624)	(86,873)
	$ 66,297	67,530

</TABLE>

Note 5: Intangible and Other Assets

A summary of intangible and other assets follows:

<TABLE>
<CAPTION>

<S> <C> <C>

(In thousands)	January 2, 1999	January 3, 1998
Excess of cost over the assigned value of net assets acquired	$ 54,579	54,879
Trade names	21,700	21,700

Other	20,295	20,741
	96,574	97,320
Less accumulated amortization	(23,871)	(20,237)
	$ 72,703	77,083

</TABLE>

Note 6: Accrued Expenses and Other Current Liabilities

A summary of accrued expenses and other current liabilities follows:

<TABLE>
<CAPTION>

(In thousands)	January 2, 1999	January 3, 1998
<S>	<C>	<C>
Payrolls, commissions and employee benefits	$17,954	13,966
Deferred income taxes	5,514	5,072
Other	13,916	12,914
	$37,384	31,952

</TABLE>

Note 7: Long-term Debt

Long-term debt consists of the following:

<TABLE>
<CAPTION>

(In thousands)	January 2, 1999	January 3, 1998
<S>	<C>	<C>
Term loan due at various dates	$ 40,389	51,775
Revolving credit loan, due July 12, 2001	68,291	70,908
Other indebtedness, primarily fixed-rate industrial revenue bonds, due through 2011	2,495	2,710
Total long-term debt	111,175	125,393
Less current installments of long-term debt	6,590	6,807
Long-term debt, excluding current installments	$104,585	118,586

</TABLE>

On July 12, 1996, the Company entered into a $190,000,000 long-term secured credit facility (the "Facility") which consisted of a $125,000,000 three-year revolving credit loan and a $65,000,000 term loan. The term loan portion of the Facility is payable in quarterly installments of $1,625,000. On January 1, 1997, the Company reduced the revolving credit loan to $110,000,000.

The Facility was amended effective February 1, 1999 to extend the term of the revolving credit loan to July 12, 2001 and to lower the interest rate margin. Giving effect to the amendment, borrowings under the Facility currently bear interest at rates selected periodically by the Company of LIBOR plus 1.00% or prime. At January 2, 1999, LIBOR was 5.07% and the prime rate was 7.75%. Under the Facility, the Company pays a commitment fee of 1/4% per annum on the unused portion of the revolving credit facility. In connection with the 1996 refinancing, the Company incurred fees and expenses aggregating approximately $4,000,000 which are being amortized over the terms of the Facility. The interest rate margin over LIBOR and prime can be reduced upon the Company meeting a financial ratio related to operating cash flow and debt levels. Based on the Company's 1998 first and second quarter operating results, the interest rate margin was reduced by 0.25% effective April 21, 1998 and 0.25% effective July 21, 1998. Also, the Company's loan agreement was amended effective May 15, 1998 to reduce its interest rate margin by an additional 0.25%.

The Facility is secured by substantially all the existing and hereafter acquired assets of the Company. Availability on the revolving credit loan is determined by levels of eligible inventory and eligible trade accounts receivable. The Facility contains customary covenants for asset based loans which restrict future borrowings, dividends and capital spending; and include financial covenant ratios related to cash flow, earnings and debt. At January 2, 1999, the Company's availability for future borrowings under its revolving credit loan was approximately $36,000,000. At January 2, 1999, the Company was in compliance with all covenants under the Facility.

In connection with refinancing in 1996 the Company's long-term bank loans, approximately $890,000 of unamortized financing fees were charged to operations.

The aggregate annual maturities of long-term debt during each of the five fiscal years subsequent to January 2, 1999 are approximately as follows: $6,590,000 in 1999; $6,590,000 in 2000; $74,881,000 in 2001; $6,590,000 in 2002; $6,590,000 in 2003; and $9,934,000 thereafter.

Interest paid by the Company in 1998, 1997 and 1996 amounted to approximately $9,294,000, $12,119,000, and $12,241,000, respectively.

