

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

FORM 10-Q

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

For the quarterly period ended May 30, 2020

OR

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

For the transition period from _____ to _____

Commission File No. 000-00209

BASSETT FURNITURE INDUSTRIES, INCORPORATED
(Exact name of Registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation or organization)

54-0135270
(I.R.S. Employer
Identification No.)

3525 Fairystone Park Highway
Bassett, Virginia 24055
(Address of principal executive offices)
(Zip Code)

(276) 629-6000
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common Stock (\$5.00 par value)	BSET	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At June 29, 2020, 9,995,356 shares of common stock of the Registrant were outstanding.

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED MAY 30, 2020 AND JUNE 1, 2019 – UNAUDITED
(In thousands except per share data)

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 30, 2020</u>	<u>June 1, 2019</u>	<u>May 30, 2020</u>	<u>June 1, 2019</u>
Sales revenue:				
Furniture and accessories	\$ 53,000	\$ 95,824	\$ 151,942	\$ 203,181
Logistics	10,801	12,366	23,979	25,850
Total sales revenue	63,801	108,190	175,921	229,031
Cost of furniture and accessories sold	29,452	42,530	74,722	91,707
Selling, general and administrative expenses excluding new store pre-opening costs	50,373	64,590	115,013	133,976
New store pre-opening costs	-	369	-	863
Asset impairment charges	12,184	-	12,184	-
Goodwill impairment charge	1,971	-	1,971	-
Litigation expense	1,050	-	1,050	-
Early retirement program	-	-	-	835
Income (loss) from operations	(31,229)	701	(29,019)	1,650

Other loss, net	(765)	(145)	(1,127)	(268)
Income (loss) before income taxes	(31,994)	556	(30,146)	1,382
Income tax expense (benefit)	(11,642)	111	(11,004)	329
Net income (loss)	<u>\$ (20,352)</u>	<u>\$ 445</u>	<u>\$ (19,142)</u>	<u>\$ 1,053</u>
Basic earnings (loss) per share	<u>\$ (2.04)</u>	<u>\$ 0.04</u>	<u>\$ (1.92)</u>	<u>\$ 0.10</u>
Diluted earnings (loss) per share	<u>\$ (2.04)</u>	<u>\$ 0.04</u>	<u>\$ (1.92)</u>	<u>\$ 0.10</u>
Dividends per share	<u>\$ 0.125</u>	<u>\$ 0.125</u>	<u>\$ 0.125</u>	<u>\$ 0.25</u>

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

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PART I – FINANCIAL INFORMATION – CONTINUED
ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE PERIODS ENDED MAY 30, 2020 AND JUNE 1, 2019 – UNAUDITED
(In thousands)

	Quarter Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Net income (loss)	\$ (20,352)	\$ 445	\$ (19,142)	\$ 1,053
Other comprehensive income:				
Amortization associated with				
Long Term Cash Awards (LTCA)	31	31	63	62
Income taxes related to LTCA	(8)	(8)	(16)	(16)
Amortization associated with supplemental executive retirement defined benefit plan (SERP)	2	46	3	92
Income taxes related to SERP	-	(12)	(1)	(24)
Other comprehensive income, net of tax	<u>25</u>	<u>57</u>	<u>49</u>	<u>114</u>
Total comprehensive income (loss)	<u>\$ (20,327)</u>	<u>\$ 502</u>	<u>\$ (19,093)</u>	<u>\$ 1,167</u>

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

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PART I – FINANCIAL INFORMATION – CONTINUED
ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MAY 30, 2020 AND NOVEMBER 30, 2019
(In thousands)

	(Unaudited) May 30, 2020	November 30, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 11,435	\$ 19,687
Short-term investments	17,673	17,436
Accounts receivable, net	17,799	21,378
Inventories	62,483	66,302
Recoverable income taxes	11,321	329
Other current assets	8,432	11,654
Total current assets	<u>129,143</u>	<u>136,786</u>

Property and equipment, net	91,128	101,724
Deferred income taxes	7,550	5,744
Goodwill and other intangible assets	24,016	26,176
Right of use assets under operating leases	130,042	-
Other	5,094	5,336
Total long-term assets	166,702	37,256
Total assets	\$ 386,973	\$ 275,766
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 14,286	\$ 23,677
Accrued compensation and benefits	12,090	11,308
Customer deposits	23,191	25,341
Dividends payable	1,249	-
Current portion operating lease obligations	29,009	-
Other current liabilities and accrued expenses	15,982	11,945
Total current liabilities	95,807	72,271
Long-term liabilities		
Post employment benefit obligations	11,817	11,830
Long-term portion of operating lease obligations	126,036	-
Other long-term liabilities	1,132	12,995
Total long-term liabilities	138,985	24,825
Stockholders' equity		
Common stock	49,977	50,581
Retained earnings	103,391	129,130
Additional paid-in capital	-	195
Accumulated other comprehensive loss	(1,187)	(1,236)
Total stockholders' equity	152,181	178,670
Total liabilities and stockholders' equity	\$ 386,973	\$ 275,766

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

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PART I – FINANCIAL INFORMATION – CONTINUED
ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MAY 30, 2020 AND JUNE 1, 2019 – UNAUDITED
(In thousands)

	Six Months Ended	
	May 30, 2020	June 1, 2019
Operating activities:		
Net income (loss)	\$ (19,142)	\$ 1,053
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,239	6,735
Gain on lease modification	(152)	-
(Gain) loss on sale of property and equipment	39	(3)
Asset impairment charges	12,184	-
Goodwill impairment charge	1,971	-
Inventory valuation charges	2,936	1,274
Bad debt valuation charges (recoveries)	1,074	(27)
Deferred income taxes	(521)	23
Other, net	634	(276)
Changes in operating assets and liabilities:		
Accounts receivable	2,483	(1,797)
Inventories	883	(4,629)
Other current assets	(9,091)	(3,274)
Right of use assets under operating leases	14,810	-
Customer deposits	(2,150)	(2,247)
Accounts payable and other liabilities	(2,670)	(5,774)
Obligations under operating leases	(16,274)	-
Net cash used in operating activities	(5,747)	(8,942)
Investing activities:		
Purchases of property and equipment	(1,791)	(8,313)

Proceeds from sales of property and equipment	2,345	11
Purchases of investments	(241)	-
Other	(211)	343
Net cash provided by (used in) investing activities	102	(7,959)
Financing activities:		
Cash dividends	(1,258)	(2,603)
Proceeds from the exercise of stock options	-	25
Other issuance of common stock	157	159
Repurchases of common stock	(1,241)	(2,347)
Taxes paid related to net share settlement of equity awards	(215)	-
Repayments of finance lease obligations	(50)	-
Repayments of notes payable	-	(220)
Net cash used in financing activities	(2,607)	(4,986)
Change in cash and cash equivalents	(8,252)	(21,887)
Cash and cash equivalents - beginning of period	19,687	33,468
Cash and cash equivalents - end of period	\$ 11,435	\$ 11,581

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

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PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED
MAY 30, 2020
(Dollars in thousands except share and per share data)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

References to “ASC” included hereinafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative GAAP.

The condensed consolidated financial statements include the accounts of Bassett Furniture Industries, Incorporated (“Bassett”, “we”, “our”, or the “Company”) and our wholly-owned subsidiaries of which we have a controlling interest. In accordance with ASC Topic 810, we have evaluated our licensees and certain other entities to determine whether they are variable interest entities (“VIEs”) of which we are the primary beneficiary and thus would require consolidation in our financial statements. To date we have concluded that none of our licensees nor any other of our counterparties represent VIEs.

Revenue from the sale of furniture and accessories is reported in the accompanying condensed consolidated statements of operations net of estimates for returns and allowances.

Revenues from logistical services are generated by our wholly-owned subsidiary, Zenith Freight Lines, LLC (“Zenith”). Sales of logistical services from Zenith to our wholesale and retail segments have been eliminated in consolidation, and Zenith’s operating costs and expenses are included in selling, general and administrative expenses in our condensed consolidated statements of operations.

Our fiscal year, which ends on the last Saturday of November, periodically results in a 53-week year instead of the normal 52 weeks. The prior fiscal year ending November 30, 2019 was a 53-week year, with the additional week being included in the first fiscal quarter of 2019. Accordingly, the information presented below includes 26 weeks of operations for the six months ended May 30, 2020 as compared with 27 weeks included in the six months ended June 1, 2019.

Recently Adopted Accounting Pronouncements

Effective as of the beginning of fiscal 2020, we have adopted Accounting Standards Update No. 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. We have adopted this standard using the modified retrospective approach. Refer to Note 11, Leases, for more information regarding our leases and the adoption of the new standard.

Impact of the COVID-19 Pandemic Upon our Financial Condition and Results of Operations

On March 11, 2020, the World Health Organization declared the current coronavirus (“COVID-19”) outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country have imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures have had a significant adverse impact upon many sectors of the economy, including non-essential retail commerce.

In response to these measures and for the protection of our employees and customers, we temporarily closed our dedicated stores, our manufacturing locations and many of our warehouses for several weeks during the second fiscal quarter of 2020. While as of May 30, 2020, we had reopened most of our

stores and resumed manufacturing and shipping activities, the extended period of suspended operations has had a material adverse impact upon our results of operations for the three and six months ended May 30, 2020. In addition to operating losses resulting from severely reduced sales volumes, we also recorded charges for goodwill impairment (Note 6) as well as for the impairment of certain other long-lived assets (Note 9).

