

LA-Z-BOY INC
Form DEF 14A
July 02, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant **X**
Filed by a Party other than the Registrant **0**

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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LA-Z-BOY INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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1. Title of each class of securities to which transaction applies:

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LA-Z-BOY INCORPORATED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Day: Tuesday, August 10, 2004

Time: 11:00 a.m., Eastern Daylight Time

Place: La-Z-Boy Incorporated Auditorium
1284 North Telegraph Road
Monroe, Michigan

Monroe, Michigan
July 2, 2004

To our shareholders:

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We invite you to attend our 2004 annual meeting of shareholders at the time and place shown above. The purposes of the meeting are:

to elect four directors for three-year terms expiring in 2007;

to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2005; and

to approve the La-Z-Boy Incorporated 2004 Long-Term Equity Award Plan.

We are mailing this notice and the accompanying proxy statement and proxy card to our shareholders on or about July 2, 2004. We also are enclosing a copy of our 2004 Annual Report, which contains financial statements for the fiscal year ended April 24, 2004. Only shareholders of record at the close of business on June 23, 2004 will be entitled to vote at the meeting.

Whether you plan to attend the meeting in person or not, please date, sign, and return the enclosed proxy card in the accompanying envelope. You may also vote by telephone or on the Internet (see the instructions attached to the proxy card). Even though you vote by one of these methods prior to the meeting, you may still vote your shares in person at the meeting, which will revoke your previous vote.

BY ORDER OF THE
BOARD OF DIRECTORS

James P. Klarr, *Secretary*

July 2, 2004

2004 PROXY STATEMENT OF LA-Z-BOY INCORPORATED

Questions and Answers

Q: What is a proxy?

A: A proxy is a document, also referred to as a proxy card, on which you authorize someone else to vote for you at the upcoming annual meeting in the way that you want to vote. You also may choose to abstain from voting. **La-Z-Boy's board of directors is soliciting the proxy card enclosed.**

Q: What are the purposes of this annual meeting?

A: At the annual meeting, shareholders will elect four directors for three-year terms expiring in 2007. The board's nominees are David K. Hehl, Rocque E. Lipford, Melquiades (Mel) R. Martinez, and Jack L. Thompson (See page 3). Shareholders will also vote on ratifying our selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2005 and on a proposal to approve the La-Z-Boy Incorporated 2004 Long-Term Equity Award Plan. Other than routine or procedural matters, we do not expect any other business will be brought up at the meeting, but if any other business is properly brought up, the persons named in the enclosed proxy will have authority to vote on it as they see fit.

Q: Who is entitled to vote?

A: Only record holders of our common shares at the close of business on the record date for the meeting, June 23, 2004, are entitled to vote at the annual meeting. Each common share has one vote.

Q: How do I vote?

A: Sign and date each proxy card that you receive and return it in the enclosed envelope. Proxies will be voted as you specify on each card. If you sign and return a proxy card without specifying how to vote, your shares will be voted **FOR** the election of the director nominees identified in this proxy statement, **FOR** ratification of our selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2005, and **FOR** approval of the La-Z-Boy Incorporated 2004 Long-Term Equity Award Plan. Your shares also will be voted on any other business that comes before the meeting.

Q: Can I vote by telephone or on the Internet?

A: Yes. If you hold your shares in your own name, you may vote by telephone or on the Internet by following the instructions attached to your proxy card. If your shares are held through a broker, bank, or other nominee, they will contact you to request your voting instructions and should provide you with information on voting those shares by telephone or on the Internet.

Q: Can I change my vote after I have voted?

A: A later vote by any means will cancel any earlier vote. For example, if you vote by telephone and later vote differently on the Internet, the Internet vote will count, and the telephone vote will be canceled. If you wish to change your vote by mail, you should write our Secretary to request a new proxy card. The last vote we receive before the meeting will be the one counted. You also may change your vote by voting in person at the meeting.

Q: What does it mean if I get more than one proxy card?

A: It means that your shares are registered in more than one way. Sign and return all proxy cards or vote each group of shares by telephone or on the Internet, to ensure that all your shares are voted.

Q: What makes up a quorum?

A: There were 51,959,910 common shares outstanding on the record date for the meeting. A majority of those shares present or represented by proxy at the meeting makes a quorum. A quorum is necessary to conduct the meeting.

Q: How does the voting work?

A: Directors will be elected by plurality vote. The nominees receiving the highest through fourth highest numbers of votes will be elected, regardless of the total number of votes cast or withheld. You may withhold votes from one or more directors by writing their names in the space provided for that purpose on your proxy card. If you vote by telephone or on the Internet, follow the instructions attached to the proxy card.

We are asking you to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm as a matter of good corporate practice. If the Audit Committee's selection does not receive a majority of the shares actually voted in favor of the proposal, it will reconsider the selection. You may vote or abstain from voting on the proposal on your proxy card. If you vote by telephone or on the Internet, follow the instructions on the proxy card.

Approval of the La-Z-Boy Incorporated 2004 Long-Term Equity Award Plan requires that a majority of the shares entitled to vote at the meeting are actually voted **FOR** or **AGAINST** the proposal and that the majority of the shares actually voted are in favor of the proposal. You may vote or abstain from voting on the proposal on your proxy card. If you vote by telephone or on the Internet, follow the instructions on the proxy card.

Q: Where is La-Z-Boy's principal executive office?

A: 1284 North Telegraph Road, Monroe, Michigan 48162.

PROPOSAL NO. 1: ELECTION OF DIRECTORS

Our board of directors is divided into three classes, two consisting of four directors each and one consisting of three directors. Directors in each class serve for three-year, staggered terms. The terms of the four directors in one of the classes expire at this year's annual meeting, so four directors will be elected at the meeting. The four directors elected will serve until our annual meeting of shareholders in 2007.

Under the applicable Michigan corporate law, directors will be elected at the meeting by a plurality of votes cast from among those persons duly nominated. Thus, the nominees who receive the highest through fourth highest numbers of votes will be elected, regardless of the number of votes that for any reason, including abstention or withholding of authority, are not cast for the election of those nominees.

The board's director nominees are the four current directors whose terms are scheduled to expire at the meeting. In the absence of other instruction, the persons named in the accompanying form of proxy will vote in favor of these nominees. If any nominee becomes unable or unwilling to serve, which we do not expect, the proxy holders will vote for a substitute nominee designated by the board.

Information about each nominee for election at the meeting and each director continuing in office is given below. Unless otherwise indicated, the principal occupation of each director or director nominee has been the same for at least five years. All of the nominees have consented to serve if elected. Mr. Martinez is currently a candidate for the Republican nomination for one of Florida's seats in the United States Senate. Mr. Martinez has advised us that, if he wins the nomination, and if he wins the election in November, he would expect to resign from our board of directors before taking office in the Senate.

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Director Nominees for Terms to Expire in 2007

David K. Hehl, age 57 Member of the public accounting firm of Cooley Hehl Wohlgamuth & Carlton P.L.L.C.	Director since 1977
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Rocque E. Lipford, age 65 Senior Principal in the law firm of Miller, Canfield, Paddock and Stone, P.L.C. Director of MBT Financial Corp. and of its subsidiary Monroe Bank & Trust	Director since 1979
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Mel R. Martinez, age 57 Candidate for Republican nomination for the United States Senate from Florida since January 2004 Of counsel to the law firm of Akerman & Senterfitt since January 2004 United States Secretary of Housing and Urban Development (January 2001 - December 2003) Orange County (Florida) Chairman (1998 - 2001) Director of United Heritage Bank, Orlando, Florida	Director since 2004
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Jack L. Thompson, age 65 CEO of Penda Corporation since March 2004 (manufacturer and marketer of truck bedliners and accessories) Formerly CEO and President of Penda Corporation	Director since 2001
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Directors with Terms Expiring In 2005

<p>James W. Johnston, age 65 Private investor</p>	<p>Director since 1991</p>
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<p>Kurt L. Darrow, age 49 Our President and Chief Executive Officer since September 2003 Formerly, President of our La-Z-Boy Residential division (August 2001 September 2003), Senior Vice President of Sales & Marketing (August 1999 August 2001), and Vice President of Sales (1987 1999)</p>	<p>Director since 2003</p>
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<p>H. George Levy, M.D., age 54 Otorhinolaryngologist. CEO and founder of EndueNet, Inc. (Electronic medical records for physicians and hospitals) Director of Michigan Trust Bank</p>	<p>Director since 1997</p>
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<p>Donald L. Mitchell, age 60 Our Senior Vice President and President of the Casegoods Group from July 2001 until retirement in April 2002 Executive Vice President of LADD Furniture, Inc. (our wholly owned subsidiary since January 2000) until retirement in April 2002 President of LADD s casegoods group until July 2001</p>	<p>Director since 2002</p>
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Directors with Terms Expiring in 2006

<p>John H. Foss, age 61 Vice President, Treasurer and Chief Financial Officer of Tecumseh Products Company until retirement in October 2001 Director of United Bancorp, Inc.</p>	<p>Director since 2001</p>
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<p>Patrick H. Norton, age 82 Our Chairman of the Board Director of Culp, Inc. (manufacturer and marketer of upholstery fabrics and mattress tickings)</p>	<p>Director since 1981</p>
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<p>Helen O. Petrauskas, age 60 Vice President Environmental and Safety Engineering of Ford Motor Company from 1983 until retirement in June 2001</p>	<p>Director since 2000</p>
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CORPORATE GOVERNANCE

We believe it is important to disclose a summary of our major corporate governance practices. Some of these practices have been in place for many years. Others have been adopted in response to recent regulatory and legislative changes. We will continue to assess and refine our corporate governance practices and share them with shareholders.

Director Independence

A majority of our directors must be independent directors under the NYSE Listed Company rules. The NYSE rules provide that no director can qualify as independent unless the board affirmatively determines that the director has no material relationship with the listed company. The board has adopted the following standards for determining whether or not a director has a material relationship with the Company:

No director who is an employee or a former employee of La-Z-Boy can be independent until three years after termination of employment.

No director who is, or in the past three years has been, affiliated with or employed by our present or former independent registered public accounting firm can be independent until three years after the end of the affiliation, employment, or auditing relationship.

No director can be independent if he or she is, or in the past three years has been, part of an interlocking directorship in which any of our executive officers serves on the compensation committee of another company that employs the director.

No director can be independent if he or she is receiving, or in the last three years has received, more than \$100,000 during any 12-month period in direct compensation from La-Z-Boy, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided the compensation is not contingent in any way on continued service).

Directors with immediate family members in the foregoing categories are subject to the same three-year restriction.

The following categorical standards identify relationships that a director may have with us that will not be considered material:

If a director is an executive officer, director, or shareholder of another company that does business with us and the annual revenues derived from that business are less than 1% of either company's total revenues.