Note 8: Employee Stock Plan

Under an incentive stock option plan, the Company grants stock options to officers, key management employees and nonemployee directors. Options are generally granted at fair market value on the dates of the grant. All optionees must be employees or directors of the Company on the date of grant and throughout the term of the option, except in the case of death, retirement, or disability. The Company applies APB Opinion No. 25 and related interpretations in accounting for the plan. Accordingly, no compensation expense has been recognized for its stock-based compensation plan.

Had compensation cost for the Company's stock option plan been determined based upon the fair value at the grant date for awards under this plan consistent with the methodology prescribed in SFAS No. 123, Accounting for Stock-Based Compensation, the expense relating to the stock options would have been $1,168,000 in 1998, $494,000 in 1997, and $378,000 in 1996. Unaudited pro forma net earnings (loss) and earnings (loss) per share are as follows:

(Amounts in thousands, except per share data)	1998	1997	1996
Net earnings (loss)	$11,091	5,818	(2,813)
Net earnings (loss) per share - basic	$ 1.42	0.75	(0.37)
Net earnings (loss) per share - diluted	$ 1.38	0.74	(0.37)
Weighted-average fair value of the options granted	$ 12.27	6.33	4.90

The estimates of option fair value are determined using the Black-Scholes option-pricing model with the following assumptions:

	1998	1997	1996
Dividend yield	0.0%	0.0%	0.0%
Stock price volatility	50.0%	30.0%	30.5%
Risk free interest rate	4.7%	5.4%	5.5%
Assumed forfeiture rate	10.0%	20.0%	17.8%
Expected life	6 years	6 years	6 years

A total of 1,188,889 shares were reserved for option under previous and current stock option plans. At January 2, 1999, approximately 6,100 shares are available for future options. Options granted prior to 1991 are generally exercisable at the cumulative rate of 20% per year after one year from the date of grant. Options granted subsequent to 1990 are generally exercisable at the cumulative rate of 25% per year after one year from the date of grant. Options expire over a period not to exceed ten years from the date of grant. Stock option activity during 1996, 1997 and 1998 follows:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at		

December 30, 1995	252,178	$21.90
Granted in 1996	442,510	$11.86
Cancelled in 1996	(98,533)	$21.76

Outstanding at December 28, 1996	596,155	$14.63
Granted in 1997	100,005	$15.51
Exercised in 1997	(4,500)	$11.64
Cancelled in 1997	(43,038)	$16.67

Outstanding at January 3, 1998	648,622	$14.67
Granted in 1998	192,000	$22.92
Exercised in 1998	(75,747)	$13.30
Cancelled in 1998	(16,673)	$20.32

Outstanding at January 2, 1999	748,202	$16.79

Exercisable at January 2, 1999	294,084	$16.38

</TABLE>

The Company had options for 213,466 and 96,545 shares exercisable at January 3, 1998 and December 28, 1996, respectively, with a weighted-average exercise price totaling $17.81 and $23.73, respectively.

The following table summarizes information concerning currently outstanding and exercisable options:

<TABLE>
<CAPTION>

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number Outstanding at January 2, 1999	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at January 2, 1999	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$10.75 - 15.75	446,362	7.4 Years	$12.60	186,744	$12.41
$15.76 - 25.00	208,253	7.9	$19.50	73,753	$18.57
$25.01 - 40.50	93,587	7.4	$30.73	33,587	$33.58
	-------			-------	
	748,202	7.5	$16.79	294,084	$16.38
	=======			=======	

</TABLE>

Note 9: Employee Benefit Plans

Defined Contribution Plan
The Company has a savings plan for employees which qualifies under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to contribute up to a fixed percentage of their compensation, with the Company matching a portion of each employee's contributions. Company contributions under the plan aggregated approximately $1,241,000 in 1998, $1,101,000 in 1997 and $485,000 in 1996. All 1998 and 1997 contributions were in the form of the Company's common stock, of which, in 1998, 59,400 shares were purchased on the open market and, in 1997, 38,889 shares were newly issued and 33,675 shares were purchased on the open market.