Whereas most state and local governments have begun to ease restrictions on commercial retail activity, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions in certain areas of the county. Furthermore, the economic recession brought on by the pandemic may have a continuing adverse impact on consumer demand for our products. Therefore, significant uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon our financial condition and future results of operations, as well as upon the significant estimates and assumptions we utilize in reporting certain assets and liabilities.

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2020

(Dollars in thousands except share and per share data)

2. Interim Financial Presentation

All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. The results of operations for the three and six months ended May 30, 2020 are not necessarily indicative of results for the full fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended November 30, 2019.

Income Taxes

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income could have a significant impact on our effective tax rate for the respective quarter.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. A major provision of the CARES Act allows net operating losses from the 2018, 2019 and 2020 tax years to be carried back up to five years. As a result, our effective tax rates for the three and six months ended May 30, 2020 were (36.4%) and (36.5%), respectively, which differ from the federal statutory rate of 21% primarily due to the effects of carrying back our current net operating loss to tax years in which the federal statutory rate was 35%, and to the effects of state income taxes and various permanent differences. Our effective tax rates for the three and six months ended June 1, 2019 were 20.0% and 23.8%, respectively, and differ from the federal statutory rate of 21% primarily due to the effects of state income taxes and various permanent differences, including the recognition of non-taxable proceeds from Company-owned life insurance.

3. Financial Instruments and Fair Value Measurements

Financial Instruments

Our financial instruments include cash and cash equivalents, short-term investments in certificates of deposit, accounts receivable, and accounts payable. Because of their short maturities, the carrying amounts of cash and cash equivalents, short-term investments in certificates of deposit, accounts receivable, and accounts payable approximate fair value.

Investments

Our short-term investments of \$17,673 at May 30, 2020 and \$17,436 at November 30, 2019 consisted of certificates of deposit (CDs). At May 30, 2020, the CDs had original terms averaging eight months, bearing interest at rates ranging from 0.30% to 2.00%. At May 30, 2020, the weighted average remaining time to maturity of the CDs was approximately three months and the weighted average yield of the CDs was approximately 1.19%. Each CD is placed with a federally insured financial institution and all deposits are within federal deposit insurance limits. Due to the nature of these investments and their relatively short maturities, the carrying amount of the short-term investments at May 30, 2020 and November 30, 2019 approximates their fair value.

Fair Value Measurement

The Company accounts for items measured at fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC 820's valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. ASC 820 classifies these inputs into the following hierarchy:

Level 1 Inputs— Quoted prices for identical instruments in active markets.

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2020

(Dollars in thousands except share and per share data)

Level 2 Inputs– Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs– Instruments with primarily unobservable value drivers.

We believe that the carrying amounts of our current assets and current liabilities approximate fair value due to the short-term nature of these items. Our primary non-recurring fair value estimates typically involve business acquisitions or the impairment of long-lived assets (see Note 6 regarding the impairment of goodwill, Note 9 regarding the impairment of certain long-lived assets and Note 11 regarding the impairment of lease right-of-use assets upon adoption of ASC Topic 842) which involve a combination of Level 2 and Level 3 inputs.

4. Accounts Receivable

Accounts receivable consists of the following:

	May 30, 2020	November 30, 2019
Gross accounts receivable	\$ 19,500	\$ 22,193
Allowance for doubtful accounts	(1,701)	(815)
Accounts receivable, net	\$ 17,799	\$ 21,378

Activity in the allowance for doubtful accounts for the six months ended May 30, 2020 was as follows:

Balance at November 30, 2019	\$ 815
Additions charged to expense	1,074
Write-offs against allowance	(188)
Balance at May 30, 2020	\$ 1,701

We believe that the carrying value of our net accounts receivable approximates fair value. The inputs into these fair value estimates reflect our market assumptions and are not observable. Consequently, the inputs are considered to be Level 3 as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurements and Disclosures*. See Note 3.

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2020

(Dollars in thousands except share and per share data)

5. Inventories

Domestic furniture inventories are valued at the lower of cost, which is determined using the last-in, first-out (LIFO) method, or market. Imported inventories and those applicable to our Lane Venture and Bassett Outdoor lines are valued at the lower of cost, which is determined using the first-in, first-out (FIFO) method, or net realizable value.

Inventories were comprised of the following:

	May 30, 2020	November 30, 2019
Wholesale finished goods	\$ 27,532	\$ 27,792
Work in process	441	733
Raw materials and supplies	17,173	17,293
Retail merchandise	30,873	31,534
Total inventories on first-in, first-out method	76,019	77,352
LIFO adjustment	(8,836)	(8,688)
Reserve for excess and obsolete inventory	(4,700)	(2,362)
	<u>\$ 62,483</u>	<u>\$ 66,302</u>

We estimate an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand, market conditions and the respective valuations at LIFO. The need for these reserves is primarily driven by the normal product life cycle. As products mature and sales volumes decline, we rationalize our product offerings to respond to consumer tastes and keep our product lines fresh. If actual demand or market conditions in the future are less favorable than those estimated, additional inventory write-downs may be required. In determining reserves, we calculate separate reserves on our wholesale and retail inventories. Our wholesale inventories tend to carry the majority of the reserves for excess quantities and obsolete inventory due to the nature of our distribution model. These wholesale reserves primarily represent design and/or style obsolescence. Typically, product is not shipped to our retail warehouses until a consumer has ordered and paid a deposit for the product. We do not typically hold retail inventory for stock purposes. Consequently, floor sample inventory and inventory for delivery to customers account for the majority of our inventory at retail. Retail reserves are based on accessory and clearance floor sample inventory in our stores and any inventory that is not associated with a specific customer order in our retail warehouses.

Activity in the reserves for excess quantities and obsolete inventory by segment are as follows:

	Wholesale Segment	Retail Segment	Total
Balance at November 30, 2019	\$ 2,054	\$ 308	\$ 2,362
Additions charged to expense	2,532	404	2,936
Write-offs	(579)	(19)	(598)
Balance at May 30, 2020	<u>\$ 4,007</u>	<u>\$ 693</u>	<u>\$ 4,700</u>

Our estimates and assumptions have been reasonably accurate in the past. We have not made any significant changes to our methodology for determining inventory reserves in 2020 and do not anticipate that our methodology is likely to change in the future.

PART I-FINANCIAL INFORMATION-CONTINUED
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2020

(Dollars in thousands except share and per share data)

6. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following:

	May 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangibles subject to amortization			
Customer relationships	\$ 3,550	\$ (1,217)	\$ 2,333
Technology - customized applications	834	(635)	199
Total intangible assets subject to amortization	\$ 4,384	\$ (1,852)	2,532
Intangibles not subject to amortization:			
Trade names			9,338
Goodwill			12,146
Total goodwill and other intangible assets			\$ 24,016

	November 30, 2019		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangibles subject to amortization			
Customer relationships	\$ 3,550	\$ (1,088)	\$ 2,462
Technology - customized applications	834	(575)	259
Total intangible assets subject to amortization	\$ 4,384	\$ (1,663)	2,721
Intangibles not subject to amortization:			
Trade names			9,338
Goodwill			14,117
Total goodwill and other intangible assets			\$ 26,176

We normally test the carrying amount of our goodwill on an annual basis as of the beginning of our fourth quarter, the most recent annual test having been performed as of September 1, 2019 which resulted in the full impairment of the goodwill previously allocated to our retail reporting unit. Due to the impact of the COVID-19 pandemic, we performed an interim impairment assessment of our remaining goodwill as of May 30, 2020. In accordance with ASC Topic 350, *Intangibles – Goodwill & Other* (“ASC Topic 350”), we first assessed qualitative factors to determine whether it was more likely than not that the fair value of our reporting units was less than their carrying amounts as a basis for determining whether it is necessary to perform the quantitative goodwill impairment test described in ASC Topic 350. The more likely than not threshold is defined as having a likelihood of more than 50 percent. Based on our qualitative assessment as described above, we concluded that it was necessary to perform the quantitative evaluation for the wood reporting unit in the current quarter. As a result of this test, we concluded that the carrying value of our wood reporting unit exceeded its fair value by an amount in excess of the goodwill previously allocated to the reporting unit. Therefore, we recognized a goodwill impairment charge of \$1,971 for the three and six months ended May 30, 2020. The determination of the fair value of our wood reporting unit was primarily based on an income approach that utilized discounted cash flows for the reporting unit and other Level 3 inputs as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurements and Disclosure* (see Note 3). Under the income approach, we determined fair value based on the present value of the most recent cash flow projections for the reporting unit as of the date of the analysis and calculated a terminal value utilizing a terminal growth rate. The significant assumptions under this approach included, among others: income projections, which are dependent on future sales, new product introductions, customer behavior, competitor pricing, operating expenses, the discount rate, and the terminal growth rate. The cash flows used to determine fair value were dependent on a number of significant management assumptions such as our expectations of future performance and the expected future economic environment, which are partly based upon our historical experience as well as our estimate of the period of time required to recover from the impact of the COVID-19 pandemic. Our estimates are subject to change given the inherent uncertainty in predicting future results, including uncertainties surrounding the continuing impact of COVID-19 upon consumer spending and our ability to keep our retail store locations open to the public. Additionally, the discount rate and the terminal growth rate are based on our judgment of the rates that would be utilized by a hypothetical market participant.