If a director is an executive officer, director, or shareholder of another company that is indebted to us, or to which we are indebted, and the total amount of either company's indebtedness to the other is less than 1% of the total consolidated assets of each company; or if the director is an executive officer, director, or shareholder of a bank or other financial institution (or its holding company) that extends credit to us on normal commercial terms and the total amount of our indebtedness to the bank or other financial institution is less than 1% of our total consolidated assets.

If a director is an executive officer or director of another company in which we own common stock, and the amount of our common stock interest is less than 5% of the total shareholders' equity of the other company.

If any family member of a director is or was employed by us in a non-executive capacity and the family member's compensation has not exceeded \$100,000 in any one fiscal year.

If a director is a director, officer, or trustee of a charitable organization, our annual charitable contributions to the organization (exclusive of gift-match payments) are less than 1% of the organization's total annual charitable receipts, all of our contributions to the organization were approved through our normal approval process, and no contribution was made on behalf of any of our officers or directors; or if a director is a director of the La-Z-Boy Foundation.

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If a director is a member of, employed by, or of counsel to a law firm or investment banking firm that performs services for us, payments made by us to the firm during a fiscal year do not exceed 1% of the firm's gross revenues for the fiscal year, and the director's relationship with the firm is such that his or her compensation is not linked directly or indirectly to the amount of payments the firm receives from us.

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Applying these standards, the board of directors has determined that each of the following directors, comprising eight of the non-management directors, meets the criteria for independent directors set forth in the listing standards of the NYSE and is an independent director under those standards: Messrs. Foss, Hehl, Johnston, Lipford, Martinez, and Thompson, Ms. Petrauskas, and Dr. Levy. As noted below under Executive Compensation Related Party Transactions, Rocque E. Lipford is a principal in the law firm of Miller, Canfield, Paddock and Stone, P.L.C., which provides us with legal services, a relationship that is not material under the categorical standards adopted by the board. In addition, the board has determined that this relationship has never interfered with Mr. Lipford's demonstrated independence from our management and has therefore concluded that Mr. Lipford is in fact an independent director within the meaning of the NYSE standards.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines, which are published on our website (www.la-z-boy.com). These guidelines include: a limitation on the number of boards on which a director may serve, qualifications for directors, director orientation, continuing education, and a requirement that the board and each of its committees perform an annual self-evaluation.

Committee Charters and Codes of Business Conduct

We have published on our website (www.la-z-boy.com) the charter of each of the Audit, Compensation, and Nominating and Governance Committees of the board, as well as our Code of Business Conduct, which apply to all directors, officers, and employees. Any waiver of the Code of Business Conduct for directors or executive officers may be made only by the Audit Committee, and any such waivers or amendments will be disclosed promptly by posting on our website. Copies of each of the committee charters and the Code Business Conduct are also available by writing to our Office of the Secretary, La-Z-Boy Incorporated, 1284 North Telegraph Road, Monroe, Michigan 48162.

Executive Sessions of Non-Employee Directors

Non-employee directors ordinarily meet in executive session without management present at regularly scheduled board meetings and no less than four times annually. The sessions are chaired by the Chairman of the Nominating and Corporate Governance Committee. Any non-employee director can request that an executive session be scheduled or place an item on the agenda.

Independent Audit

The lead partner of our independent registered public accounting firm is rotated at least every five years.

Board Committees

Only independent directors serve on the Audit, Compensation, and Nominating and Governance Committees, in accordance with the independence standards of the NYSE rules and our corporate governance guidelines. The board, and each committee of the board, has the authority to engage independent consultants and advisors at our expense.

Communications with the Board; Annual Meeting Attendance

We have established a process by which you may send communications to the board. For a description of the manner in which you can send communications to the board, please visit our website (www.la-z-boy.com). All members of the board are expected to attend the annual meeting unless prevented by doing so by unusual circumstances. All of the ten directors who held office at that time attended last year's meeting.

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DIRECTORS MEETINGS AND STANDING COMMITTEES

During fiscal 2004, our board of directors held eleven meetings of the full board. The non-employee directors, in addition to the executive sessions held following board meetings, also called and held three meetings without the employee directors. Each director attended at least 75% of the total number of all fiscal 2004 board meetings and 75% of the total number of all fiscal 2004 meetings of board committees on which the director served that were held during his or her period of service.

The standing committees of the board include the Audit Committee, the Compensation Committee, a subcommittee of the Compensation Committee informally referred to as the Compensation Subcommittee, the Nominating and Corporate Governance Committee, and the Investment Performance Review Committee. We provide more information about each of them below.

Audit Committee *Members: David K. Hehl (Chairman), John H. Foss, and James W. Johnston*

The Audit Committee met ten times during the fiscal year 2004. As provided in its charter (attached as Exhibit A), the Audit Committee assists the Board in its oversight of the quality and integrity of the Company's financial reporting. The Audit Committee oversees management (which is responsible for preparing financial statements) and the outside auditor, an independent registered public accounting firm, (which is responsible for auditing them), but does not provide any expert or special assurance about the financial statements or any professional certification of the outside auditor's work. In performing its duties the Audit Committee regularly reviews the audited financial statements and the interim non-audited financial statements with management and the outside auditor. In addition, the Audit Committee discusses the quality and adequacy of internal controls with management and the outside auditor. To assure itself of the auditor's independence, the Audit Committee annually requests from the outside auditor a written statement of relationships between the auditor and La-Z-Boy as provided in Independence Standards Board Standard No. 1. The Audit Committee discusses with the outside auditor any relationships disclosed and their impact on the auditor's independence, and recommends that the board take appropriate action in response to the report.

Compensation Committee *Members: Jack L. Thompson (Chairman), David K. Hehl, Dr. H. George Levy, Rocque E. Lipford, and Helen O. Petrauskas*

The Compensation Committee met nine times during fiscal 2004 to review and determine the cash and other remuneration of the directors and executive officers (except for plans administered by the Compensation Subcommittee). The Compensation Committee also administers our cash incentive compensation plan for employees.

Compensation Subcommittee *Members: Helen O. Petrauskas (Chairman), David K. Hehl, Dr. H. George Levy, Jack L. Thompson*

The Compensation Subcommittee was established to administer the stock-based employee incentive plans. The Compensation Subcommittee is composed entirely of directors who are both non-employee directors under SEC Rule 16b-3 and outside directors under Internal Revenue Code Section 162(m) regulations. The Compensation Subcommittee met jointly with the Compensation Committee nine times during fiscal 2004.

Nominating and Corporate Governance Committee *Members: James W. Johnston (Chairman), Dr. H. George Levy, Rocque E. Lipford, Mel R. Martinez*

The Nominating and Corporate Governance Committee met seven times during fiscal 2004. The board has adopted a written charter for the committee, a current copy of which is available to security holders at our website at www.la-z-boy.com under about La-Z-Boy investor relations. Under its charter, the Nominating and Corporate Governance Committee identifies, evaluates, and recommends to the board candidates for its slate of director nominees for election by shareholders or appointment to fill vacancies on the board. In addition to considering prospective candidates identified by the committee's own members or referred to it by other board members, management, or outside sources, the Nominating and Corporate Governance Committee will consider candidates recommended by shareholders. (For information on how to propose a candidate to the Nominating and Corporate Governance Committee and on the requirements for a shareholder's own nomination of a director, see Director Nominations and Shareholder Proposals for Next Annual Meeting on page 39.) The committee identifies potential nominees through recommendations made by executive officers and non-management directors and evaluates them based on their résumés and through references and personal interviews. The Nominating and Corporate Governance Committee also considers and makes recommendations to the board on other matters relating to the board's practices, policies, and procedures and on the size, structure, and composition of the board and its committees.

Investment Performance Review Committee *Members: Helen O. Petrauskas (Chairman), John H. Foss, Jack L. Thompson, Donald L. Mitchell*

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The Investment Performance Review Committee's primary purpose is to assist the Board of Directors in fulfilling its responsibility to oversee the investment of the assets of employee benefit plans and the La-Z-Boy Foundation. Pursuant to its charter the Investment Performance Review Committee established and reviews the investment policy for each of the plans under its oversight. The Investment Performance Review Committee met four times in fiscal 2004.

DIRECTOR COMPENSATION

Directors who also are our employees receive no additional compensation for serving on the board. For fiscal 2005, Directors who are not our employees will receive:

Cash Compensation

\$25,000 annual cash retainer

\$8,000 annual cash retainer for the chairman of the Audit Committee

\$4,000 annual cash retainer for the chairmen of the Compensation, Nominating and Corporate Governance, and Investment Performance Review committees

\$1,500 attendance fee for each board meeting and board committee or subcommittee meeting attended, including telephonic attendance.

We also reimburse our directors for travel, lodging and related expenses they incur in attending Board and committee meetings.

Equity

On first becoming a director, 5,000 common shares at a 75% discount from the market price of the shares

At each annual organizational meeting of the board while still a director, 2,000 common shares similarly discounted

Transfer of such shares is restricted while a director remains on the board

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, some over 10% owners of our common shares, and some persons who formerly were directors, executive officers, or over 10% owners, to file reports of ownership and changes in ownership with the SEC and the NYSE and furnish us with a copy of each report filed. Based solely on our review of copies of the reports filed by some of those persons and written representations from others that no reports were required, we believe that during fiscal 2004 all Section 16(a) filing requirements were complied with in a timely fashion except that James Johnston filed one late report of one transaction in a prior year.

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SHARE OWNERSHIP INFORMATION

The tables below provide information about beneficial owners of our common shares at the record date for the annual meeting. Under applicable SEC rules, anyone that has or shares the right to vote any of our common shares or has or shares dispositive power over any of them is a beneficial owner of those shares. The settlor of a trust with a right to revoke the trust and regain the shares or a person who can acquire shares by exercising an option or a conversion right sometimes also is considered a beneficial owner under these rules. Consequently, more than one person can be considered the beneficial owner of the same common shares. Unless otherwise indicated below, each owner named in a table has sole voting and sole dispositive power over the shares reported for that person.

Security Ownership of Known Over 5% Beneficial Owners

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Mac-Per-Wolf Company Chicago, IL 60604	5,412,365	10.4%
Janus Small Cap Value Fund Denver, CO 80206	2,900,000	5.6%

Information about Mac-Per-Wolf Company and Janus Small Cap Value Fund is based on a Schedule 13G amendment they jointly filed after December 31, 2003, in which Mac-Per-Wolf Company reported that as of that date it had sole voting and dispositive power over 5,412,365 common shares. The Schedule 13G amendment stated that Mac-Per-Wolf Company is an investment advisor that furnishes advice to registered investment companies and other clients and that its clients have the right to receive all of the dividends and sale proceeds from the shares in their respective accounts. The Schedule 13G amendment also stated that as of December 31, 2003, one of the clients of Mac-Per-Wolf Company, Janus Small Cap Value Fund, a registered investment company, had sole voting and dispositive power over 2,900,000 common shares.

The following table shows the share ownership of each of our named executive officers, each of our current directors and director nominees, and all current executive officers and directors as a group.