Defined Benefit Pension Plan
The Company and several of its subsidiaries had noncontributory defined benefit pension plans covering qualified salaried and hourly employees which were merged into a common plan on December 31, 1996. The defined benefit plan was amended on December 13, 1996 to provide that no additional benefits would accrue under the plan after December 31, 1996. As a result of these actions, the Company credited to cost of sales a gain of approximately $738,000 in the fourth quarter of 1996. Regulatory approval to terminate the plan was received on April 1, 1998 and in anticipation of that approval approximately 75.0% of the plan assets were distributed in 1997 with the remaining balance of the plan assets distributed in December 1998.

Non-Qualified Retirement Plans
The Company has non-qualified retirement plans covering certain existing and former salaried employees. At January 2, 1999 and January 3, 1998, the Company had approximately $1,873,000 and $899,000, respectively, of assets available to fund future obligations of the non-qualified plans. These assets are included in intangible and other assets, and the related liabilities are included in

deferred and other liabilities in the accompanying consolidated balance sheets. The liability for the non-qualified retirement plans is reflected in the reconciliation of the plans below:

(In thousands)	Pension Benefits 1998	1997
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 3,123	2,393
Service cost	140	65
Interest cost	243	178
Amendments	--	691
Actuarial (gain) loss	308	(77)
Benefits paid	(185)	(127)
Benefit obligation at end of year	$ 3,629	3,123
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 0	0
Employer contribution	185	127
Benefits paid	(185)	(127)
Fair value of plan assets at end of year	$ 0	0
Funded status	$(3,629)	(3,123)
Unrecognized net actuarial (gain) loss	206	(102)
Unrecognized prior service cost	1,064	1,198
Net liability recognized	$(2,359)	(2,027)

Net pension expense for the defined benefit and non-qualified plans for 1998, 1997 and 1996 included the following components:

(In thousands)	1998	1997	1996
Service costs-benefits earned during the period	$140	65	2,119
Interest cost on projected obligation	243	2,944	3,440
Return on assets	--	(2,765)	(6,133)
Amortization of unrecognized net obligation at transition and net deferrals	134	86	3,032
Curtailment gain	--	--	(738)
Net pension expense	$517	330	1,720

The projected benefit obligation of the non-qualified retirement plans at January 2, 1999 and January 3, 1998 was determined using an assumed discount rate of 7.25% and 7.50%, respectively, and assumes a long-term rate of salary increases of 4.50%. The assumed long-term rate of return on plan assets was 8.50% for 1998, 1997 and 1996.

Note 10: Postretirement Benefits Other than Pensions

In May 1996, the Company curtailed the post-retirement features of its health care benefit program, effective July 1, 1996. As a result of this curtailment, the Company in 1996 had an aggregate credit of approximately $4,200,000, consisting of normal costs totaling $747,000 and a curtailment gain totaling $4,947,000, recognized in operating income ($3,700,000 in cost of sales and $500,000 in selling, general and administrative expenses).

Note 11: Income Taxes

Components of income tax expense (benefit) for 1998, 1997 and 1996 are as follows:

(In thousands)	1998	1997	1996
Current:			
Federal	$6,347	(3,785)	(4,054)
State	511	335	149
	6,858	(3,450)	(3,905)
Deferred:			
Federal	952	7,035	1,385
State	27	284	568
	979	7,319	1,953
	$7,837	3,869	(1,952)

The change in deferred liabilities from 1997 to 1998 was $679,000. Deferred tax expense differs from this amount due to tax benefits recognized from the utilization of acquired subsidiary carryforward net operating losses.