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2020

(Dollars in thousands except share and per share data)

Changes in the carrying amounts of goodwill by reportable segment are as follows:

	<u>Wholesale</u>	<u>Retail</u>	<u>Logistics</u>	<u>Total</u>
Balance as of November 30, 2019	\$ 9,188	\$ -	\$ 4,929	\$ 14,117
Goodwill impairment	(1,971)	-	-	(1,971)
Balance as of May 30, 2020	<u>\$ 7,217</u>	<u>\$ -</u>	<u>\$ 4,929</u>	<u>\$ 12,146</u>

The carrying amounts of our goodwill at May 30, 2020 and November 30, 2019 included the following accumulated impairment losses:

	<u>Wholesale</u>	<u>Retail</u>	<u>Logistics</u>	<u>Total</u>
Balance as of November 30, 2019	<u>\$ -</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 1,926</u>
Balance as of May 30, 2020	<u>\$ 1,971</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 3,897</u>

Amortization expense associated with intangible assets during the three and six months ended May 30, 2020 and June 1, 2019 was as follows:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 30, 2020</u>	<u>June 1, 2019</u>	<u>May 30, 2020</u>	<u>June 1, 2019</u>
Intangible asset amortization expense	<u>\$ 95</u>	<u>\$ 95</u>	<u>\$ 189</u>	<u>\$ 190</u>

Estimated future amortization expense for intangible assets that exist at May 30, 2020 is as follows:

Remainder of fiscal 2020	\$ 189
Fiscal 2021	379
Fiscal 2022	279
Fiscal 2023	259
Fiscal 2024	259
Fiscal 2025	259
Thereafter	<u>908</u>
Total	<u>\$ 2,532</u>

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7. Bank Credit Facility

Bank Credit Facility

Our existing credit facility with our bank as of May 30, 2020 provides for a line of credit of up to \$25,000. At May 30, 2020, we had \$4,773 outstanding under standby letters of credit against our line, leaving availability under our credit line of \$20,227. In addition, we have outstanding standby letters of credit with another bank totaling \$325. Effective June 15, 2020, we executed an amended credit facility with our bank to increase the maximum amount available under our credit line to \$50,000 through December 31, 2020, after which date the maximum availability will return to the original amount of \$25,000. The line bears interest at the rate of LIBOR plus 1.9%, with a fee of 0.25% charged for the unused portion of the line and is secured by a general lien on our accounts receivable and inventory. In addition, all covenants based on financial ratios have been waived for the remainder of fiscal 2020, and the maturity of the facility was extended from December 5, 2021 to January 31, 2022.

8. Post Employment Benefit Obligations

Defined Benefit Plans

We have an unfunded Supplemental Retirement Income Plan (the "Supplemental Plan") that covers one current and certain former executives. The liability for the Supplemental Plan was \$8,695 and \$8,779 as of May 30, 2020 and November 30, 2019, respectively.

We also have the Bassett Furniture Industries, Incorporated Management Savings Plan (the "Management Savings Plan") which was established in the second quarter of fiscal 2017. The Management Savings Plan is an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees. As part of the Management Savings Plan, we have made Long Term Cash Awards ("LTC Awards") totaling \$2,000 to certain management employees in the amount of \$400 each. The liability for the LTC Awards was \$1,366 and \$1,311 as of May 30, 2020 and November 30, 2019, respectively.

The combined pension liability for the Supplemental Plan and LTC Awards is recorded as follows in the condensed consolidated balance sheets:

	May 30, 2020	November 30, 2019
Accrued compensation and benefits	\$ 655	\$ 655
Post employment benefit obligations	9,406	9,435
Total pension liability	\$ 10,061	\$ 10,090

Components of net periodic pension costs for our defined benefit plans for the three and six months ended May 30, 2020 and June 1, 2019 are as follows:

	Quarter Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Service cost	\$ 43	\$ 47	\$ 87	\$ 94
Interest cost	67	110	134	221
Amortization of prior service costs	31	31	63	63
Amortization of loss	2	46	4	92
Net periodic pension cost	\$ 143	\$ 234	\$ 288	\$ 470

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The components of net periodic pension cost other than the service cost component are included in other loss, net in our condensed consolidated statements of operations.

Deferred Compensation Plans

We have an unfunded deferred compensation plan that covers one current executive and certain former executives and provides for voluntary deferral of compensation. This plan has been frozen with no additional participants or deferrals permitted. Our liability under this plan was \$1,714 and \$1,767 as of May 30, 2020 and November 30, 2019, respectively.

We also have an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees which was established under the Management Savings Plan. Our liability under this plan, including both accrued Company contributions and participant salary deferrals, was \$963 and \$894 as of May 30, 2020 and November 30, 2019, respectively.

Our combined liability for all deferred compensation arrangements, including Company contributions and participant deferrals under the Management Savings Plan, is recorded as follows in the condensed consolidated balance sheets:

	May 30, 2020	November 30, 2019
Accrued compensation and benefits	\$ 266	\$ 266
Post employment benefit obligations	2,411	2,395
Total deferred compensation liability	\$ 2,677	\$ 2,661

We recognized expense under our deferred compensation arrangements during the three and six months ended May 30, 2020 and June 1, 2019 as follows:

	Quarter Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Deferred compensation expense	\$ 198	\$ 84	\$ 294	\$ 183

9. Other Operating Losses

Fiscal 2020

Asset Impairment Charges

During the three and six months ended May 30, 2020 we recorded \$11,114 of non-cash impairment charges on the assets of five underperforming retail stores, including \$6,239 for the impairment of operating lease right-of-use assets associated with the leased locations. Our estimates of the fair value of the impaired right-of-use assets included estimates of discounted cash flows based upon current market rents and other inputs which we consider to be Level 3 inputs as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurement and Disclosure* (see Note 3).

During the three and six months ended May 30, 2020 we incurred \$1,070 of non-cash impairment charges in our wholesale segment, primarily due to the closing of our custom upholstery manufacturing facility in Grand Prairie, Texas, in May.

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Litigation Expense

During the three and six months ended May 30, 2020 we accrued an additional \$1,050 for the estimated costs to resolve certain wage and hour violation claims that have been asserted against the Company and have received class action designation, bringing our total recorded reserve for these claims to \$1,750 at May 30, 2020, which is included in other current liabilities and accrued expenses in our accompanying balance sheet. While the ultimate cost of resolving these claims may be substantially higher, the amount accrued represents our estimate of the most likely outcome of a mediated settlement.

Fiscal 2019

Early Retirement Program

During the first quarter of fiscal 2019, we offered a voluntary early retirement package to certain eligible employees of the Company. These employees are to receive pay equal to one-half their current salary plus benefits over a period of one year from the final day of each individual's active employment. Accordingly, we recognized a charge of \$835 during the six months ended June 1, 2019. The unpaid balance of the obligation at May 30, 2020 and November 30, 2019 of \$35 and \$374, respectively, is included in other current liabilities and accrued expenses in our condensed consolidated balance sheets.

10. Commitments and Contingencies

We are involved in various legal and environmental matters, which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, we believe that the final resolution of these matters will not have a material adverse effect on our financial position or future results of operations. See Note 9 regarding litigation arising from certain wage and hour violations which have been asserted against the Company.

11. Leases

During the first quarter of fiscal 2020, we adopted ASU 2016-02, Leases (Topic 842) and all related amendments. The guidance requires lessees to recognize substantially all leases on their balance sheet as a right-of-use ("ROU") asset and a lease liability.

We lease land and buildings that are used in the operation of our Company-owned retail stores as well as in the operation of certain of our licensee-owned stores, and we lease land and buildings at various locations throughout the continental United States for warehousing and distribution hubs used in our retail and logistical services segments. We also lease tractors and trailers used in our logistical services segment, and local delivery trucks used in our retail segment. We determine if a contract contains a lease at inception based on our right to control the use of an identified asset and our right to obtain substantially all of the economic benefits from the use of that identified asset. Our real estate lease terms range from one to 15 years and generally have renewal options of between five and 15 years. We assess these options to determine if we are reasonably certain of exercising these options based on all relevant economic and financial factors. Any options that meet this criteria are included in the lease term at lease commencement.

Most of our leases do not have an interest rate implicit in the lease. As a result, for purposes of measuring our ROU asset and lease liability, we determine our incremental borrowing rate by applying a spread above the U.S. Treasury borrowing rates. In the case an interest rate is implicit in a lease we will use that rate as the discount rate for that lease. Some of our leases contain variable rent payments based on a Consumer Price Index or percentage of sales. Due to the variable nature of these costs, they are not included in the measurement of the ROU asset and lease liability.

We adopted the standard utilizing the transition election to not restate comparative periods for the impact of adopting the standard and recognizing the cumulative impact of adoption in the opening balance of retained earnings. We elected the package of transition expedients available for expired or existing contracts, which allowed the carry-forward of historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition, we have elected the practical expedient to not separate lease and non-lease components when determining the ROU asset and lease liability and have elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements. We have also elected the hindsight practical expedient to determine the lease term for existing leases. In our application of hindsight, we evaluated the performance of the leased stores and the associated markets in relation to our overall real estate strategies, which resulted in the determination that most renewal options would not be reasonably certain in determining the expected lease term. We have made an accounting policy election to not recognize ROU assets and lease liabilities on the balance sheet for those leases with initial terms of one year or less and instead such lease obligations will be expensed on a straight-line basis over the lease term.