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**Security Ownership of Current and Fiscal 2004
Executive Officers, Current Directors, and Nominees**

<u>Name</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
John J. Case	97,976	*
Kurt L. Darrow	143,246	*
Rodney D. England	304,973	*
John H. Foss	7,100	*
David K. Hehl	28,772	*
James W. Johnston	1,488,454	2.865%
Gerald L. Kiser	256,000	*
H. George Levy	11,000	*
Rocque E. Lipford	16,700	*
Mel R. Martinez	5,000	*
Donald L. Mitchell	11,811	*
Patrick H. Norton	367,096	*
Helen O. Petrauskas	7,700	*
David M. Risley	51,324	*
Jack L. Thompson	7,400	*
All current directors and current executive officers as a group (15 persons)	2,645,669	5.056%

* less than 1%

For purposes of calculating the percentage ownership of the group in the table above, all shares subject to options held by any group member that currently are exercisable or that will become exercisable within 60 days of June 23, 2004 are treated as outstanding, but for purposes of calculating the percentage of ownership of any individual group member only the optioned shares held by that group member are treated as outstanding. The table includes the following numbers of optioned shares:

Mr. Case	68,234
Mr. Darrow	42,675
Mr. England	55,350
Mr. Kiser	206,000
Mr. Norton	96,000
Mr. Risley	46,950
All current directors and current executive officers as a group	364,559

The table also includes the following numbers of shares owned by a named person's wife or held in trust, beneficial ownership of which is disclaimed by him:

Mr. Hehl	5,616
Mr. Johnston	524,504
Mr. Lipford	2,400
Mr. England	13,172

Shares shown in the table for Mr. Lipford do not include 305,000 common shares held by the Edwin J. and Ruth M. Shoemaker Foundation. Mr. Lipford acts as one of the six members of the Board of Directors of the Foundation. He disclaims beneficial ownership with respect to these shares.

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth the compensation for fiscal 2004 and, as relevant, the preceding two fiscal years of the individuals who served as Chief Executive Officer during fiscal 2004 and of our four other most highly compensated current executive officers. In the rest of this proxy statement, we sometimes call these individuals "named executives" or "named executive officers."

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation \$
		Salary \$	Bonus \$	Awards	Payouts	
				Incentive Stock Option Grants #	Long-Term Incentive Plan Payouts \$	
Kurt L. Darrow President and Chief Executive Officer (since Sept. 9, 2003)	2004	491,321	209,425	50,000		76,806
Gerald L. Kiser President and Chief Executive Officer (until Sept. 9, 2003)	2004	296,320		50,000		219,761
	2003	479,997	207,400	50,000	161,744	308,751
	2002	383,700	135,830	40,000	57,013	70,681

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		<u>Long-Term Compensation</u>				
Patrick H. Norton Chairman of the Board	2004	425,027	156,907	40,000		65,862
	2003	366,998	158,500	40,000	161,744	71,866
	2002	346,548	122,484	40,000	57,013	106,537
Rodney D. England Senior Vice President and President La-Z-Boy Non- branded Upholstered Product	2004	310,289	142,398	16,900		46,839
	2003					
	2002					
John J. Case Senior Vice President and President, La-Z-Boy Branded Product	2004	358,308	139,893	31,300		55,778
	2003	344,498	153,300	31,300	108,773	221,026
	2002	305,652	143,403	31,300	28,735	55,026
David M. Risley Senior Vice President and Chief Financial Officer	2004	311,193	97,206	31,300		46,862
	2003	302,098	108,800	31,300	88,150	47,523
	2002	285,000	84,075	31,300	16,227	44,887

Amounts listed under Salary and Bonus include, where applicable, amounts electively deferred by a named executive under our 401(k) savings plan and our deferred compensation plan.

Amounts reported under Long-Term Incentive Plan Payouts relate to performance awards under our Performance-Based Stock Plan. Under the plan's terms, we make performance awards in common shares or 30-day options on common shares. The amounts reported in the summary compensation table are the numbers of shares or options we granted multiplied by the NYSE closing price for our common shares on the grant dates and reduced, where applicable, by option exercise prices.

Under the personal executive life insurance program, which we terminated at the end of fiscal 2002, a participating employee received supplemental life insurance intended to provide benefits to the employee upon retirement and the employee's beneficiary upon the employee's death. A participating employee was not eligible to receive contributions under our profit-sharing plan or supplemental executive retirement plan (which are not currently taxable to the employee), but did receive an annual bonus (which was currently taxable) in an amount equal to the premiums payable during the year on the insurance policy, plus an additional 32% of the premium amount, which partially reimbursed the employee for taxes payable on the bonus. In anticipation of termination of this program, we did not make such bonus or tax gross-up payments to participants in the program for fiscal 2002.

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However, we did provide them with benefits under the supplemental executive retirement plan or profit-sharing plan for fiscal 2002 and during fiscal 2003 paid each participant an amount, with tax gross-up, intended to cover taxes the participant paid on past program-related bonuses that were not previously covered by us. Messrs. Case, Darrow, England and Kiser are the only named executives who participated in the personal executive life insurance program. The tax gross-up amounts paid to Messrs. Case and Kiser in fiscal 2003 (\$43,718 for Mr. Case and \$83,661 for Mr. Kiser) are included in the fiscal 2003 amounts under All Other Compensation.

During fiscal 2004, we entered into severance and consulting agreements with Mr. Kiser, our former president and CEO, under which Mr. Kiser retired. The agreements provide for a lump sum payment of \$100,000 and installment payments totaling \$500,000 over 20 months. These agreements also provide for the continuation of health benefits and life insurance for two years and reimbursement for office, phone, and financial service expenses for one year. The agreements restrict Mr. Kiser from, among other actions, accepting competitive employment for one year. The 2004 amount shown for Mr. Kiser under All Other Compensation includes the \$100,000 lump sum payment and \$75,000 of the installment payments.

Amounts reported under All Other Compensation also include amounts allocated for named executives to our supplemental executive retirement plan (or the deferred compensation plan which replaced it) and/or profit-sharing plan (Amounts Allocated to Plans), amounts intended to approximate the balances Messrs. Case, Darrow, England, and Kiser would have had in their deferred compensation plan accounts related to the termination of the personal executive life insurance program (Special Amounts Credited to Plans), earnings credited

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to the accounts of named executives under the supplemental plan until July 31, 2002 when the plan was changed see Deferred Compensation Plan (Earnings), and the cash value at date of contribution of matching contributions made for their accounts under our matched retirement savings plan (Match Contributions), which we made in the form of common shares or cash. A breakdown of these amounts for fiscal 2004 is provided below:

Name	Amounts Allocated to Plans \$	Special Amounts Credited to Plans \$	Earnings \$	Match Contributions \$
Kurt L. Darrow	73,693			3,113
Gerald L. Kiser	44,422			339
Patrick H. Norton	63,749			2,113
Rodney D. England	46,543			296
John J. Case	53,741			2,037
David M. Risley	46,674			188

We have not included our cost of providing perquisites or other personal benefits to named executives in the summary compensation table above. For each year reported, the cost of providing perquisites to any named executive did not exceed \$50,000 or, if less, 10% of his salary and bonus.

Option Grants

The following table reports on stock options granted to named executives during fiscal 2004 and the potential realizable value of those grants, assuming stock price appreciation rates of 5% and 10% annually over the term of the options. The 5% and 10% rates of appreciation used in the table are not intended to forecast possible future actual appreciation, if any, in our stock price.

Option Grants in Last Fiscal Year

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Terms			
	Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/SH)	Expiration Date	5% Per Year		10% Per Year	
					\$/Share	Aggregate Value (\$)	\$/Share	Aggregate Value (\$)
K. Darrow	16,900	2.30	20.44	8/12/2013	12.85	217,243	32.58	550,536
	33,100	4.50	22.20	9/30/2013	13.96	462,124	35.38	1,171,114
G. Kiser	50,000	6.80	20.44	9/29/2006	3.37	168,708	7.11	355,439
P. Norton	40,000	5.44	20.44	8/12/2013	12.85	514,184	32.58	1,303,044
R. England	16,900	2.30	20.44	8/12/2013	12.85	217,243	32.58	550,536

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	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Terms			
J. Case	31,300	4.26	20.44	8/12/2013	12.85	402,349	32.58	1,019,632
D. Risley	31,300	4.26	20.44	8/12/2013	12.85	402,349	32.58	1,019,632

All options reported in the table are options on common shares granted under our stock option plan for employees. Some of the options qualify as incentive stock options under the Internal Revenue Code, and the rest are non-qualified stock options. Options become exercisable in 25% increments on the first through fourth anniversaries of grant, and once exercisable, remain exercisable through the tenth anniversary of grant.

However, in the event of a grantee's death or retirement at age 65 (or earlier with the consent of the board), each of the grantee's options would become immediately exercisable in full and continue to be exercisable for three years or, if earlier, until the option's scheduled expiration date. The potential realizable values for Mr. Kiser's options are lower than the others shown in the table because, under this provision, his options will only remain exercisable for three years after the date of his retirement.

In addition, all options will become immediately exercisable in full in the event of a sale, exchange, or other disposition of all or substantially all of the total assets of the Company or all or substantially all of the outstanding shares. Termination of an executive's employment under any circumstances other than those described above would cause all of his options to terminate immediately.

Options Exercised and Held

The following table contains information concerning exercise of stock options during the last completed fiscal year by each of the named executive officers, and the fiscal year-end value of unexercised stock options held by such executive officers:

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise #	Value Realized \$	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End Exercisable/Unexercisable \$
			Exercisable/Unexercisable #		
K. Darrow	14,100	82,980	38,450/75,350		97,809/67,980
G. Kiser	27,600	124,660	206,000/-0-		406,500/-0-
P. Norton	27,600	124,660	86,000/100,000		231,500/160,900
R. England	14,100	86,104	38,450/42,250		97,809/67,980
J. Case	32,916	171,289	38,009/77,175		41,188/119,078
D. Risley			23,475/70,425		32,083/76,216

The Value Realized column above reports the amount an executive would have realized if he had sold the shares acquired on the exercise date, without taking brokerage commissions into account. Amounts reported are based on the NYSE closing market price of our common shares on the exercise date, minus the exercise price.

In-the-Money amounts are based on the NYSE closing market price of our common shares at the end of fiscal 2004 (\$21.85), minus the exercise price.

Long-Term Incentive Compensation Target Awards

Shareholders approved our Further Amended and Restated 1993 Performance-Based Stock Plan in July 2001. This plan authorizes the Compensation Subcommittee to grant contingent target awards to key employees, the potential pay-outs on which (performance awards) are linked to achievement over a performance cycle of three fiscal years of goals established by the Subcommittee at or near the beginning of the cycle. All performance awards under the plan are structured as options to purchase or outright grants of our common shares.

The plan requires the Subcommittee to establish a single objectively determinable and uniform performance goal for all target awards it grants for a given performance cycle and to establish the maximum number of shares a grantee may be granted as a performance award if the performance goal is achieved during the cycle. The plan also authorizes the Subcommittee to establish any number of subordinate goals, the non-achievement of which may reduce (but never increase) the performance award a grantee may receive after the end of the cycle.