The effective income tax rate on earnings (loss) before income taxes for the 1998, 1997, and 1996 was 39.0%, 38.0% and 44.5%, respectively. The actual income tax rate (benefit) differs from the "expected" income tax rate (benefit) computed by applying the Federal income tax rate of 35% to earnings before income taxes for 1998, and by applying the Federal income tax rate of 34% to earnings (loss) before income taxes for 1997 and 1996 as follows:

(In thousands)	1998	1997	1996
Federal statutory rate	35.0%	34.0	(34.0)
Increases (reductions) due to:			
Amortization of the excess of cost over the assigned value of net assets acquired	2.4	4.6	10.3
Tax credits, net	(1.8)	(7.0)	(30.0)
State income taxes, net of Federal income tax benefit	1.7	4.0	2.2
Change in valuation allowance for deferred tax assets	1.5	--	--
Foreign trade income exemptions	(1.3)	(2.5)	(8.5)
Restructuring and reorganization charges	--	--	24.2
Other	1.5	4.9	(8.7)
Effective income tax rate	39.0%	38.0	(44.5)

During 1998, the Company paid taxes (net of refunds received) of approximately $6,012,000. During 1997 and 1996, the Company received refunds (net of taxes paid) of approximately $4,235,000, and $8,360,000, respectively.

The tax effects of temporary differences and net operating loss carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

(In thousands)	January 2, 1999	January 3, 1998
Deferred tax liabilities:		
Inventories	$ (7,216)	(7,096)
Property, plant and equipment	(3,820)	(4,025)
Intangible and other assets	(7,072)	(7,638)
Lease obligations	(3,562)	(4,636)

Other	(798)	(187)
Total deferred tax liabilities	(22,468)	(23,582)
Deferred tax assets:		
Accounts receivable	894	984
Inventories	677	923
Liabilities and reserves	5,772	5,447
Tax credit carryforwards	745	1,832
Net operating loss carryforwards	2,130	3,153
Other	272	244
Gross deferred tax assets	10,490	12,583
Valuation allowances	(1,414)	(1,714)
Total deferred tax assets	9,076	10,869
Net deferred tax liability	$(13,392)	(12,713)

</TABLE>

Deferred taxes are classified in the accompanying consolidated balance sheets as follows:

<TABLE>
<CAPTION>

(In thousands)	January 2, 1999	January 3, 1998
<S>	<C>	<C>
Accrued expenses and other current liabilities	$ (5,514)	(5,072)
Deferred and other liabilities	(7,878)	(7,641)
	$(13,392)	(12,713)

</TABLE>

A valuation allowance exists for the deferred tax assets related to a net operating loss carryforward (NOL) from the stock purchase of Pilliod Furniture. Approximately $834,000 of the $4,761,000 NOL carryforward deductions was utilized in 1998 and the valuation allowance was reduced accordingly. The excess of cost over the assigned value of net assets acquired decreased approximately $300,000 in recognition of the tax benefit resulting from the utilization of the NOL carryforward deductions. The remaining NOL deductions of $3,927,000 may be carried forward up to 10 more years to offset future earnings, subject to normal annual limitations prescribed by tax law. A valuation allowance of $1,414,000 remains in deferred taxes for these unexpired NOL carryforward deductions. Tax benefits recognized subsequent to 1998 relating to the valuation allowance for deferred tax assets at January 2, 1999 will be applied to reduce the excess cost over the assigned value of Pilliod's net assets acquired.

The Company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the remaining deferred tax assets.

Note 12: Leases and Contingencies

The Company leases manufacturing facilities, executive offices, various warehouses, sales offices and showrooms, as well as manufacturing, transportation, data processing and office equipment under operating leases which expire at various dates through 2026. Future minimum lease payments under noncancelable operating leases as of January 2, 1999 are as follows:

<TABLE>
<CAPTION>

Fiscal Year:	(In thousands)
<S>	<C>
1999	$10,711
2000	9,017
2001	5,684
2002	4,371
2003	3,320
Thereafter	7,111
Total	$40,214

</TABLE>

In 1996, the Company entered into a sale leaseback agreement for certain manufacturing equipment located at several of its manufacturing facilities. This transaction was recorded as an asset sale. The cash proceeds from the sale of approximately $3,538,000 were used to repay long-term debt. Under the agreement, the Company will lease the equipment over 69 months. The Company has the option to purchase the equipment at the end of the lease terms.