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Adoption of the standard resulted in the recording of additional net lease-related assets and lease-related liabilities of \$146,585 and \$151,672, respectively, as of December 1, 2019. The difference between the additional lease assets and lease liabilities, net of the \$1,302 deferred tax impact, was \$3,785 and was recorded as an adjustment to retained earnings. This adjustment to retained earnings primarily represents the impairment of right-of-use assets associated with certain underperforming retail locations. Our estimates of the fair value of the impaired ROU assets included estimates of discounted cash flows based upon current market rents and other inputs which we consider to be Level 3 inputs as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurement and Disclosure* (see Note 3). Our adoption of this standard did not have a material impact on our consolidated statements of operations, comprehensive income or cash flows.

We are currently in negotiations with a number of our lessors to obtain relief in the form of rent deferrals or abatements from rents currently due as a result of the effects of COVID-19 on our business. At May 30, 2020, the unpaid rent for the months of April and May subject to these negotiations totaled \$4,470 and is included in other current liabilities and accrued expenses in our accompanying condensed consolidated balance sheet. In accordance with FASB Staff Q&A - Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic ("FASB Staff Q&A") issued in April 2020, we have elected to account for any lease concessions resulting directly from COVID-19 as if the enforceable rights and obligations for the concessions existed in the respective contracts at lease inception and as such we will not account for any concession as a lease modification. Guidance from the FASB Staff Q&A provided methods to account for rent deferrals which include the option to treat the lease as if no changes to the lease contract were made or to treat deferred payments as variable lease payments. The FASB Staff Q&A allows entities to select the most practical approach and does not require the same approach be applied consistently to all leases. As a result, we expect to account for the deferrals as if no changes to the lease contract were made and will continue to recognize lease expense, on a straight-line basis, during the deferral period. For any abatements received, we will account for those as variable rent in the period in which the abatement is granted.

Supplemental balance sheet information related to leases as of May 30, 2020 is as follows:

Operating leases:	
Right of use assets	\$ 130,042
Lease liabilities, short-term	29,009
Lease liabilities, long-term	126,036
Finance leases:	
Right of use assets (1)	\$ 974
Lease liabilities, short-term (2)	155
Lease liabilities, long-term (3)	827

(1) Included in property & equipment, net in our condensed consolidated balance sheet.

(2) Included in other current liabilities and accrued expenses in our condensed consolidated balance sheet.

(3) Included in other long-term liabilities and accrued expenses in our condensed consolidated balance sheet.

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Our right-of-use assets under operating leases by segment as of May 30, 2020 are as follows:

Wholesale	\$	11,039
Retail		99,895
Logistical services		19,108
Total right of use assets	\$	130,042

The components of our lease cost for the three and six months ended May 30, 2020 are as follows:

	Quarter Ended May 30, 2020	Six Months Ended May 30, 2020
Lease cost:		
Operating lease cost	\$ 8,792	\$ 17,564
Financing lease cost:		
Amortization of right-of-use assets	43	57
Interest on lease liabilities	12	16
Short-term lease cost	304	798
Variable lease cost	28	64
Sublease income	(394)	(788)
Total lease cost	\$ 8,785	\$ 17,711

Supplemental lease disclosures as of May 30, 2020 and for the six months then ended are as follows:

	Operating	Financing
For the six months ended May 30, 2020:		
Cash paid for amounts included in the measurements of lease liabilities	\$ 14,533	\$ 57
Lease liabilities arising from new right-of-use assets	5,052	1,031
As of May 30, 2020:		
Weighted average remaining lease terms (years)	6.4	5.7
Weighted average discount rates	5.01%	4.72%

Future payments under our leases and the present value of the obligations as of May 30, 2020 are as follows:

	Operating Leases	Financing Leases
Remainder of fiscal 2020	\$ 18,530	\$ 98
Fiscal 2021	34,079	197
Fiscal 2022	30,806	197
Fiscal 2023	25,626	197
Fiscal 2024	18,909	197
Fiscal 2025	15,626	197
Thereafter	38,351	33
Total lease payments	181,927	1,116
Less: interest	26,882	134
Total lease obligations	\$ 155,045	\$ 982

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We sublease a small number of our leased locations to our licensees for operation as BFH network stores. The terms of these leases generally match those of the lease we have with the lessor. Minimum future lease payments due to us under these subleases are as follows:

Remainder of fiscal 2020	\$	699
Fiscal 2021		1,395
Fiscal 2022		1,429
Fiscal 2023		1,113
Fiscal 2024		1,007
Fiscal 2025		1,007
Thereafter		381
Total minimum future rental income	\$	<u>7,031</u>

Lease Guarantees

We also have guaranteed certain lease obligations of licensee operators. Lease guarantees range from one to ten years. We were contingently liable under licensee lease obligation guarantees in the amount of \$1,793 and \$1,776 at May 30, 2020 and November 30, 2019, respectively.

In the event of default by an independent dealer under the guaranteed lease, we believe that the risk of loss is mitigated through a combination of options that include, but are not limited to, arranging for a replacement dealer or liquidating the collateral (primarily inventory). The proceeds of the above options are expected to cover the estimated amount of our future payments under the guarantee obligations, net of recorded reserves. The fair value of lease guarantees (an estimate of the cost to the Company to perform on these guarantees) at May 30, 2020 and November 30, 2019 was not material.

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12. Earnings (Loss) Per Share

The following reconciles basic and diluted earnings (loss) per share:

	Net Income (Loss)	Weighted Average Shares	Net Income (Loss) Per Share
For the quarter ended May 30, 2020:			
Basic loss per share	\$ (20,352)	9,956,975	\$ (2.04)
Add effect of dilutive securities:			
Options and restricted shares*	-	-	-
Diluted loss per share	<u>\$ (20,352)</u>	<u>9,956,975</u>	<u>\$ (2.04)</u>
For the quarter ended June 1, 2019:			
Basic earnings per share	\$ 445	10,433,492	\$ 0.04
Add effect of dilutive securities:			
Options and restricted shares	-	26,329	-
Diluted earnings per share	<u>\$ 445</u>	<u>10,459,821</u>	<u>\$ 0.04</u>
For the six months ended May 30, 2020:			
Basic loss per share	\$ (19,142)	9,992,101	\$ (1.92)
Add effect of dilutive securities:			
Options and restricted shares*	-	-	-
Diluted loss per share	<u>\$ (19,142)</u>	<u>9,992,101</u>	<u>\$ (1.92)</u>
For the six months ended June 1, 2019:			
Basic earnings per share	\$ 1,053	10,444,306	\$ 0.10
Add effect of dilutive securities:			
Options and restricted shares	-	27,530	-
Diluted earnings per share	<u>\$ 1,053</u>	<u>10,471,836</u>	<u>\$ 0.10</u>

*Due to the net loss, the potentially dilutive securities would have been anti-dilutive and are therefore excluded.

For the three and six months ended May 30, 2020 and June 1, 2019, the following potentially dilutive shares were excluded from the computations as their effect was anti-dilutive:

	Quarter Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Stock options	5,250	-	5,250	-
Unvested shares	51,653	45,653	88,153	45,653
Total anti-dilutive securities	<u>56,903</u>	<u>45,653</u>	<u>93,403</u>	<u>45,653</u>

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13. Segment Information

We have strategically aligned our business into three reportable segments as defined in ASC 280, *Segment Reporting*, and as described below:

- **Wholesale.** The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of Bassett stores (Company-owned and licensee-owned retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations, which include Lane Venture, as well as all corporate selling, general and administrative expenses, including those corporate expenses related to both Company- and licensee-owned stores. Our wholesale segment also includes our holdings of short-term investments and retail real estate previously leased as licensee stores. The earnings and costs associated with these assets are included in other loss, net, in our condensed consolidated statements of operations.
- **Retail – Company-owned stores.** Our retail segment consists of Company-owned stores and includes the revenues, expenses, assets and liabilities and capital expenditures directly related to these stores and the Company-owned distribution network utilized to deliver products to our retail customers.
- **Logistical services.** Our logistical services segment reflects the operations of Zenith. In addition to providing shipping and warehousing services for the Company, Zenith also provides similar services to other customers, primarily in the furniture industry. Revenue from the performance of these services to other customers is included in logistical services revenue in our condensed consolidated statements of operations. Zenith's total operating costs, including those associated with providing logistical services to the Company as well as to third-party customers, are included in selling, general and administrative expenses and were \$17,101 and \$37,581 for the three and six months ended May 30, 2020, respectively, and \$19,841 and \$40,880 for the three and six months ended June 1, 2019, respectively.

Inter-company net sales elimination represents the elimination of wholesale sales to our Company-owned stores and the elimination of Zenith logistics revenue from our wholesale and retail segments. Inter-company income elimination includes the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when merchandise is delivered to the retail consumer. The inter-company income elimination also includes rent paid by our retail stores occupying Company-owned real estate, and the elimination of shipping and handling charges from Zenith for services provided to our wholesale and retail operations.