Normally, the Subcommittee grants target awards at or about the same time it establishes the goals for a performance cycle, but it also has discretion to grant a mid-cycle target award to a newly-hired or newly-eligible employee, as long as there are at least twelve months remaining in the cycle. If a mid-cycle target award is granted, the pre-established performance goal for the cycle would apply to that award, as would any subordinate goals the Subcommittee elects to establish. The potential pay-out on the mid-cycle award would be the same as the grantee would have received had he been eligible to receive a target award when the initial target awards for the cycle were granted, reduced proportionately based on the number of months in the cycle that already had occurred before grant of the mid-cycle award.

Early in fiscal 2004, the Compensation Subcommittee granted target awards under the plan for the performance cycle ending April 29, 2006. For this three-year cycle, the Subcommittee set as the performance goal achieving at least a specified level of cumulative diluted earnings per share, and it established three weighted subordinate goals relating to sales growth, operating margin and cash flow and a target payout for each subordinate goal. Each subordinate goal has a sliding scale that provides a payout from 50 to 200 percent of the related target payout. The subordinate goals are not evenly weighted. We provide more information about the target awards granted to named executives in the table below.

Long-Term Incentive Plan Awards in Last Fiscal Year

Name	Number of Shares (#)	Period Until Maturity or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold (#)	Target (#)	Maximum (#)
K. Darrow	18,717	3 years	2,340	9,358	18,717
G. Kiser	20,000	3 years	2,500	10,000	20,000
P. Norton	20,000	3 years	2,500	10,000	20,000
R. England	12,756	3 years	1,594	6,378	12,756
J. Case	15,650	3 years	1,956	7,825	15,650
D. Risley	15,650	3 years	1,956	7,825	15,650

The maximum performance award potential for any target award, which would be awarded after the end of the relevant three-year cycle if the performance goal is achieved and all subordinate goals are fully achieved, is an outright grant of the Maximum number of shares established for that target award, as shown on the table. The minimum potential performance award (Threshold on the table shown above), for achievement of the performance goal and meeting the threshold for just one subordinate goal, is an outright grant of 12.5% of the maximum number of shares under the target award. The final award will be determined after April 29, 2006 by first determining whether the performance goal was achieved and, if it was, then determining the degree to which each (if any) of the subordinate goals were met. If the performance goal is not achieved, or if that goal is achieved but no subordinate goal is achieved, there will be no payout on the target award.

With respect to each target award reflected in the table:

If the named grantee dies while employed, or retires with the consent of the board and then dies, the plan permits his executor or personal representative to elect payment of a performance award for his estate before the end of the performance cycle. If early payment is elected and the grantee died within the first half of the performance cycle, the estate would receive an option on half the maximum number of shares specified for the grantee's target award at a per share exercise price of 25% of the fair market value at the date of the target award grant. If early payment is elected and the grantee died during the second half of the performance period, the estate would receive an outright grant of the same number of shares.

Each grantee will be deemed automatically to have earned and been granted a performance award equal to an outright grant of the number of shares reported for him under "Maximum" if a person or group becomes an acquiring person or certain changes in the composition of the board occur while the target award is outstanding. The same effect also will result if, while there is an acquiring person, other significant transactions specified in the plan should occur, unless the transaction has been approved by a majority of directors who were board members before the acquiring person became an acquiring person.

If employment terminates by reasons other than retirement or death, all performance awards are immediately canceled.

We are proposing that our current performance-based plan (and our current option plan and restricted share plan for employees) be replaced by a new equity award plan (see page 25). The Compensation Subcommittee has granted performance awards under the new plan to current employees, subject to shareholder approval of the plan, for the usual three-year performance period ending at the end of fiscal 2007. The Compensation Subcommittee has also granted one-time awards for the one- and two-year transition performance periods ending at the ends of fiscal 2005 and 2006, respectively. If the new plan is approved, employees who wish to have the benefits of the one- and two-year transition awards will be required to surrender all their rights, if any, under their existing target awards for the performance cycles ending at the ends of fiscal 2005 and 2006 (the awards shown in the table above). If the new plan is not approved, the existing target awards will remain in effect. In any event, Mr. Kiser, our former CEO, and any other retirees will not receive any performance awards under the new plan and will retain their outstanding target awards under our existing performance-based plan.

Change in Control Agreements

We have change in control agreements currently in effect with Messrs. Case, Darrow, England, Kincaid, Norton, and Risley. These agreements are designed primarily to aid in ensuring continued management in the event of an actual or threatened change in control of the Company (as defined in the agreements). The agreements provide that in the event the covered employee is terminated other than upon his death, disability or for cause (as defined in the agreements) within three years after a change in control of La-Z-Boy Incorporated, that person will be entitled to receive a lump sum severance payment equal to three times his annualized salary and three times the average bonus amount paid to him in the previous three years. The covered employee also would be entitled to continuation of employee welfare benefit payments and reimbursement of certain legal fees and expenses incurred by the employee in enforcing the agreement following a change in control.

In consideration of these obligations, each covered employee has agreed to remain in our employ pending the resolution of any proposal for change in control. Each agreement expires December 31, 2004, but automatically renews for an additional one-year period unless either party gives the other 90 days prior notice of non-extension. If a change in control occurs, the agreements automatically extend for 36 months.

Deferred Compensation Plan

Under the terms of our amended and restated La-Z-Boy Executive Deferred Compensation Plan, senior executive employees of La-Z-Boy and its subsidiaries (including our named executives) may elect to defer the payment of from 5% to 100% of their base salary and/or from 5% to 100% of their cash bonus under the Management Incentive Plan for each fiscal year.

In addition, any company match and/or profit sharing contributions that cannot be credited to executives' accounts under the qualified retirement plans, due to Internal Revenue Code limitations, are credited to their accounts maintained in this plan.

All executives' deferrals and any non-qualified company match or profit sharing amounts are added to a recordkeeping account and credited with earnings or losses, depending upon actual performance of the mutual-fund-type options the participant has chosen for the deemed investment of their account. Earnings included in the Summary Compensation Table relate to amounts credited under our former La-Z-Boy Supplemental

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Executive Retirement Plan, which was replaced by our current deferred compensation plan, because under the former plan a participant's account was credited with interest at a fixed, stated rate.

Payment of a participant's account balance will be deferred until a date designated by the participant upon making the deferral election. The deferral amounts are paid either in one lump sum or in annual installments for up to 15 years, also as designated in the participant's deferral election. Upon the death of the participant, any remaining balance in the participant's account will be paid to the participant's designated beneficiary.

Related Party Transactions

Culp, Inc. Patrick Norton is a member of the Board of Directors of Culp, Inc. Culp provided 24.6% of the total fabric purchased by us during the fiscal year. The purchases from Culp were at prices comparable to other vendors and under similar terms. Mr. Norton has no involvement in our selection or purchase processes related to fabrics.

Miller, Canfield, Paddock and Stone. The law firm of Miller, Canfield, Paddock and Stone, P.L.C. in which Rocque E. Lipford is a senior principal, provides us with legal services and has done so for many years. Miller, Canfield has advised us that the revenues paid to Miller, Canfield during the past fiscal year were less than 0.5% of their total revenues for the same period. We believe that the transactions with the firm are on terms no less favorable than those that could be obtained from unrelated third parties.

Kevin Norton. Kevin Norton, the son of Patrick Norton, is an independent sales representative for La-Z-Boy residential products under an agreement providing for the payment of commissions at various rates. The terms of his agreement, including the commission rates, are identical to those of our agreements with all of our approximately 93 other La-Z-Boy U.S. residential sales representatives.

Mitch Kiser. Mitch Kiser, the son of Gerald Kiser, is an independent sales representative for Kincaid products under an agreement providing for the payment of commissions at various rates. The terms of his agreement, including the commission rates, are identical to those of our agreements with all of our approximately 46 other Kincaid sales representatives.

Dennis Kincaid. Dennis Kincaid, the brother of Steven Kincaid, was, until his retirement in March 2004, an independent sales representative for Kincaid products under an agreement providing for the payment of commissions at various rates. The terms of his agreement, including the commission rates, were identical to those of our agreements with all of our approximately 46 other Kincaid sales representatives.

Stephanie (England) Tull. Stephanie Tull, the daughter of Rodney England, is the Vice President of Store Development for our England, Inc. operations and received salary and bonus for fiscal 2004 totaling \$86,557.

Tim Tull. Tim Tull, the son-in-law of Rodney England, is the Vice President of Sales for our England, Inc. operations and received salary and bonus for fiscal 2004 totaling \$151,390.

Kincaid Galleries Inc. Kincaid Galleries Inc. is a retail furniture outlet owned by Rebecca Adderholdt and Kathy McAteer, both of whom are sisters of Steven Kincaid. During fiscal 2004, we sold Kincaid Galleries Inc. \$1,217,208 worth of merchandise. As of June 24, 2004, Kincaid Galleries Inc. was indebted to us in the total amount of \$503,753, consisting of a promissory note with a remaining balance of \$448,728 (evidencing indebtedness that originally constituted trade receivables), which bears interest at the rate of 5% per annum, and trade receivables of \$55,025, which do not bear interest. The largest amount of its indebtedness to us during fiscal 2004 was \$669,600. Kincaid Galleries Inc. is in arrears in making installment payments on the promissory note and is in the process of liquidating its inventory and going out of business. We are continuing to sell to it to complete outstanding customer orders and expect to be paid in full on all obligations.

PERFORMANCE COMPARISON

The graph below shows the return for our last five fiscal years that would have been realized (assuming reinvestment of dividends) by an investor who invested \$100 on April 24, 1999 in our common shares, in the S&P 500 Composite Index, and in a peer group comprised of the following publicly traded furniture industry companies: Bassett Furniture, Bush Industries, Chromcraft Revington, Inc., Ethan Allen Interiors, Flexsteel Industries, Furniture Brands International, Rowe Companies, and Stanley Furniture. The stock performance of each company in the peer group has been weighted according to its relative stock market capitalization for purposes of arriving at group averages.

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Assumes \$100 Invested on April 24, 1999
Assumes Dividends Reinvested
Fiscal Year Ended April 24, 2004

Company/Index/Market	1999	2000	2001	2002	2003	2004
La-Z-Boy Incorporated	\$ 100.00	\$ 83.97	\$ 98.54	\$ 168.24	\$ 102.41	\$ 126.10
Peer Group	100.00	89.22	101.31	113.34	95.60	117.66
S&P 500 Composite Index	100.00	110.13	95.84	83.75	72.60	89.21

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The independent registered public accounting firm of PricewaterhouseCoopers LLP audited our financial statements for fiscal 2004. A representative of PricewaterhouseCoopers LLP is expected to attend the annual meeting, will have an opportunity to make a statement at the meeting if he or she desires to do so, and will be available to answer appropriate questions that may be raised by shareholders at the meeting. The Audit Committee reappointed PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2005, and we are asking you to ratify that appointment in Proposal No. 2.