In March 1997, the Company sold its Monroe, NC upholstery manufacturing facility to a private partnership for $5,300,000. At the same time, the Company entered into a seven-year agreement to lease the facility back, with options existing to renew the lease at the end of its term for up to eight additional years. The net proceeds from the sale of $5,100,000 were utilized to reduce the Company's outstanding long-term debt. A deferred gain totaling $580,000 is being amortized into operations over the life of the lease.

Rental expense for cancelable and noncancelable operating leases charged to operations was as follows:

Fiscal Year:	(In thousands)
1998	$12,963
1997	12,183
1996	12,203

Rental expense includes contingent rentals based upon usage of transportation equipment under cancelable and noncancelable operating leases which totaled approximately $695,000 in 1998, $702,000 in 1997, and $719,000 in 1996.

Note 13: Restructuring and Divestitures

In 1996, the Company recorded aggregate non-cash restructuring charges of $3,431,000 which consisted of: (a) a $1,900,000 charge due to a shortfall in anticipated proceeds on the sale of Fournier Furniture; (b) a $3,245,000 charge due to the necessity to liquidate versus sell Daystrom Furniture and for severance related to continued restructuring of the Company; and (c) $1,714,000 of aggregate credits as a result of proceeds from the liquidation of idle assets held for sale exceeding earlier estimates. The net costs charged against aggregate restructuring reserves of $1,634,000 at December 28, 1996 totaled $1,397,000 in 1997.

The following unaudited pro forma information shows consolidated operating results for 1996 as though the Company had divested Daystrom Furniture and Fournier Furniture as of January 1, 1996, excluding the restructuring expense recorded during 1996:

(In thousands, unaudited)	1996
Net sales	$481,911
Earnings before interest and income taxes	14,476

Selected Quarterly Data (Unaudited) LADD Furniture, Inc. and Subsidiaries

Dollar and share data in thousands, except per share amounts	Fiscal 1998 Fourth Quarter	Fiscal 1998 Third Quarter	Fiscal 1998 Second Quarter	Fiscal 1998 First Quarter	Fiscal 1997 Fourth Quarter	Fiscal 1997 Third Quarter	Fiscal 1997 Second Quarter	Fiscal 1997 First Quarter
OPERATING STATEMENT DATA								
Net sales	$145,253	142,896	135,505	147,409	146,625	129,935	125,572	123,368
Cost of sales	116,713	115,160	108,173	120,733	119,429	106,791	101,393	101,437
Gross profit	28,540	27,736	27,332	26,676	27,196	23,144	24,179	21,931
Selling, general and administrative expenses	20,286	19,932	19,947	20,350	20,328	17,794	18,561	17,552