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The following table presents our segment information:

	Quarter Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Sales Revenue				
Wholesale	\$ 33,128	\$ 63,131	\$ 98,145	\$ 135,912
Retail - Company-owned stores	33,171	62,568	99,017	132,197
Logistical services	15,259	20,093	36,574	41,844
Inter-company eliminations:				
Furniture and accessories	(13,299)	(29,875)	(45,220)	(64,929)
Logistical services	(4,458)	(7,727)	(12,595)	(15,993)
Consolidated	<u>\$ 63,801</u>	<u>\$ 108,190</u>	<u>\$ 175,921</u>	<u>\$ 229,031</u>
Income (Loss) from Operations				
Wholesale	\$ (7,381)	\$ 3,173	\$ (4,668)	\$ 7,355
Retail - Company-owned stores	(9,170)	(2,953)	(10,419)	(5,999)
Logistical services	(1,842)	252	(1,007)	964
Inter-company elimination	2,369	229	2,280	165
Early retirement program	-	-	-	(835)
Asset impairment charges	(12,184)	-	(12,184)	-
Goodwill impairment charge	(1,971)	-	(1,971)	-
Litigation expense	(1,050)	-	(1,050)	-
Consolidated	<u>\$ (31,229)</u>	<u>\$ 701</u>	<u>\$ (29,019)</u>	<u>\$ 1,650</u>
Depreciation and Amortization				
Wholesale	\$ 782	\$ 827	\$ 1,591	\$ 1,645
Retail - Company-owned stores	1,712	1,544	3,442	3,049
Logistical services	1,122	994	2,206	2,041
Consolidated	<u>\$ 3,616</u>	<u>\$ 3,365</u>	<u>\$ 7,239</u>	<u>\$ 6,735</u>
Capital Expenditures				
Wholesale	\$ 271	\$ 1,075	\$ 693	\$ 2,140
Retail - Company-owned stores	42	1,373	603	5,390
Logistical services	138	313	495	783
Consolidated	<u>\$ 451</u>	<u>\$ 2,761</u>	<u>\$ 1,791</u>	<u>\$ 8,313</u>
Identifiable Assets				
	As of	As of		
	May 30,	November 30,		
	2020	2019		
Wholesale	\$ 144,580	\$ 144,392		
Retail - Company-owned stores	183,776	91,997		
Logistical services	58,617	39,377		
Consolidated	<u>\$ 386,973</u>	<u>\$ 275,766</u>		

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Wholesale shipments by type

	Quarter Ended				Six Months Ended			
	May 30, 2020		June 1, 2019		May 30, 2020		June 1, 2019	
Bassett Custom Upholstery	\$ 19,234	58.1%	\$ 36,853	58.4%	\$ 59,267	60.4%	\$ 78,391	57.7%
Bassett Leather	3,055	9.2%	4,463	7.1%	7,755	7.9%	10,234	7.5%
Bassett Custom Wood	5,632	17.0%	10,526	16.7%	16,922	17.2%	22,201	16.3%
Bassett Casegoods	5,207	15.7%	9,979	15.8%	14,201	14.5%	22,619	16.6%
Accessories (1)	-	0.0%	1,310	2.1%	-	0.0%	2,467	1.8%
Total	\$ 33,128	100.0%	\$ 63,131	100.0%	\$ 98,145	100.0%	\$ 135,912	100.0%

(1) Beginning with the third quarter of fiscal 2019, our wholesale segment no longer purchases accessory items for resale to our retail segment or to third party customers such as licensees or independent furniture retailers. Our retail segment and third-party customers now source their accessory items directly from the accessory vendors.

14. Revenue Recognition

We recognize revenue when we transfer promised goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. For our wholesale and retail segments, revenue is recognized when the risks and rewards of ownership and title to the product have transferred to the buyer. At wholesale, transfer occurs and revenue is recognized upon the shipment of goods to independent dealers and licensee-owned BHF stores. At retail, transfer occurs and revenue is recognized upon delivery of goods to the customer. All wholesale and retail revenues are recorded net of estimated returns and allowances based on historical patterns. We typically collect a significant portion of the purchase price from our retail customers as a deposit upon order, with the balance typically collected upon delivery. These customer deposits are carried on our balance sheet as a current liability until delivery is fulfilled and amounted to \$23,191 and \$25,341 as of May 30, 2020 and November 30, 2019, respectively. Substantially all of the customer deposits held at November 30, 2019 related to performance obligations that were satisfied during the current year-to-date period and have therefore been recognized in revenue for the six months ended May 30, 2020.

For our logistical services segment, line-haul freight revenue is recognized as services are performed and are billed to the customer upon the completion of delivery to the destination. Because the customer receives the benefits of these services as the freight is in transit from point of origin to destination, we recognize revenue using a percentage of completion method based on our estimate of the amount of time freight has been in transit as of the reporting date compared with our estimate of the total required time for the deliveries. The balances of assets recognized for shipping revenues earned but not billed as of May 30, 2020 and November 30, 2019 were not material. Warehousing services revenue is based upon warehouse space occupied by a customer's goods and inventory movements in and out of a warehouse and is recognized as such services are provided and billed to the customer concurrently in the same period.

We exclude from revenue all amounts collected from customers for sales tax. We do not disclose amounts allocated to remaining unsatisfied performance obligations as they are expected to be satisfied within one year or less.

See Note 13, Segment Information, for disaggregated revenue information.

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15. Changes to Stockholders' Equity

The following changes in our stockholders' equity occurred during the three and six months ended May 30, 2020 and June 1, 2019:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 30, 2020</u>	<u>June 1, 2019</u>	<u>May 30, 2020</u>	<u>June 1, 2019</u>
Common Stock:				
Beginning of period	\$ 50,173	\$ 52,598	\$ 50,581	\$ 52,638
Issuance of common stock	89	64	118	281
Forfeited shares	-	-	(35)	-
Purchase and retirement of common stock	(285)	(400)	(687)	(657)
End of period	<u>\$ 49,977</u>	<u>\$ 52,262</u>	<u>\$ 49,977</u>	<u>\$ 52,262</u>
Common Shares Issued and Outstanding:				
Beginning of period	10,034,591	10,519,640	10,116,291	10,527,636
Issuance of common stock	17,765	12,729	23,508	56,201
Forfeited shares	-	-	(7,000)	-
Purchase and retirement of common stock	(57,000)	(80,024)	(137,443)	(131,492)
End of period	<u>9,995,356</u>	<u>10,452,345</u>	<u>9,995,356</u>	<u>10,452,345</u>
Additional Paid-in Capital:				
Beginning of period	\$ -	\$ -	\$ 195	\$ -
Issuance of common stock	(7)	21	39	(97)
Forfeited shares	-	-	35	-
Purchase and retirement of common stock	(102)	(242)	(463)	(379)
Stock based compensation	109	221	194	476
End of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Retained Earnings:				
Beginning of period	\$ 125,078	\$ 138,687	\$ 129,130	\$ 140,009
Cumulative effect of a change in accounting principal	-	-	(3,785)	(21)
Net income (loss) for the period	(20,352)	445	(19,142)	1,053
Purchase and retirement of common stock	(87)	(693)	(304)	(1,311)
Cash dividends declared	(1,248)	(1,312)	(2,508)	(2,603)
End of period	<u>\$ 103,391</u>	<u>\$ 137,127</u>	<u>\$ 103,391</u>	<u>\$ 137,127</u>
Accumulated Other Comprehensive Loss:				
Beginning of period	\$ (1,211)	\$ (2,280)	\$ (1,236)	\$ (2,338)
Amortization of pension costs, net of tax	24	57	49	115
End of period	<u>\$ (1,187)</u>	<u>\$ (2,223)</u>	<u>\$ (1,187)</u>	<u>\$ (2,223)</u>

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

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(Dollars in thousands except share and per share data)

16. Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). The guidance in ASU 2016-13 replaces the incurred loss impairment methodology under current GAAP. The new impairment model requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other instruments. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The guidance in ASU 2016-13 will become effective for us as of the beginning of our 2021 fiscal year. We are currently evaluating the impact that this guidance will have upon our financial position and results of operations, if any.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Accounting Standards Update No. 2018-15 – Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments in ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in ASU 2018-15. The amendments in ASU 2018-15 will become effective for us as of the beginning of our 2021 fiscal year. Early adoption is permitted, including adoption in any interim period. We are currently evaluating the impact that this guidance will have upon our financial position and results of operations, if any.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12 – Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in the accounting standards. The amendments in ASU 2019-12 eliminate certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also clarifies and simplifies other aspects of the accounting for income taxes. The amendments in ASU 2019-12 will become effective for us as of the beginning of our 2022 fiscal year. Early adoption is permitted, including adoption in any interim period. We are currently evaluating the impact that this guidance will have upon our financial position and results of operations, if any.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our fiscal year, which ends on the last Saturday of November, periodically results in a 53-week year instead of the normal 52 weeks. The prior fiscal year ending November 30, 2019 was a 53-week year, with the additional week being included in the first fiscal quarter. Accordingly, the information presented below includes 26 weeks of operations for the six months ended May 30, 2020 as compared to 27 weeks included in the six months ended June 1, 2019.