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Audit Fees

For professional services rendered to us for fiscal years 2004 and 2003, PricewaterhouseCoopers LLP has billed us as follows:

	Fiscal 2004	Fiscal 2003
Audit Fees	\$ 660,500	\$ 573,000
Audit Related Fees	215,400	159,400
Tax Fees	259,500	412,200
All Other Fees	1,400	1,400
Total	\$ 1,136,800	\$ 1,146,000

Audit fees represent fees for audit work performed on our annual financial statements and reviews of the quarterly financial statements included in our quarterly reports on Form 10-Q, as well as audit services that are normally provided in connection with our statutory and regulatory filings.

Audit-related fees relate to audits of our employee benefit plans, retail store acquisitions audit procedures, as well as Sarbanes-Oxley Section 404 controls project assistance.

Tax fees include fees for domestic and foreign tax compliance and advisory services.

All other fees represent accounting research software subscription fees.

The Audit Committee's current policy requires pre-approval of all audit and non-audit services provided by the independent auditors before the engagement of the independent auditors to perform them. A limited amount of tax services have been pre-approved. Services, including tax services not covered by the general pre-approval, require specific pre-approval by the committee.

AUDIT COMMITTEE REPORT

The Audit Committee has been established to assist the Board in its oversight of the financial reporting, internal controls and audit of the Company's financial statements. Management is primarily responsible for the consolidated financial statements and for La-Z-Boy's internal controls, financial reporting process and compliance with laws, regulations and ethical business standards.

The Audit Committee consists of three directors, all of whom meet the independence and financial experience requirements of the New York Stock Exchange. The board of directors has designated Mr. Foss as the audit committee financial expert, as defined and required in the SEC's rules. The board of directors has determined that all of the committee members are independent, as independence is defined in the applicable SEC rules. The Audit Committee operates under a written charter, a copy of which is attached as Exhibit A.

In fulfilling its responsibilities under its charter, the Audit Committee met ten times during fiscal 2004. The Audit Committee reviewed and discussed the consolidated financial statements with management and La-Z-Boy's independent registered public accounting firm, PricewaterhouseCoopers LLP. The discussions with management and PricewaterhouseCoopers LLP included the quality, not just the acceptability, of the accounting principles utilized, the reasonableness of the significant accounting estimates and judgments, and the clarity of disclosures.

PricewaterhouseCoopers LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards of the Public Company Accounting Oversight Board and for issuing their opinion. The Audit Committee discussed with PricewaterhouseCoopers LLP those matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). As part of the Audit Committee's independence review, PricewaterhouseCoopers LLP provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). In discussions with PricewaterhouseCoopers LLP about their independence, the Audit Committee also reviewed the non-audit services provided by PricewaterhouseCoopers LLP (as disclosed above under the caption "Audit Fees").

Based upon the discussions with, representations of, and reports from, management and PricewaterhouseCoopers LLP, the Audit Committee accepted for inclusion the audited consolidated financial statements in the Corporation's Annual Report on Form 10-K for the year ended April 24, 2004 filed with the

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Securities and Exchange Commission. The Audit Committee also selected PricewaterhouseCoopers LLP as La-Z-Boy's independent registered public accounting firm for fiscal year 2005.

The Audit Committee

David K. Hehl, Chairman
John H. Foss
James W. Johnston

JOINT REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the board and its Compensation Subcommittee determine the compensation of executive officers and of other senior executives. The Subcommittee is charged with administering the stock-related employee plans in which executive officers may participate. The Compensation Committee determines all executive officer compensation not assigned to the Subcommittee.

This is a joint report by the Subcommittee and the Committee on the policies they followed and the decisions they made for fiscal 2004. The Subcommittee provides information about decisions made by the Subcommittee only. The Committee provides all other information.

Compensation Philosophy

La-Z-Boy strives to create value for shareholders through superior growth and profitability. The executive compensation program supports this goal by linking compensation to business performance and profitability.

We feel that enhancement of shareholder value is reinforced by a compensation program which:

Attracts and retains highly qualified individuals

Includes major components which are linked to creating value for the shareholder

Rewards superior results

This linkage is achieved through the design of incentive plans, which focus on the short- and long-term goals of the Company, and rewarding individual executives, at or below market median compensation levels, for attaining targeted performance, with a substantial portion of the executive's total compensation opportunity payable in the form of Company shares. Performance in excess of prescribed targets will be appropriately rewarded. Performance falling below the prescribed targets will result in reduced cash and equity compensation.

Compensation Plan Overview

The executive compensation program is based upon a pay-for-performance philosophy. As an executive's level of responsibility increases, a greater portion of his total compensation opportunity is contingent on improving the Company's performance and a lesser portion is base salary.

We retain the services of outside consultants to conduct a competitive review of our executive compensation programs. We completed a review during fiscal 2004 and engaged the outside consultant to assist us in developing a long-term incentive plan strategy, which was completed shortly after the end of fiscal 2004. Based on the consultant's recommendations, we decided to implement a new strategy for fiscal 2005 under which executives' long-term compensation (assuming achievement of targeted levels of performance) would consist of specified percentages (based on value) of performance-based awards, stock options, and restricted share awards. To implement this strategy, we proposed replacing the three existing employee equity compensation plans with a single long-term equity award plan, and we granted performance-based awards, stock options, and restricted share awards under the new plan, subject to shareholder approval of the plan. The proposed new plan and the initial awards granted under it are more fully described under Proposal 3 beginning on page 25.

Base Salaries

The base salaries of Messrs. Case, Kiser, Norton, and Risley, who were the named executive officers at the beginning of the fiscal year 2004, were increased at the beginning of the fiscal year after a careful review of the competitive information, the recommendations of the consultants and the contributions of each named executive officer over the previous fiscal period. We increased Mr. Kiser's salary by 25%, and the salaries of the other named executives were increased between 3% and 16%.

Upon Mr. Darrow's appointment as president and chief executive officer in September, his base salary was established after careful consideration of competitive information and the recommendation of the consultants. Messrs. England and Kincaid were named as executive officers in November, and their base salaries were adjusted at that time based on the competitive information and recommendations presented by the consultants.

Short-Term Incentive Awards

La-Z-Boy's Management Incentive Plan is a cash-based plan that rewards annual performance. We establish short-term performance criteria and the weightings for the various criteria at the start of the fiscal year. The award paid at the end of the fiscal year is based on actual results compared to the established performance targets.

For fiscal 2004, the maximum award opportunity was 160% of salary for Mr. Darrow for the period he served as president and chief executive officer. The maximum award opportunity for the other named executives, other than Mr. Kiser, ranged between 100% and 120% of salary for the period they served as named executive officers. Because of his retirement during the year, Mr. Kiser was not eligible for any payout under the plan for fiscal 2004. We structured the awards based 80% on the attainment of business unit financial goals and 20% on individual performance goals. The business unit financial goals were further weighted one-third on an increase in sales revenue and two-thirds on operating income. The business unit financial goals were either on a consolidated basis or on the basis of combined specific business units depending on the executive's responsibilities. The business unit financial goal and the individual performance goal were independent so that achievement of the individual performance goal could be rewarded regardless of the results related to the business unit financial goal and vice versa. Actual performance yielded payouts shown as bonus in the Summary Compensation Table.

Long-Term Incentives

We believe that stock-based awards are an important component of executive compensation because they particularly link executive compensation to the maximization of shareholder value. For fiscal 2004, we used awards under the stock option plan and the performance-based stock plan to further these objectives. No grants under the restricted share plan were made to named executive officers.

Our goal is to achieve the proper balance between stock-based awards and other components of the named executives' compensation. The Subcommittee relied on the studies that had been completed by our consultant to determine the appropriate mix of stock options and awards under the performance plan.

Based on the consultant's recommendation, in August 2003 the Subcommittee granted incentive stock options on 4,892 shares and nonqualified stock options on 45,108 shares to Mr. Kiser and incentive stock options on 4,445 shares and nonqualified stock options on 12,455 shares to Mr. Darrow. When Mr. Darrow became president and chief executive officer in September, the Subcommittee granted him incentive stock options on 614 shares and nonqualified options on 32,486 additional shares. Stock options covering a total of 119,500 shares were awarded to the other named executives.

In addition to the original performance based target awards, the Subcommittee also granted mid-cycle target awards to Messrs. Darrow, England, and Kincaid when they received their respective promotions for the then open performance cycles ending at the end of fiscal 2004, 2005, and 2006. The performance goal and subsidiary goals under those target awards were the same as those applicable to the target awards previously granted to the executives for those performance cycles, and the amounts of the target awards were prorated for the portion of each performance cycle yet to be completed after their promotions.

As reported in the Summary Compensation Table, there were no payouts to the named executives under performance-based plan awards for the three-year performance cycle that concluded at the end of fiscal 2004. In accordance with the plan, at the beginning of the cycle (except for the mid-cycle adjustments for Messrs. Darrow, England and Kincaid as described above) we had established a performance goal and four subordinate goals and granted target awards relating to those goals to all named executives. After the end of the cycle, we determined that the Company's actual performance, when measured against the performance goal, resulted in no payouts.

Retirement Agreement

The Company entered into severance and consulting agreements with Mr. Kiser, our former president and CEO, under which Mr. Kiser retired from La-Z-Boy. The agreements provide for a lump sum payment of \$100,000 and installment payments totaling \$500,000 over 20 months. These agreements also provide for the continuation of

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health benefits and life insurance for two years and reimbursement for office, phone, and financial service expenses for one year. The agreements restrict Mr. Kiser from, among other actions, accepting competitive employment for one year.

Federal Income Tax Considerations

Section 162(m) of the Internal Revenue Code generally precludes La-Z-Boy and other public companies from taking a tax deduction for compensation over \$1 million which is not performance-based and is paid, or otherwise taxable, to a named executive officer. The 1997 Incentive Stock Option Plan and the Further Amended and Restated 1993 Performance-Based Stock Plan contain provisions designed to permit certain awards to qualify as performance-based compensation and so to exempt such awards from the deduction limitation.

We intend to continue to monitor the executive compensation programs with respect to the present federal tax law to maximize the deductibility of compensation paid to named executives, but we may pay compensation in excess of the Section 162 (m) limitation if we determine that doing so would be in the best interest of La-Z-Boy and its shareholders.

The Compensation Committee

Jack L. Thompson, Chairman *
David K. Hehl *
Rocque E. Lipford
H. George Levy, M. D. *

Helen O. Petrauskas *

* Members of the Compensation Subcommittee

**COMPENSATION COMMITTEE INTERLOCKS AND
INSIDER PARTICIPATION**

Each current member of the Compensation Committee and the Compensation Subcommittee served throughout fiscal 2004, and no one other than the current members served on either the Compensation Committee or the Compensation Subcommittee at any time during fiscal 2004.