Operating income	8,254	7,804	7,385	6,326	6,868	5,350	5,618	4,379
Other (income) deductions:								
Interest expense	2,123	2,220	2,371	2,584	2,817	2,701	2,719	3,005
Other, net	43	148	310	(126)	276	(199)	194	521
Earnings before income taxes	6,088	5,436	4,704	3,868	3,775	2,848	2,705	853
Income tax expense	2,377	2,117	1,835	1,508	1,371	1,110	1,055	333
Net earnings	$ 3,711	3,319	2,869	2,360	2,404	1,738	1,650	520
Depreciation	$ 2,660	2,568	2,528	2,544	2,539	2,492	2,520	2,568
Amortization	904	893	931	1,008	994	1,008	1,041	1,066
Weighted-average shares outstanding - basic	7,831	7,831	7,812	7,760	7,760	7,758	7,737	7,720
Weighted-average shares outstanding - diluted	7,922	8,034	8,165	7,940	7,872	7,867	7,795	7,814
PER SHARE DATA								
Net sales	$ 18.55	18.25	17.35	19.00	18.89	16.75	16.23	15.98
Net earnings - basic	0.47	0.42	0.37	0.30	0.31	0.22	0.21	0.07
Net earnings - diluted	0.47	0.41	0.35	0.30	0.31	0.22	0.21	0.07
Quarter-end book value	18.45	17.97	17.54	17.18	16.87	16.56	16.34	16.12
BALANCE SHEET DATA								
Net working capital	$122,695	123,305	118,826	112,952	116,330	118,018	112,364	103,680
Net property, plant and equipment	66,297	66,189	66,406	66,255	67,530	66,708	67,648	68,580
Total assets	336,965	345,519	337,822	338,158	329,190	330,770	323,150	318,159
Total debt	111,175	116,130	116,219	120,866	125,393	128,530	127,864	129,370
Shareholders' equity	144,521	140,723	137,377	133,324	130,925	128,476	126,422	124,478
RATIOS								
Gross profit margin	19.6%	19.4	20.2	18.1	18.5	17.8	19.3	17.8
Operating profit margin	5.7	5.5	5.5	4.3	4.7	4.1	4.5	3.5
Return on sales	2.6	2.3	2.1	1.6	1.6	1.3	1.3	0.4
Effective income tax rate	39.0	39.0	39.0	39.0	36.3	39.0	39.0	39.0
Total debt ratio	43.5	45.2	45.8	47.5	48.9	50.0	50.3	51.0
STOCK DATA								
High	$ 20.25	31.50	30.50	25.00	18.25	19.38	15.25	16.13
Low	13.38	13.63	21.00	14.63	14.50	13.63	12.25	14.38
Close	16.19	16.50	30.00	24.00	15.00	17.63	13.75	14.50
Trading volume (shares)	2,310	2,549	6,193	3,269	1,090	5,217	965	1,413

</TABLE>

Stock price and volume data for calendar quarters. 1997 fourth quarter contained 14 weeks; all other quarters contained 13 weeks.

LADD Furniture, Inc. and Subsidiaries Management's Statement of Responsibility

The management of LADD Furniture, Inc. is responsible for the integrity of the financial statements of the Company and for ascertaining that the financial statements accurately reflect the financial position and results of operations of the Company. The financial statements were prepared in conformity with generally accepted accounting principles, applying estimates and management's best judgment, as required. Information presented elsewhere in this Annual Report is consistent with the financial statements.

LADD has established and maintains a system of internal controls designed to provide reasonable assurance, at an appropriate cost, that the Company's assets are adequately safeguarded and that the accounting records reflect the transactions of the Company accurately, fairly and in reasonable detail. The internal control system provides for careful selection and training of personnel, the delegation of management authority and responsibility, the dissemination of management control policies and procedures, and an internal audit program.

The Board of Directors, through its Audit Committee consisting of four directors who are not officers or employees of the Company, is responsible for reviewing and monitoring the financial statements and accounting practices of the Company. The Audit Committee meets periodically, either separately or jointly, with the independent auditors, representatives of management, and the Company's internal auditors to discuss auditing, accounting and financial statement matters. To ensure complete independence, representatives of KPMG LLP, certified public accountants retained by the Company to audit the financial statements, have full and free access to meet with the Audit Committee with or without the presence of management representatives.

Fred L. Schuermann, Jr.	William S. Creekmuir
Chairman, President	Executive Vice President
and Chief Executive Officer	and Chief Financial Officer

February 5, 1999

The Board of Directors and Shareholders
LADD Furniture, Inc.:

We have audited the accompanying consolidated balance sheets of LADD Furniture, Inc. and subsidiaries as of January 2, 1999 and January 3, 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 2, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LADD Furniture, Inc. and subsidiaries as of January 2, 1999 and January 3, 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended January 2, 1999 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Greensboro, North Carolina
February 5, 1999

We are proud of the wide variety of residential and contract furniture LADD produces and markets. We cordially invite you to visit our Internet website at www.laddfurniture.com for a sampling of these products, as well as information for locating nearby dealers.