Safe-harbor, forward-looking statements:

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of Bassett Furniture Industries, Incorporated and subsidiaries. Such forward-looking statements are identified by use of forward-looking words such as “anticipates”, “believes”, “plans”, “estimates”, “expects”, “aims” and “intends” or words or phrases of similar expression. These forward-looking statements involve certain risks and uncertainties. No assurance can be given that any such matters will be realized. Important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include:

- the impact of the COVID-19 outbreak upon our ability to maintain normal operations at our retail stores and manufacturing facilities and the resulting effects any future interruption of those operations may have upon our financial condition, results of operations and liquidity, as well as the impact of the outbreak upon general economic conditions, including consumer spending and the strength of the housing market in the United States
- competitive conditions in the home furnishings industry
- overall retail traffic levels and consumer demand for home furnishings
- ability of our customers and consumers to obtain credit
- Bassett store openings and store closings and the profitability of the stores (independent licensees and Company-owned retail stores)
- ability to implement our Company-owned retail strategies and realize the benefits from such strategies, including our initiatives to expand and improve our digital marketing capabilities, as they are implemented
- fluctuations in the cost and availability of raw materials, fuel, labor and sourced products, including those which may result from the imposition of new or increased duties, tariffs, retaliatory tariffs and trade limitations with respect to foreign-sourced products
- results of marketing and advertising campaigns
- effectiveness and security of our information and technology systems
- future tax legislation, or regulatory or judicial positions
- ability to efficiently manage the import supply chain to minimize business interruption
- concentration of domestic manufacturing, particularly of upholstery products, and the resulting exposure to business interruption from accidents, weather and other events and circumstances beyond our control
- general risks associated with providing freight transportation and other logistical services through our wholly-owned subsidiary, Zenith Freight Lines, LLC

Additionally, other risks that could cause actual results to differ materially from those contemplated by such forward-looking statements are set forth in Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2019.

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PART I-FINANCIAL INFORMATION-CONTINUED
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You should keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as of the date on which such forward-looking statement is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this discussion after the date hereof, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that the events described in any forward-looking statement made in this report or elsewhere, might not occur.

Impact of the COVID-19 Pandemic Upon Our Financial Condition and Results of Operations

On March 11, 2020, the World Health Organization declared the current coronavirus (“COVID-19”) outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country have imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures have had a significant adverse impact upon many sectors of the economy, including non-essential retail commerce.

In response to these measures and for the protection of our employees and customers, we temporarily closed our dedicated stores, our manufacturing locations and many of our warehouses for several weeks during the second fiscal quarter of 2020. While as of May 30, 2020, we had reopened most of our stores and resumed manufacturing and shipping activities, the extended period of suspended operations had a material adverse impact upon our results of operations for the quarter ended May 30, 2020 resulting in a 40% decrease in revenues and a net loss of \$20,352.

In response to these unprecedented business conditions, we implemented several measures that have helped us to maintain sufficient liquidity during the second quarter and, we believe, for the next several months. Specific measures, among other things, include the following:

- Negotiating with our landlords to receive temporary rent deferrals, and in some cases abatement of rent, on many of our store leases
- Negotiating with our vendors to defer payments
- Cancelling various purchase orders for inventory
- Negotiating with customers to maintain some level of in-coming cash and to reduce accounts receivable exposure
- Instituting a 25% permanent workforce reduction along with temporary furloughs of an additional 42% of the workforce, many of which have returned to full- or part-time employment
- Implementing a 20% to 25% salary and wage decrease for most other employees with the Chief Executive Officer and certain other executives taking a 50% pay reduction through June of 2020
- Amending our bank credit agreement to increase the availability under our line of credit by an additional \$25,000 through December 31, 2020

We continue to manage the impact of the COVID-19 crisis on a daily basis. As of the date of this filing, we have reopened all of our retail stores. However, our manufacturing operations continue in the ramp-up phase and are currently not producing at the incoming rate of wholesale orders. We are unable to predict when and how quickly we will be able to resume full manufacturing operations and the impact this may have on our financial statements in the near and long term. The timing of any future actions in response to COVID-19 is largely dependent on the mitigation of the spread of the virus, status of government orders, directives and guidelines, recovery of the business environment, economic conditions, and consumer demand for our products. We expect a phased return to normal operations over a period of time. Additionally, as we have re-opened stores and re-started plants, we continue to follow enhanced health and safety protocols across all locations for the protection of our employees and customers.

Overview

Bassett is a leading retailer, manufacturer and marketer of branded home furnishings. Our products are sold primarily through a network of Company-owned and licensee-owned branded stores under the Bassett Home Furnishings (“BHF”) name, with additional distribution through other wholesale channels including multi-line furniture stores. We were founded in 1902 and incorporated under the laws of Virginia in 1930. Our rich 118-year history has instilled the principles of quality, value, and integrity in everything we do, while simultaneously providing us with the expertise to respond to ever-changing consumer tastes and meet the demands of a global economy.

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With 100 BHF stores at May 30, 2020, we have leveraged our strong brand name in furniture into a network of Company-owned and licensed stores that focus on providing consumers with a friendly environment for buying furniture and accessories. Our store program is designed to provide a single source home furnishings retail store that provides a unique combination of stylish, quality furniture and accessories with a high level of customer service. In order to reach markets that cannot be effectively served by our retail store network, we also distribute our products through other wholesale channels including multi-line furniture stores, many of which feature Bassett galleries or design centers. We use a network of over 30 independent sales representatives who have stated geographical territories. These sales representatives are compensated based on a standard commission rate. We believe this blended strategy provides us the greatest ability to effectively distribute our products throughout the United States.

The BHF stores feature custom order furniture, free in-home design visits (“home makeovers”) and coordinated decorating accessories. Our philosophy is based on building strong long-term relationships with each customer. Sales people are referred to as “Design Consultants” and are trained to evaluate customer needs and provide comprehensive solutions for their home decor. Until a rigorous training and design certification program is completed, Design Consultants are not authorized to perform in-home design services for our customers.

We have a factories in Newton, North Carolina that manufacture custom upholstered furniture and our Lane Venture and Bassett Outdoor furniture, a factory in Martinsville, Virginia that primarily assembles and finishes our custom casual dining offerings and a factory in Bassett, Virginia that assembles and finishes our “Bench Made” line of custom, solid hardwood furniture. We recently closed our upholstery facility in Grand Prairie, Texas due to the expected demand reduction as a result of the COVID-19 crisis. In late 2019, we also began operating a facility in Haleyville, Alabama that provides Bassett with the capability to manufacture custom aluminum outdoor furniture primarily under the Lane Venture brand. Our manufacturing team takes great pride in the breadth of its options, the precision of its craftsmanship, and the speed of its process, with custom pieces often manufactured within two weeks of taking the order in our stores. Our logistics team then promptly ships the product to one of our home delivery hubs or to a location specified by our licensees. In addition to the furniture that we manufacture domestically, we source most of our formal bedroom and dining room furniture (casegoods) and certain leather upholstery offerings from several foreign plants, primarily in Vietnam, Thailand and China. Over 75% of the products we currently sell are manufactured in the United States.

We also own Zenith Freight Lines, LLC (“Zenith”) which provides logistical services to Bassett along with other furniture manufacturers and retailers. Zenith delivers best-of-class shipping and logistical support services that are uniquely tailored to the needs of Bassett and the furniture industry. Approximately 60% of Zenith’s revenue is generated from services provided to non-Bassett customers.

During fiscal 2018, we purchased certain assets and assumed certain liabilities of Lane Venture from Heritage Home Group, LLC. Lane Venture is a manufacturer and distributor of premium outdoor furniture and is now being operated as a component of our wholesale segment. This acquisition marked our entry into the market for outdoor furniture and we believe that Lane Venture has provided a foundation for us to become a significant participant in this category. Our strategy is to distribute this brand outside of our BHF store network only. With the knowledge we have gained through operating Lane Venture, we have developed a new separate brand of premium outdoor furniture that is only marketed through the BHF store network. This allows Bassett branded product to move from inside the home to outside the home to capitalize the growing trend of outdoor living.

At May 30, 2020, our BHF store network included 66 Company-owned stores and 34 licensee-owned stores. During the second quarter of fiscal 2020, we completed the closure of three underperforming Company-owned stores in Newport News, Virginia, Stoughton, Massachusetts, and Torrance, California.

The COVID crisis has given us the opportunity to look inward and to begin making structural improvements to our business model. We instituted a “virtual appointment” program for our stores in late March, whereby consumers digitally engage with our designers and transact without physically visiting a store. The vast majority of our design appointments were of the virtual variety in the month of April. And, in June, when most of our stores had been reopened, approximately one in five of our appointments were still virtual. Adding this new form of engagement is one of the many lasting changes that will come out of the 2020 pandemic. Our pure e-commerce sales (ordering directly from the website) have historically been immaterial. However, with our stores closed for much of the second quarter of 2020, our on-line sales nearly doubled as compared to 2019. We expect to continue investing in our website to improve the navigation and the ordering capabilities to increase web sales. Much of our current product offerings highlight the breadth and depth of our custom furniture capabilities which are difficult to show and sell online. We plan to expand our merchandising strategies to include more product that can be more easily purchased online with or without a store visit. While we work to increase web sales, we will not compromise on our in-store experience or the quality of our in-home makeover capabilities.