The law firm of Miller, Canfield, Paddock and Stone, P.L.C., in which Rocque E. Lipford is a principal, provides us with legal services and has done so for many years.

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**PROPOSAL NO. 2: TO RATIFY THE SELECTION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee selects and hires our independent registered public accounting firm, and it has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2005. PricewaterhouseCoopers LLP acted as our independent registered public accounting firm for fiscal 2004, and we believe it is well qualified to act in that capacity again this year. Representatives of PricewaterhouseCoopers LLP will be present at the meeting with the opportunity to make a statement and to answer questions.

We are asking you to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm. Although ratification is not required by our bylaws or otherwise, the board is submitting the selection of PricewaterhouseCoopers LLP to you for ratification as a matter of good corporate practice. If the Audit Committee's selection is not ratified, it will reconsider the selection. Even if the selection is ratified, the audit committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of La-Z-Boy and our shareholders.

Amounts we paid to PricewaterhouseCoopers LLP for audit and non-audit services rendered in fiscal 2004 and 2003 are disclosed under Audit Fees (see page 20).

Our management will present the following resolution to the meeting:

RESOLVED, that the Audit Committee's selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for La-Z-Boy Incorporated for fiscal 2005 is ratified.

The Board of Directors recommends a vote FOR Proposal No. 2.

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**PROPOSAL NO. 3: TO APPROVE THE LA-Z-BOY INCORPORATED
2004 LONG-TERM EQUITY AWARD PLAN**

We are asking our shareholders to approve the La-Z-Boy Incorporated 2004 Long-Term Equity Award Plan, which our board of directors adopted on June 22, 2004, subject to shareholder approval. If approved, the new equity award plan will take effect as of May 1, 2004 and will replace our three existing plans for making equity grants to employees: our Further Amended and Restated 1993 Performance-Based Stock Plan, our 1997 Incentive Stock Option Plan, and our 1997 Restricted Share Plan. If the new plan is approved, we will not make any new grants or awards under the existing plans. However, target awards under the performance-based plan for performance cycles that have not been completed

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(unless surrendered as described below) and options outstanding under the stock option plan will remain in effect for the remainder of their terms. Approval of the new equity award plan will provide our company with the following benefits:

Reduction of total potential equity dilution to shareholders from equity-based awards by decreasing the total number of shares available for future awards (from about 6 million to 5 million);

Ability to implement a new long-term incentive strategy that is more effectively aligned to creating long-term shareholder value and best meets our objectives (rewarding superior financial results, attracting and retaining highly qualified employees, and being cost effective); and

Greater flexibility to tailor our equity incentive programs to changing market and business conditions.

In recent years, including fiscal 2004, we provided long-term incentive award opportunities through a combination (depending upon responsibility level) of the following:

Performance awards, under which shares can be earned after a three-year performance cycle based on achievement of specified performance criteria;

Stock options, which generally vest ratably over four years and are subject to a maximum term of ten years; and

Restricted stock options, under which:

recipients have a 30-day window within which to purchase shares for 25% of their fair market value at the date of grant, and

the shares so purchased are subject to a three-year restricted period, during which we have the right to repurchase them for the same price paid by the recipient if the recipient leaves our employment (except due to death, disability, retirement, or in other specified circumstances).

Subject to shareholder approval of the new plan, the Compensation Subcommittee intends to implement a more effective approach to delivering long-term incentive award opportunities in fiscal 2005 and in future years, based on the following principles:

Award opportunities will be aligned to long-term shareholder value creation, as all such award opportunities will be denominated in La-Z-Boy shares.

The majority of award opportunities will be goal-based that is, they will be earned based on achievement of specified financial results and/or through share price appreciation. Specifically:

Performance awards will permit employees to earn shares after a performance period (generally three years long, though we will make one-time one- and two-year awards when we first implement the new plan) based on the achievement of specified performance criteria.

Stock options will have four-year ratable vesting (25% per year) and will be subject to a maximum term of five years.

The grant strategy (award vehicles and grant mix) will be more straightforward and easier for shareholders and employees to understand, as well as more cost effective.

Instead of granting restricted stock options (which have attributes of both stock options and restricted shares but result in undue complexity and a diminished perceived value by participants), the

Subcommittee will separately grant, as appropriate, stock options or restricted shares subject to a specified service-based vesting period.

Instead of granting stock options with a maximum term of ten years, under the new plan the maximum option term is five years.

Consistent with our corporate governance principles, the new plan does not allow for the repricing of outstanding stock option grants or stock option reloads.

To facilitate the retention of highly-qualified employees, the Subcommittee may grant a portion of the incentive award opportunity in restricted shares that vest after a specified service period.

For executive officers, we currently expect that no more than 25% of a year's award opportunity will be granted in restricted shares.

Restricted stock will generally vest over three to five years, depending upon the participant's responsibility level.

Target award opportunities, at expected performance, will be established after reviewing competitive market levels of compensation.

Executive officers and about 20 other senior executives will be required to own a specified number of La-Z-Boy common shares, established based on position responsibility level, within five years after becoming subject to the ownership guidelines (by the end of fiscal 2009 for current senior executives).

See the Compensation Committee Report on Executive Compensation for additional details about our fiscal 2004 and 2005 long-term incentive programs.

As of June 23, 2004, a total of 6,024,914 shares remained available for future grants under the existing plans, consisting of:

1,661,739 shares available for grant (or for settlement of options granted) as future performance award payouts under the performance-based plan (in addition to shares that may be issued pursuant to previously granted awards for performance cycles that have not been completed);

3,974,860 shares reserved for issuance in settlement of options that could be granted in the future under the stock option plan (in addition to shares that may be issued in settlement of outstanding options); and

388,315 shares available for grant under the restricted share plan (in addition to restricted shares that have been issued but remain subject to repurchase by us for the original discounted purchase price paid by the participant).

If the new equity award plan is approved, the 6,024,914 shares described above will no longer be available for issuance under the existing plans. Instead, a total of 5,000,000 shares will be available for future awards under the new plan.

The text of the new equity award plan is attached as Exhibit B. In general, we believe the new plan will allow us to more effectively align award opportunities with long-term shareholder value creation, continue to provide eligible employees with the opportunity to acquire a proprietary interest in La-Z-Boy through participation in a comprehensive equity incentive program, and help retain, motivate, and attract highly qualified employees. The new equity award plan will afford us greater flexibility than the existing plans do to tailor equity incentives to correspond with future changes in our business and compensation philosophy.

The following is a summary of the principal features of the new equity award plan, but it does not purport to be a complete description of all provisions of the plan. Please refer to Exhibit B for the complete plan.

General Nature of New Equity Award Plan

The new equity award plan will permit us to grant performance awards payable in shares, stock options, and restricted shares. The principal purposes of the new equity award plan are to provide incentives for key employees of La-Z-Boy and its subsidiaries to further the growth, development, and financial success of the company by personally benefiting through the ownership of our shares, and to obtain and retain the services of individuals we

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consider essential to our long-range success through the grant or issuance of performance awards, stock options, and restricted shares.

Shares Reserved

Under the new equity award plan, the aggregate number of common shares that we may issue through awards of any form is 5,000,000 shares, and, of those, no more than 3,500,000 may be issued as any combination of restricted shares and shares issuable pursuant to performance awards. The plan limits the number of shares that may be subject to awards we grant to any one individual during any fiscal year to 300,000 shares.

On June 23, 2004, the average of the high and low price of our common shares on the NYSE was \$19.05.

The common shares available for issuance under the new equity award plan will be authorized and unissued shares. (Michigan corporate law does not provide for treasury shares, so any shares we repurchase are automatically restored to the status of authorized but unissued shares.) The new equity award plan provides for appropriate adjustments in the number and kind of shares subject to the plan and to outstanding awards in the event of a share split, share dividend, and certain other types of transactions. The following categories of shares will become available for future issuance under the new equity award plan:

- shares subject to performance awards that terminate without payment being made or that are forfeited by participants;

- shares subject to expired or canceled options;

- shares issued as restricted shares or other awards that are forfeited by the participant or repurchased by us; and

- shares delivered by the participant or withheld by us upon exercise or purchase in payment of the exercise or purchase price or any related tax withholding obligation.

Administration

The new equity award plan is administered by the Compensation Subcommittee, which is composed entirely of directors who are both non-employee directors under SEC Rule 16b-3 and outside directors under Internal Revenue Code Section 162(m) regulations.

Among other things, the Compensation Subcommittee is authorized to determine:

- the individuals who will receive awards;

- when they will receive awards;

- the type of each award (*i.e.*, performance awards, stock options, or restricted shares);

- the number of shares to be subject to each award;

- the exercise price of options;

- payment terms and payment methods;

- vesting requirements;

- performance criteria for performance awards; and

- the expiration date applicable to each award.

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The Compensation Subcommittee is also authorized to adopt, amend, and rescind rules relating to the administration of the new equity award plan.

Eligibility

We may grant awards under the new equity award plan to employees of La-Z-Boy Incorporated or any of our present or future subsidiaries. The plan classifies employees into three groups and specifies the types of awards they are eligible to receive:

Senior management employees (our executive officers and other management employees selected by the Compensation Subcommittee) who receive awards under the new plan will receive 50% of the value of their

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total awards as performance awards, 25% as stock options, and 25% as restricted share awards. This requirement does not apply to the one-time transition performance awards discussed below.

Key management employees (employees other than senior management selected by the Subcommittee in consultation with our CEO) who received awards under the plan will receive 33% of the value of their total awards as performance awards, 34% as stock options, and 33% as restricted share awards. Again, this requirement does not apply to the one-time transition performance awards.

Other employees selected by our CEO from time to time may received restricted share awards. No more than a total of 30,000 restricted shares may be issued to these employees in any one fiscal year.

For purposes of applying the percentages specified for senior management and key management employees awards, values will be determined using established principles of stock compensation valuation. As of June 23, 2004, our six executive officers and approximately 140 other senior and key management employees were eligible to participate in the new equity award plan.

Awards Under the New Equity Award Plan

The new equity award plan provides for three types of awards, which are similar to the types of awards that may be granted under our existing plans that the new equity award plan will replace: performance awards, stock options, and restricted shares (rather than restricted stock options as under our existing restricted share plan). Each grant will be set forth in a notice to the person receiving the award and will indicate the type, terms, and conditions of the award.

For purposes of the new equity award plan, fair market value means the closing price of our common shares on the NYSE as of a given date.

Performance Awards. The new equity award plan authorizes the Compensation Subcommittee to grant performance awards, the potential pay-outs on which are linked to achievement over a three fiscal-year period of performance criteria established by the Subcommittee at or near the beginning of the first fiscal year in the period. (The plan also authorizes one-time transition awards for the one- and two-year periods ending at the ends of fiscal 2005 and 2006, respectively.) All performance awards under the new plan will be structured as outright grants of our common shares, subject to achievement of specified performance criteria.