LADD'S MANUFACTURING FACILITIES

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Residential		Contract
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Alabama	Ohio	Virginia
Selma	Swanton	Chilhowie
		Martinsville
Mississippi	Pennsylvania	
Myrtle	Lewisburg	
Sherman	White Deer	
North Carolina	South Carolina	
Hickory	Nichols	
Monroe		
North Wilkesboro	Tennessee	

Waynesville Morristown

Virginia
Marion
</TABLE>

[MAP]

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Directors and Officers

Board of Directors

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Richard R. Allen(1) Retired Chairman and Chief Executive Officer, LADD Furniture, Inc.	Ian J. McCarthy(2) President and Chief Executive Officer Beazer Homes USA, Inc.
J. Patrick Danahy(2) Retired President and Chief Executive Officer Cone Mills Corporation	Zenon S. Nie(1)(3) Chairman and Chief Executive Officer Simmons Company
Charles R. Eitel(2)(3) President and Chief Operating Officer Interface, Inc.	L. Glenn Orr, Jr.(2)(3) President and Chief Executive Officer Orr Management Company
David A. Jones(1) Chairman, President and Chief Executive Officer Rayovac Corporation	Fred L. Schuermann, Jr. Chairman, President and Chief Executive Officer LADD Furniture, Inc.
Thomas F. Keller, Ph.D.(1)(3) R.J. Reynolds Professor and Former Dean Fuqua School of Business, Duke University	

(1) Audit Committee (2) Compensation Committee
(3) Corporate Governance Committee

<CAPTION>
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Corporate Executive Officers	Other Executives
Kenneth E. Church Executive Vice President, LADD and President, LADD Upholstery Group	Daryl B. Adams Vice President, Corporate Controller and Chief Accounting Officer, LADD
William S. Creekmuir Executive Vice President, Chief Financial Officer, Secretary and Treasurer, LADD	Jesse A. Brinkley President, Lea Industries
Michael P. Haley Executive Vice President, LADD and President, LADD Contract Sales Group	Victor D. Dyer Vice President, Human Resources, LADD
Donald L. Mitchell Executive Vice President, LADD and President, LADD Casegoods Group	Kenneth B. Fonville President, Pennsylvania House Casegoods
Fred L. Schuermann, Jr. Chairman, President and Chief Executive Officer LADD	Mark B.Gosnell President, Barclay Furniture
	Greg P. Noe President, Pilliod Furniture
	David C. Ogren Vice President, Market Development, LADD
	Jeffrey R. Scheffer President, American Drew
	R. Rand Tucker Vice President, General Counsel and Assistant Secretary, LADD

</TABLE>

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CORPORATE INFORMATION

CORPORATE HEADQUARTERS

4620 Grandover Parkway
P.O. Box 26777
Greensboro, NC 27417-6777
Phone: (336) 294-LADD
U.S. Fax: (336) 315-4399
International Fax: (336) 315-4394
Internet: www.laddfurniture.com

American Drew (Casegoods)
4620 Grandover Parkway
P.O. Box 26777
Greensboro, NC 27417-6777
Phone: (336) 294-5233
Fax: (336) 315-4392
Internet: www.americandrew.com

American of Martinsville (Contract)
128 E. Church Street
P.O. Box 5071
Martinsville, VA 24115-5071
Phone: (540) 632-2061
Fax: (540) 638-8810
Internet: www.americanofmartinsville.com

Barclay (Upholstery)
166 Teaguetown Rd.
Hickory, NC 28601-8360
Phone: (828) 495-2200
Fax: (828) 495-2260
Internet: www.barclayfurniture.com