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We have also begun to re-examine the performance of every one of our stores. Store traffic has been declining for three years and the effect on our retail model has become increasingly challenging. We believe that on a market-by-market basis, there will be fewer stores in the future that must operate with a leaner structure. As a result, our retail management team has created a new retail staffing model that includes fewer designers, less administrative staff, and a smaller field management organization. After a thorough review, we decided to close three additional stores over the coming months that will leave us with 63 Corporate stores. We will continue to evaluate store-by-store performance as we seek the optimal store count in the markets in which we compete at retail. We believe the seismic shift in shopping behavior which has been tremendously accelerated by closures of bricks and mortar stores as a result of COVID-19 will ultimately result in more favorable retail rent structures.

The migration to digital brand research and compressed transaction cycles have caused us to comprehensively evaluate all of our American made custom products. While our Custom Upholstery, Custom Dining, and Bench Made product lines continue to be our most successful offerings, they are not conducive to web transactions; most of these items must be purchased in a store. Furthermore, we offer many upholstery trim options, fabrics, finishes that have low rates of sale and that make web navigation more difficult for the consumer. Consequently, we have begun to methodically re-design each one of these important lines over the next several months. Our intent is to continue to offer the consumer custom options that will help them personalize their home but do so in an edited fashion that will provide a better web experience in the research phase and will also allow the final purchase to be made either on the web or in the store. We also plan to heavily emphasize our “Made in America” story and utilize locally harvested and organic materials when possible. While this will all take time, we expect that new products will begin to appear this fall. A substantial part of the \$2,936 in inventory valuation charges that we recognized during the second quarter of 2020 was related to existing raw materials that will no longer be part of the mix and to the selloff of retail inventory that will become obsolete as a result of our new approach.

Results of Operations – Periods ended May 30, 2020 compared with the periods ended June 1, 2019:

Net sales of furniture and accessories, logistics revenue, cost of furniture and accessories sold, selling, general and administrative (SG&A) expense, other charges and income from operations were as follows for the three and six months ended May 30, 2020 and June 1, 2019:

	<u>Quarter Ended</u>		<u>Change</u>		<u>Six Months Ended*</u>		<u>Change</u>					
	<u>May 30, 2020</u>	<u>June 1, 2019</u>	<u>Dollars</u>	<u>Percent</u>	<u>May 30, 2020</u>	<u>June 1, 2019</u>	<u>Dollars</u>	<u>Percent</u>				
Sales revenue:												
Furniture and accessories	\$ 53,000	83.1%	\$ 95,824	88.6%	\$ (42,824)	-44.7%	\$ 151,942	86.4%	\$ 203,181	88.7%	\$ (51,239)	-25.2%
Logistics revenue	10,801	16.9%	12,366	11.4%	(1,565)	-12.7%	23,979	13.6%	25,850	11.3%	(1,871)	-7.2%
Total sales revenue	63,801	100.0%	108,190	100.0%	(44,389)	-41.0%	175,921	100.0%	229,031	100.0%	(53,110)	-23.2%
Cost of furniture and accessories sold	29,452	46.2%	42,530	39.3%	(13,078)	-30.8%	74,722	42.5%	91,707	40.0%	(16,985)	-18.5%
SG&A expenses	50,373	79.0%	64,590	59.7%	(14,217)	-22.0%	115,013	65.4%	133,976	58.5%	(18,963)	-14.2%
New store pre-opening costs	-	0.0%	369	0.3%	(369)	-100.0%	-	-0.1%	863	0.4%	(863)	-100.0%
Other charges	15,205	23.8%	-	0.0%	15,205	100.0%	15,205	10.0%	835	0.4%	14,370	100.0%
Income (loss) from operations	<u>\$ (31,229)</u>	<u>-48.9%</u>	<u>\$ 701</u>	<u>0.6%</u>	<u>\$ (31,930)</u>	<u>N/M</u>	<u>\$ (29,019)</u>	<u>-16.4%</u>	<u>\$ 1,650</u>	<u>0.7%</u>	<u>\$ (30,669)</u>	<u>N/M</u>

*26 weeks for fiscal 2020 as compared with 27 weeks for fiscal 2019.

PART I-FINANCIAL INFORMATION-CONTINUED
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Segment Information

We have strategically aligned our business into three reportable segments as described below:

Wholesale. The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of Bassett stores (Company-owned and licensee-owned retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations, which include Lane Venture, as well as all corporate selling, general and administrative expenses, including those corporate expenses related to both Company- and licensee-owned stores. We eliminate the sales between our wholesale and retail segments as well as the imbedded profit in the retail inventory for the consolidated presentation in our financial statements. Also included in our wholesale segment are our short-term investments and our holdings of retail real estate previously leased as licensee stores. The earnings and costs associated with these assets are included in other loss, net, in our condensed consolidated statements of operations.

Retail – Company-owned stores. Our retail segment consists of Company-owned stores and includes the revenues, expenses, assets and liabilities (including real estate) and capital expenditures directly related to these stores and the Company-owned distribution network utilized to deliver products to our retail customers.

Logistical services. Our logistical services segment reflects the operations of Zenith. In addition to providing shipping and warehousing services for the Company, Zenith also provides similar services to other customers, primarily in the furniture industry. Revenue from the performance of these services to other customers is included in logistical services revenue in our condensed consolidated statements of operations. Zenith's operating costs are included in selling, general and administrative expenses.

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The following tables illustrate the effects of various intercompany eliminations on income from operations in the consolidation of our segment results:

	Quarter Ended May 30, 2020				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 33,128	\$ 33,171	\$ -	\$ (13,299) (1)	\$ 53,000
Logistics	-	-	15,259	(4,458) (2)	10,801
Total sales revenue	33,128	33,171	15,259	(17,757)	63,801
Cost of furniture and accessories sold	27,300	17,488	-	(15,336) (3)	29,452
SG&A expense	13,209	24,853	17,101	(4,790) (4)	50,373
Loss from operations (5)	\$ (7,381)	\$ (9,170)	\$ (1,842)	\$ 2,369	\$ (16,024)

	Quarter Ended June 1, 2019				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 63,131	\$ 62,568	\$ -	\$ (29,875) (1)	\$ 95,824
Logistics	-	-	20,093	(7,727) (2)	12,366
Total sales revenue	63,131	62,568	20,093	(37,602)	108,190
Cost of furniture and accessories sold	41,491	30,778	-	(29,739) (3)	42,530
SG&A expense	18,467	34,374	19,841	(8,092) (4)	64,590
New store pre-opening costs	-	369	-	-	369
Income (loss) from operations (6)	\$ 3,173	\$ (2,953)	\$ 252	\$ 229	\$ 701

	Six Months Ended May 30, 2020*				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 98,145	\$ 99,017	\$ -	\$ (45,220) (1)	\$ 151,942
Logistics	-	-	36,574	(12,595) (2)	23,979
Total sales revenue	98,145	99,017	36,574	(57,815)	175,921
Cost of furniture and accessories sold	71,177	50,394	-	(46,849) (3)	74,722

SG&A expense	31,636	59,042	37,581	(13,246) (4)	115,013
Loss from operations (5)	\$ (4,668)	\$ (10,419)	\$ (1,007)	\$ 2,280	\$ (13,814)

	Six Months Ended June 1, 2019*				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 135,912	\$ 132,197	\$ -	\$ (64,928) (1)	\$ 203,181
Logistics	-	-	41,844	(15,994) (2)	25,850
Total sales revenue	135,912	132,197	41,844	(80,922)	229,031
Cost of furniture and accessories sold	90,341	65,729	-	(64,363) (3)	91,707
SG&A expense	38,216	71,604	40,880	(16,724) (4)	133,976
New store pre-opening costs	-	863	-	-	863
Income (loss) from operations (6)	\$ 7,355	\$ (5,999)	\$ 964	\$ 165	\$ 2,485

(1) Represents the elimination of sales from our wholesale segment to our Company-owned BHF stores.

(2) Represents the elimination of logistical services billed to our wholesale segment.

(3) Represents the elimination of purchases by our Company-owned BHF stores from our wholesale segment, as well as the change for the period in the elimination of intercompany profit in ending retail inventory.

(4) Represents the elimination of rent paid by our retail stores occupying Company-owned real estate, and the elimination of logistical services charged by Zenith to Bassett's wholesale segment as follows:

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Notes to segment consolidation table:

	Quarter Ended		Six Months Ended*	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Intercompany logistical services	\$ (4,458)	\$ (7,727)	\$ (12,595)	\$ (15,994)
Intercompany rents	(332)	(365)	(651)	(730)
Total SG&A expense elimination	\$ (4,790)	\$ (8,092)	\$ (13,246)	\$ (16,724)

(5) Excludes the effects of goodwill and asset impairment charges as well as litigation costs which are not allocated to our segments.

(6) Excludes the effects of the 2019 early retirement program, which is not allocated to our segments.

*26 weeks for fiscal 2020 as compared with 27 weeks for fiscal 2019.

The following table reconciles income (loss) from operations as shown above for our consolidated segment results with income (loss) from operations as reported for GAAP:

	Quarter Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Consolidated segment income from operations before special charges	\$ (16,024)	\$ 701	\$ (13,814)	\$ 2,485
Less:				
Asset impairment charges	12,184	-	12,184	-
Goodwill impairment charge	1,971	-	1,971	-
Litigation expense	1,050	-	1,050	-
Early retirement program	-	-	-	835
Income (loss) from operations as reported	\$ (31,229)	\$ 701	\$ (29,019)	\$ 1,650

Asset Impairment Charges

During the three and six months ended May 30, 2020 we recorded \$11,114 of non-cash asset impairment charges on five underperforming retail stores, including \$6,239 for the impairment of operating lease right-of-use assets, and \$1,070 of non-cash impairment charges in our wholesale segment, primarily due to the closure of our custom upholstery manufacturing facility in Grand Prairie, Texas.