The performance criteria upon which performance awards may be based may consist of any one or more of the following performance criteria with respect to La-Z-Boy or any of our subsidiaries, divisions, or operating unit, as the Compensation Subcommittee may determine:

net income;

pre-tax income;

operating income or margin;

cash flow;

earnings per share;

return on equity;

return on invested capital or assets;

cost reductions or savings;

sales or revenue growth;

appreciation in the fair market value of our common shares (or total shareholder return); or

earnings before any one or more of interest, taxes, depreciation, or amortization.

The new plan requires the performance criteria to be determined in accordance with generally accepted accounting principles and permits them to be subject to adjustments the Subcommittee specifies.

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Stock Options. Under the new plan, the Compensation Subcommittee may grant options of the type that do not qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code, which are sometimes referred to as NSOs or non-qualified options. Stock options granted under the new plan will provide for the right to purchase our common shares at a specified price, which generally may not be less than 100% of the fair market value of the common shares on the date of grant. Generally, each stock option will become exercisable as to 25% of the total number of optioned shares on each of the first through the fourth anniversaries of the grant date, and each will expire five years after the grant date (rather than up to ten years after the grant date as under the current stock option plan).

Restricted Shares. Under the new plan, we may grant restricted shares in connection with the performance of services, subject to such conditions and restrictions as may be determined by the Compensation Subcommittee. The restricted shares will be subject to forfeiture if the specified conditions or restrictions are not met. In general, restricted shares may not be sold or otherwise transferred or hypothecated until all restrictions are removed or expire. Holders of restricted shares will have voting rights and will receive dividends before the restrictions lapse. Restricted shares generally will vest 25% after three years, an additional 25% after four years, and the remainder after five years for senior management, and 100% after three years for key management and other employees.

Payment of Option Exercise Price

The exercise price for all stock options may be paid in full in cash at the time of exercise or, if permitted by the Compensation Subcommittee in its discretion:

by delivery of common shares owned by the participant for at least six months, or the surrender of common shares then issuable upon exercise of the option, in each case having a fair market value on the date of exercise equal to the aggregate exercise price of the exercised option;

by an irrevocable instruction to a broker to exercise the option and deliver to us sale or loan proceeds to pay for all of the common shares acquired by exercising the stock options and any tax withholding obligations resulting from the exercise; or

by any combination of the foregoing.

Amendment, Suspension, or Termination

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The Compensation Subcommittee may amend, suspend, or terminate the new equity award plan at any time; however, we must obtain shareholder approval in order to increase the number of common shares subject to the plan or the maximum number of common shares which may be awarded to any individual during any fiscal year, except for any increase or other change due to share dividends, split-ups, consolidations, recapitalizations, reorganizations, or like events. Amendments of the plan will not affect a participant's rights under an award previously granted unless the participant consents or the award itself otherwise expressly so provides.

We may not grant awards under the new equity award plan after May 1, 2014. The Compensation Subcommittee may terminate the new equity award plan at any time before that date with respect to the shares that are not then subject to awards. Termination of the new equity award plan will not affect the rights and obligations of any participant with respect to awards granted before termination.

Terms of Awards

The dates on which stock options under the new equity award plan first become exercisable and on which they expire will be set forth in individual award notices and option agreements setting forth the terms of the stock options.

Option agreements generally will provide that stock options and other awards expire upon termination of the participant's employment, although the Compensation Subcommittee may provide that stock options continue to be exercisable following a termination, or because of the grantee's retirement, death, disability, or otherwise. Similarly, restricted shares granted under the new equity award plan which have not vested generally will be forfeited in the event of the grantee's termination of employment, although the Compensation Subcommittee may make exceptions.

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Performance awards under the new equity award plan generally will terminate if the employee's employment terminates. However:

If the grantee of a performance award dies while still an employee or retires with the consent of our board and then dies, and if his or her performance period has not ended by then, the grantee's executor or personal representative may elect to receive a payout before the performance period ends. If that election is made, the holder of the performance award would receive a grant of 35% of the maximum number of shares specified in the performance award if his or her employment terminated during the first half of the performance period, or a grant of 50% of the maximum number if the grantee's employment terminated during the second half of the performance period.

In all other circumstances, a performance award held by an employee whose employment terminates due to death, disability, or retirement with our consent remains in effect in accordance with its original terms.

In the case of certain events stated in the new equity award plan, such as merger, consolidation, liquidation, dissolution, or sale of all or substantially all of our assets, the Compensation Subcommittee in its sole discretion may take certain actions with respect to awards, including acceleration of the exercisability of stock options, the vesting and lapse of restrictions on restricted shares, the payout of performance awards, the purchase of outstanding awards, the substitution, assumption, or replacement of any awards, and other similar adjustments to facilitate any such transactions. The Compensation Subcommittee may also provide that all awards will terminate following such events.

In consideration of the granting of an option or restricted shares, the participant must agree in the written agreement embodying the award to remain in the employ of La-Z-Boy or a subsidiary for at least one year (or a shorter period approved by the Compensation Subcommittee). No award under the new equity award plan may be assigned or transferred by the participant, except by will or the laws of intestate succession, or, with the consent of the Compensation Subcommittee, pursuant to a domestic relations order or to certain family members or trusts.

Miscellaneous Provisions

In the event that our outstanding common shares are changed into or exchanged for a different number or kind of shares of capital stock or other securities of La-Z-Boy by reason of merger, reorganization, consolidation, recapitalization, reclassification, share split, reverse share split, share dividend, combination of shares, or otherwise, the number and kind of shares covered by the new equity award plan, the maximum number of shares that may be granted during any fiscal year, the number and kind of shares covered by, and the exercise or purchase price of, each outstanding option and other award, and other limitations on shares applicable under the new equity award plan, will be proportionately adjusted.

Certain Federal Income Tax Consequences

The federal income tax consequences of the new equity award plan under current federal income tax law are summarized in the following discussion, which deals with the general tax principles applicable to the new equity award plan and is intended for general information only. In addition, the tax consequences described below are subject to the limitations of Internal Revenue Code Section 162(m), as discussed in further detail below. Alternative minimum tax and other federal taxes and foreign, state, and local income taxes are not discussed and may vary depending on individual circumstances and from locality to locality.

Performance Awards. A participant who has been granted a performance award will not realize taxable income at the time of grant, and we will not be entitled to a deduction at that time. When an award is paid, the participant will have ordinary income in the amount of the fair market value of the shares received, and we will be entitled to a corresponding deduction.

Stock Options. For federal income tax purposes, the recipient of stock options granted under the new equity award plan will not recognize taxable income upon the grant of the option, nor will we then be entitled to any deduction. Generally, upon exercise of stock options, at the time of transfer of the shares, the participant will recognize ordinary income, and we will be entitled to a deduction, in an amount equal to the fair market value of the shares at the date of transfer, less the option exercise price.

Restricted Shares. A participant to whom we issue restricted shares generally will not recognize taxable income upon issuance of the restricted shares, and we generally will not then be entitled to a deduction, unless the

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participant makes an election under Section 83(b) of the Internal Revenue Code. However, when restrictions on restricted shares lapse, such that the shares are no longer subject to a substantial risk of forfeiture or are transferable, the participant generally will recognize ordinary income, and we generally will be entitled to a deduction, in an amount equal to the fair market value of the shares at the date the restrictions lapse. If a timely election is made under Section 83(b), the participant generally will recognize ordinary income on the date of issuance of the restricted stock equal to the fair market value of the shares at that date, and we will be entitled to a deduction in the same amount.

Section 162(m). Under Internal Revenue Code Section 162(m), in general, income tax deductions of publicly-traded companies may be limited to the extent total compensation (including base salary, annual bonus, option exercises, and nonqualified benefits) for certain executive officers exceeds \$1 million in any one taxable year. However, under Internal Revenue Code Section 162(m), the deduction limit does not apply to certain performance-based compensation established by an independent compensation committee which conforms to certain restrictive conditions stated in the Internal Revenue Code and related regulations. The new equity award plan has been structured with the intent that options and performance awards granted under the new equity award plan may meet the requirements for performance-based compensation under Section 162(m). To the extent granted at a fair market value exercise price, options granted under the new equity award plan are intended to qualify as performance-based under Section 162(m) of the Internal Revenue Code. Performance awards granted under the new equity award plan will qualify as performance-based under Section 162(m) if the awards vest based solely on the performance criteria described above and the other requirements for qualification as performance-based compensation are met.

Principal Differences Between New Equity Award Plan and Existing Plans to Be Replaced

If approved by shareholders, the new equity award plan will replace our existing performance-based plan, option plan, and restricted share plan for employees for purposes of future grants of performance awards, stock options, and restricted shares to employees. The following discussion summarizes the principal differences between the new equity award plan and the existing plans it will replace.

General Differences:

Since the number of shares available for future grants and awards under the new equity award plan will be less than the total available under the three existing plans it will replace, approval of the new plan will reduce potential dilution to existing shareholders. As described above, the number of shares available for future grants will be reduced from about 6 million to 5 million.

Under our existing plans, the Compensation Subcommittee has discretion to determine the amounts of performance awards, stock options, and restricted share options to be granted to each employee, although the total numbers of shares available for each of the three types of awards are fixed by the three existing plans. While not required under the plans, it has been our practice to grant performance awards (but not restricted share options) to our most senior management, including our executive officers, and to grant restricted share options (but not performance awards) to other key management employees. The new equity award plan requires that, if we grant any awards to key or senior management employees (except for the one-time transition performance awards discussed below), we grant all three types to each participant and that the awards be apportioned among the three types as follows:

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For senior management (our executive officers and other management employees selected by the Compensation Subcommittee): 50% of the value of their total awards as performance awards, 25% as stock options, and 25% as restricted share awards; and

For other key management (employees other than senior management selected by the Subcommittee in consultation with our CEO): 33% of the value of their total awards as performance awards, 34% as stock options, and 33% as restricted share awards.

For purposes of applying these percentages, values will be determined using established principles of stock compensation valuation.

With some limitations, if there is a change in control of La-Z-Boy, a merger of La-Z-Boy with another company, any unusual or nonrecurring transaction or event affecting us, any of our affiliates or our financial statements, or a change in applicable laws, regulations, or accounting principles, the new equity award plan authorizes the

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Compensation Subcommittee, in its discretion and on whatever terms as it deems appropriate, to take various actions it deems appropriate to prevent dilution or enlargement of benefits, to facilitate the transaction or event, or to give effect to the change in laws, regulations or principles, including repurchasing the awards, canceling or modifying them, accelerating the vesting of benefits, or arranging for them to be assumed by a successor. For the most part, our existing plans do not provide this flexibility.

In general, the new equity award plan will provide us with greater flexibility by permitting the Compensation Subcommittee to determine the terms of future grants and awards. Under our existing plans, many of the corresponding terms are fixed in the plan documents and cannot be changed.

Performance Awards:

Awards under the existing plan may be in the form of outright grants of common shares or, if an award is reduced due to failure to meet subordinate goals, in the form of 30-day options to purchase shares. All performance awards under the new plan will be payable by outright grants of shares, subject to the achievement of specified performance criteria.