Clayton Marcus (Upholstery)
166 Teaguetown Rd.
Hickory, NC 28601-8360
Phone: (828) 495-2200
Fax: (828) 495-2260
Internet: www.claytonmarcus.com

LADD Transportation
4620 Grandover Parkway
P.O. Box 26777
Greensboro, NC 27417-6777
Phone: (336) 294-5233
Fax: (336) 315-4382
Internet: www.laddtransportation.com

Lea Industries (Casegoods)
4620 Grandover Parkway
P.O. Box 26777
Greensboro, NC 27417-6777
Phone: (336) 294-5233
Fax: (336) 315-4386
Internet: www.leaindustries.com

Pennsylvania House (Casegoods & Upholstery)
137 N. 10th Street
Lewisburg, PA 17837-1388
Phone: (717) 523-1285
Fax: (717) 523-6278
Internet: www.pennsylvaniahouse.com

Pilliod Furniture (Casegoods)
4620 Grandover Parkway
P.O. Box 26777
Greensboro, NC 27417-6777
Phone: (336) 294-5233
Fax: (336) 315-4377
Internet: www.pilliodfurniture.com

Transfer Agent
Wachovia Shareholder Services
c/o Boston EquiServe
P.O. Box 8217
Boston, MA 02266-8217
Shareholder Account Information: 1-800-633-4236

Legal Counsel
Kilpatrick Stockton LLP, Winston-Salem, NC

Independent Auditors
KPMG LLP, Greensboro, NC

Common Stock Data
LADD's common stock trades on the Nasdaq Stock Market under the symbol LADF. The

high and low prices of LADD common stock for the calendar quarters below, as reported by Nasdaq, were:

1998	HIGH	LOW	1997	HIGH	LOW
First Quarter	$25.00	14.63	First Quarter	$16.13	14.38
Second Quarter	30.50	21.00	Second Quarter	15.25	12.25
Third Quarter	31.50	13.63	Third Quarter	19.38	13.63
Fourth Quarter	20.25	13.38	Fourth Quarter	18.25	14.50

At year-end 1998, LADD had an estimated 3,500 shareholders.

Annual Meeting
Shareholders are cordially invited to attend LADD's 1999 Annual Meeting, to be held Thursday, April 29th, at 10:00 a.m. at the Grandover Resort & Conference Center in Greensboro, NC.

Investor Relations
John J. Ong, CFA
Vice President, Investor Relations
Phone: (336) 315-4049 or e-mail: jong@laddnet.com

Annual Report on Form 10-K
A copy of the Company's Annual Report on Form 10-K for the year ended January 2, 1999, as filed with the Securities and Exchange Commission, will be sent without charge to any stockholder upon request. Please direct written or e-mail requests to Investor Relations at the corporate headquarters address above.

Forward-Looking Statements
This Annual Report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Such statements are dependent on a number of factors which could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Such factors include the company's ability to increase its sales at a faster growth rate than that of the industry, raise its gross margins, improve its profitability at a faster rate than sales, reduce its debt levels and financing costs, and achieve Y2K compliance, in addition to those factors set forth in the company's required filings with the Securities and Exchange Commission.

EXHIBIT 24.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
LADD Furniture, Inc.:

We consent to incorporation by reference in the Registration Statements (Nos. 33-53341, 333-3129, 333-19565, 333-68189 and 333-19539) on Form S-8 of LADD Furniture, Inc. of our report dated February 5, 1999, relating to the consolidated balance sheets of LADD Furniture, Inc. and subsidiaries as of January 2, 1999 and January 3, 1998, and the related consolidated statements of operations, shareholders' equity and cash flows and related schedule for each of the years in the three-year period ended January 2, 1999, which reports appear or are incorporated by reference in the January 2, 1999 annual report on Form 10-K of LADD Furniture, Inc.

/s/ KPMG LLP

Greensboro, North Carolina
March 22, 1999

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