The existing plan specifies three-year performance cycles over which achievement of performance goals (and any subordinate goals) is to be measured. The new plan also specifies three-year performance periods as the general rule, but it also permits one-time grants of performance awards for a one-year performance period ending at the end of fiscal 2005 and for a two-year performance period ending at the end of fiscal 2006.

The existing plan requires the Subcommittee to establish one uniform, objective performance goal for all participants for a given performance cycle that must be met in order for there to be any payout on the award and permits it to establish subordinate goals that, if not met, will reduce the amount payable on the award. The new plan also requires that performance criteria be uniform for all employees, but it gives the Subcommittee flexibility to establish such performance criteria as it sees fit.

Under the current plan, if the grantee of a target award dies while still an employee or retires with the consent of our board and then dies, and if his or her performance cycle has not ended by then, the grantee's executor or personal representative may elect to receive a payout before the cycle ends. If that election is made, the holder of the target award would receive a payout of either an option on half the maximum number of shares specified in the grantee's target award at a per share exercise price of 25% of a share's fair market value at the date of grant of the target award if the grantee's employment terminated during the first half of the performance cycle, or an outright grant of the same number of shares if the grantee's employment terminated during the second half of the performance cycle. The new equity award plan contains a similar provision, except that if the election is made, the holder of the performance award would receive an outright grant of 35% of the maximum number of shares specified in the performance award if the grantee's employment terminated during the first half of the performance period, or an outright grant of 50% of the maximum number if the grantee's employment terminated during the second half of the performance period. Under both plans, in all circumstances other than those described above, a target award or performance award held by an employee whose employment terminates due to death, disability, or retirement with our consent remains in effect in accordance with its original terms.

Stock Options:

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Under our existing option plan, we may grant options that qualify as incentive stock options (sometimes referred to as ISOs) under the Internal Revenue Code. Incentive stock options can provide certain tax advantages to recipients but do not result in any tax deduction for the company that issues them. Under the existing plan, we can also grant so-called non-qualified stock options (*i.e.*, options that are not incentive stock options for tax purposes). The new equity award plan only provides for non-qualified options and will not permit us to grant ISOs.

The maximum term of stock options granted under our existing plan is ten years. The new plan fixes the term of stock options at five years. Under both plans, the minimum exercise price is 100% of the fair market value of our shares as of the date the option is granted, except in special circumstances described below.

Under our existing option plan, if a grantee ceases to be a La-Z-Boy employee due to retirement (either at age 65, at a younger age with our consent, or pursuant to disability retirement) or death, his or her options become immediately exercisable in full and can be exercised until the third anniversary of the grantee's

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employment termination or, if earlier, the expiration date of the option. Under the new equity award plan, the Compensation Subcommittee can determine the extent to which the vesting of options will accelerate and the period for which they will remain exercisable after a termination of employment, either in the original award agreement or after the option is granted.

The new plan provides for the granting of stock options (which may have exercise prices lower than the fair market value of our shares at the time of grant) in substitution for outstanding options issued by other companies that we may acquire in the future. Our existing option plan does not provide this flexibility.

Restricted Share Grants to Employees:

Our existing restricted share plan for employees provides for the granting of 30-day options to purchase restricted shares for 25% of their fair market value. Under the new equity award plan, we can only make outright grants of restricted shares.

The terms of vesting for restricted shares granted under the new plan will be:

25% after three years, another 25% after four years, and the remainder after 5 years for executive officers and other senior management employees; and

100% after three years for key management and other employees.

Under our existing plan, the restricted period is generally set at three years, and other vesting terms are specified in the plan document.

Our existing plan provides that restricted shares will automatically vest if a grantee ceases to be a La-Z-Boy employee due to retirement (either at age 65, at a younger age with our consent, or pursuant to disability retirement) or death or if there is a change in control of La-Z-Boy. Under the new plan, the Subcommittee will determine the circumstances in which vesting may be accelerated.

Initial Awards Under New Equity Award Plan, Subject to Shareholder Approval

In anticipation that the new equity award plan may be approved at the upcoming meeting, during the first quarter of this fiscal year, the Compensation Subcommittee granted performance awards and approved stock option and restricted share grants under the new equity award plan. All of these grants are subject to approval of the new plan at the meeting.

Initial Performance Awards

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Subject to shareholder approval of the new equity award plan, the Compensation Subcommittee granted performance awards under the new equity award plan for one-, two-, and three-year performance periods that will end at the end of fiscal 2005, 2006, and 2007, respectively. The Compensation Subcommittee granted these performance awards under the new plan in lieu of the target awards it normally would have granted under our existing performance-based plan for a three-year performance cycle ending at the end of fiscal 2007.

The performance awards granted under the new plan for the three-year performance period ending at the end of fiscal 2007 are, in most respects, consistent with past practice under our existing performance-based plan. However, as described below, the awards for the one- and two-year performance periods ending at the end of fiscal 2005 and 2006, respectively, are one-time transition measures designed to deal with specific circumstances. In order to be entitled to potential payouts under the new performance awards for performance periods ending at the end of fiscal 2005 and 2006, participants will be required to surrender their rights, if any, under previously granted target awards for the three-year performance cycles ending at the end of fiscal 2005 and 2006. Target awards for those performance cycles previously granted to employees who have retired with our consent will remain in effect; retirees will not receive any benefits under the newly granted performance awards.

Even if we achieve our fiscal 2005 and 2006 operating plans, it currently appears unlikely that there will be any significant payouts under the previously granted target awards for the three-year performance cycles ending at the end of fiscal 2005 and 2006, due in large part to our fiscal 2004 charges for impairment of goodwill and intangible assets under a new accounting policy we adopted in fiscal 2003. In view of recent changes in the furniture industry, the importance of the next three years (both individually and collectively) in repositioning our company globally, the necessity of focusing employees on achieving our operating plans and our commitment to growing shareholder value, the Subcommittee concluded that it should grant prorated transition performance awards for a

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one-year performance period ending at the end of fiscal 2005 and a two-year performance period ending at the end of fiscal 2006. These transition performance awards are based on performance goals designed to be consistent with our current business operations and our current philosophy of setting target performance goals at expected levels based on operating plans and current business and industry conditions, as well as other factors.

The Subcommittee established the maximum payouts under the transition performance awards as follows:

The maximum number of shares issuable to a participant at a given level of responsibility under each new award for the one-year performance period ending at the end of fiscal 2005 is equal to approximately 35% of the maximum number issuable to a participant at the same level under the existing target award for the three-year performance cycle ending at the end of fiscal 2005 (which a participant must surrender in order to obtain benefits under the new award).

The maximum number of shares issuable to a participant at a given level of responsibility under each new award for the two-year performance period ending at the end of fiscal 2006 is equal to approximately 70% of the maximum number issuable to a participant at the same level under the existing target award for the three-year performance cycle ending at the end of fiscal 2006 (which also must be surrendered to obtain benefits under the new award).

We believe it is integral to our success and the creation of shareholder value to implement these transition performance awards (in conjunction with cancellation of target awards for the two outstanding performance cycles as described above) as well as the regular award for the three-year performance period ending at the end of fiscal 2007.

Beginning with the three performance periods discussed above, we will provide performance award opportunities to a greater number of employees. In previous years, we generally granted performance awards only to executive officers and senior executives.

We provide more information about the performance award grants under the new equity award plan below. Due to the nature of the proposed plan, we cannot predict in advance the benefits that any employee ultimately may receive if the proposed plan is approved.

As permitted by the proposed plan, the Compensation Subcommittee established one performance goal for all performance awards for the one-year performance period ending in 2005, one for all performance awards for the two-year performance period ending in 2006, and one for all performance awards for the three-year performance period ending in 2007. For each performance period, that goal relates to earnings per share. Also as permitted by the proposed plan, the Subcommittee also established three uniform subordinate goals with respect to each performance award. Those goals relate to sales growth, operating margin, and cash flow from operations.

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The tables that follow report on the performance awards granted to named executives and others under the new plan, subject to shareholder approval of the plan. The numbers reported under the New Performance Awards are estimated based on the current employees' salary grades, which are subject to change before the awards are issued. The numbers reported in each table under **Maximum** are the numbers of shares that grantees would receive if the performance goal is achieved and all three of the subordinate goals are achieved at the highest level specified by the Subcommittee. The numbers reported under **Target** are the numbers of shares they would receive if the performance goal is achieved and all three of the subordinate goals are achieved at a target level set by the Subcommittee, and the numbers reported under **Threshold** are the numbers of shares they would receive for achievement of the performance goal and meeting a minimum threshold for just one subordinate goal. In each case, the final payout will be determined after the end of the performance period by first determining whether the performance goal was achieved and, if it was, then determining the degree to which each (if any) of the subordinate goals was met. If the performance goal is not achieved, or if that goal is achieved but no subordinate goal is achieved at the minimum threshold level, there will be no payout on the performance award.

In addition, the tables for the performance periods ending at the end of fiscal 2005 and 2006 show the maximum number of shares theoretically issuable under target awards outstanding under our current performance-based plan for the three-year performance cycles ending at the end of fiscal 2005 and 2006, which participants will be required to surrender in order to be entitled to benefits under the new awards. Mr. Kiser, our former CEO, and any other retirees will not receive any new performance awards and will retain their outstanding target awards under our existing performance-based plan.

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Name or Group	Number of Shares			
	Maximum Under Original Target Award for Three-Year Performance Cycle Ending in 2005	New Performance Awards for One-Year Performance Period Ending in 2005		
		Threshold	Target	Maximum
K. Darrow	14,867	1,755	3,505	7,010
G. Kiser	20,000	-0-	-0-	-0-
P. Norton	20,000	1,755	3,505	7,010
R. England	11,089	1,180	2,360	4,720
J. Case	15,650	1,375	2,745	5,490
D. Risley	15,650	1,375	2,745	5,490
Current executive officers, as a group	108,345	8,620	17,220	34,440
Non-executive officer directors, as a group	-0-	-0-	-0-	-0-
Employees other than executive officers, as a group	84,150	18,510	36,885	73,770

Name or Group	Number of Shares			
	Maximum Under Original Target Award for Three-Year Performance Cycle Ending in 2006	New Performance Awards for One-Year Performance Period Ending in 2006		
		Threshold	Target	Maximum
K. Darrow	18,717	3,485	6,965	13,930
G. Kiser	20,000	-0-	-0-	-0-

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	Number of Shares			
P. Norton	20,000	3,485	6,965	13,930
R. England	12,756	2,345	4,685	9,370
J. Case	15,650	2,725	5,450	10,900
D. Risley	15,650	2,725	5,450	10,900
Current executive officers, as a group	115,529	17,110	34,200	68,400
Non-executive officer directors, as a group	-0-	-0-	-0-	-0-
Employees other than executive officers, as a group	88,400	35,835	71,630	143,260

Number of Shares

New