Goodwill Impairment Charge

Due to the impact of the COVID-19 pandemic, we performed an interim impairment assessment of our goodwill as of May 30, 2020. As a result, we recognized a non-cash charge of \$1,971 for the impairment of goodwill associated with our wood reporting unit within our wholesale segment (see Note 6 to our Condensed Consolidated Financial Statements).

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Litigation Expense

During the three and six months ended May 30, 2020 we accrued an additional \$1,050 for the estimated costs to resolve certain wage and hour violation claims that have been asserted against the Company and have received class action designation, bringing our total recorded reserve for these claims to \$1,750 at May 30, 2020. While the ultimate cost of resolving these claims may be substantially higher, the amount accrued represents our estimate of the most likely outcome of a mediated settlement.

Early Retirement Program

During the first quarter of fiscal 2019, we offered a voluntary early retirement package to certain eligible employees of the Company. Twenty-three employees accepted the offer, which expired on February 28, 2019. These employees are to receive pay equal to one-half their current salary plus benefits over a period of one year from the final day of each individual's active employment. Accordingly, we recognized a charge of \$835 during the six months ended June 1, 2019.

Wholesale Segment

Results for the wholesale segment for the periods ended May 30, 2020 and June 1, 2019 are as follows:

	Quarter Ended		Change		Six Months Ended*				Change			
	May 30, 2020	June 1, 2019	Dollars	Percent	May 30, 2020	June 1, 2019	Dollars	Percent				
Net sales	\$33,128	100.0%	\$63,131	100.0%	\$ (30,003)	-47.5%	\$98,145	100.0%	\$135,912	100.0%	\$ (37,767)	-27.8%
Gross profit	5,828	17.6%	21,640	34.3%	(15,812)	-73.1%	26,968	27.5%	45,571	33.5%	(18,603)	-40.8%
SG&A expenses	13,209	39.9%	18,467	29.3%	(5,258)	-28.5%	31,636	32.2%	38,216	28.1%	(6,580)	-17.2%
Income (loss) from operations	\$ (7,381)	-22.3%	\$ 3,173	5.0%	\$ (10,554)	N/M	\$ (4,668)	-4.8%	\$ 7,355	5.4%	\$ (12,023)	N/M

*26 weeks for fiscal 2020 as compared with 27 weeks for fiscal 2019.

Analysis of Results - Wholesale

Net sales for the three and six months ended May 30, 2020 declined \$30,003 and \$37,767, respectively, from the prior year periods due primarily to the major impact of the COVID-19 pandemic which forced a nearly total shut-down of our manufacturing and retail operations from late March through early May of the second quarter. Our net sales through the first quarter had been trending approximately 11% below the prior year, primarily due to the decrease in juvenile furniture shipments as we have exited this line of business, along with declines in shipments to traditional open market customers. These declines in the first quarter of the year had been partially offset by increases in shipments to the BHF store network and shipments of Lane Venture product. Gross margins were significantly impacted by reduced leverage of fixed costs due to the temporary shutdown of the manufacturing locations. In addition, we recorded increased inventory valuation reserves in the second quarter of 2020 as we reevaluate the inventory levels throughout the segment given expected reduced demand. We are also reevaluating the inventory assortment to simplify the product offerings and to make them more compatible with our omnichannel marketing strategy, which integrates both internet and store-based selling. SG&A expenses as a percent of sales were also significantly impacted by reduced leverage of fixed costs. We also recorded increased bad debt expense as our customers struggled to pay us during the shutdown period. As of the date of this report, cash receipts on past due receivables have shown improvement since the end of the second quarter.

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PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2020

(Dollars in thousands except share and per share data)

Wholesale shipments by type:

	Quarter Ended		Change		Six Months Ended*				Change			
	May 30, 2020	June 1, 2019	Dollars	Percent	May 30, 2020	June 1, 2019	Dollars	Percent				
Bassett Custom Upholstery	\$19,234	58.1%	\$36,853	58.4%	\$ (17,619)	-47.8%	\$59,267	60.4%	\$ 78,391	57.7%	\$ (19,124)	-24.4%
Bassett Leather	3,055	9.2%	4,463	7.1%	(1,408)	-31.5%	7,755	7.9%	10,234	7.5%	(2,479)	-24.2%
Bassett Custom Wood	5,632	17.0%	10,526	16.7%	(4,894)	-46.5%	16,922	17.2%	22,201	16.3%	(5,279)	-23.8%
Bassett Casegoods	5,207	15.7%	9,979	15.8%	(4,772)	-47.8%	14,201	14.5%	22,619	16.6%	(8,418)	-37.2%
Accessories	-	0.0%	1,310	2.1%	(1,310)	-100.0%	-	0.0%	2,467	1.8%	(2,467)	-100.0%
Total	\$33,128	100.0%	\$63,131	100.0%	\$ (30,003)	-47.5%	\$98,145	100.0%	\$135,912	100.0%	\$ (37,767)	-27.8%

*26 weeks for fiscal 2020 as compared with 27 weeks for fiscal 2019.

Wholesale Backlog

The dollar value of wholesale backlog, representing orders received but not yet shipped to dealers and Company stores, was \$17,270 at May 30, 2020 as compared with \$14,373 at June 1, 2019. The increase in backlog over the prior year level is primarily due to what we believe are short-term challenges in restoring our production to the levels required to meet the in-flow of orders, which has risen faster than expected during the latter part of the second quarter and subsequently.

Retail – Company-owned Stores Segment

Results for the retail segment for the periods ended May 30, 2020 and June 1, 2019 are as follows:

	Quarter Ended		Change		Six Months Ended*				Change			
	May 30, 2020	June 1, 2019	Dollars	Percent	May 30, 2020	June 1, 2019	Dollars	Percent				
Net sales	\$33,171	100.0%	\$62,568	100.0%	\$ (29,397)	-47.0%	\$ 99,017	100.0%	\$ 132,197	100.0%	\$ (33,180)	-25.1%
Gross profit	15,683	47.3%	31,790	50.8%	(16,107)	-50.7%	48,623	49.1%	66,468	50.3%	(17,845)	-26.8%
SG&A expenses	24,853	74.9%	34,374	54.9%	(9,521)	-27.7%	59,042	59.6%	71,604	54.2%	(12,562)	-17.5%
New store pre-opening costs	-	0.0%	369	0.6%	(369)	-100.0%	-	0.0%	863	0.7%	(863)	-100.0%
Loss from operations	<u>\$ (9,170)</u>	<u>-27.6%</u>	<u>\$ (2,953)</u>	<u>-4.7%</u>	<u>\$ (6,217)</u>	<u>210.5%</u>	<u>\$ (10,419)</u>	<u>-10.5%</u>	<u>\$ (5,999)</u>	<u>-4.5%</u>	<u>\$ (4,420)</u>	<u>73.7%</u>

*26 weeks for fiscal 2020 as compared with 27 weeks for fiscal 2019.

Analysis of Results - Retail

Net sales for the three and six months ended May 30, 2020 declined \$29,397 and \$33,180, respectively, from the prior year periods due primarily to the major impact of the COVID-19 pandemic which forced a nearly total shut-down of our retail operations from late March through early May of the second quarter. Gross margins decreased as we recorded increased inventory valuation reserves as we reevaluate the inventory assortment to simplify the product offerings and to make them more web friendly. This is expected to result in increased clearance activity over the remainder of fiscal 2020. SG&A expenses as a percent of sales were also significantly impacted by reduced leverage of fixed costs.

Retail Backlog

The dollar value of our retail backlog, representing orders received but not yet delivered to customers, was \$28,949, or an average of \$439 per open store, at May 30, 2020 as compared with a retail backlog of \$30,910, or an average of \$442 per open store, at June 1, 2019.

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PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
MAY 30, 2020
(Dollars in thousands except share and per share data)

Logistical Services Segment

Results for our logistical services segment for the periods ended May 30, 2020 and June 1, 2019 are as follows:

	Quarter Ended		Change		Six Months Ended*				Change			
	May 30, 2020	June 1, 2019	Dollars	Percent	May 30, 2020	June 1, 2019	Dollars	Percent				
Logistical services revenue	\$15,259	100.0%	\$20,093	100.0%	\$ (4,834)	-24.1%	\$36,574	100.0%	\$41,844	100.0%	\$ (5,270)	-12.6%
Operating expenses	17,101	112.1%	19,841	98.7%	(2,740)	-13.8%	37,581	102.8%	40,880	97.7%	(3,299)	-8.1%
Income from operations	<u>\$ (1,842)</u>	<u>-12.1%</u>	<u>\$ 252</u>	<u>1.3%</u>	<u>\$ (2,094)</u>	<u>-831.0%</u>	<u>\$ (1,007)</u>	<u>-2.8%</u>	<u>\$ 964</u>	<u>2.3%</u>	<u>\$ (1,971)</u>	<u>-204.5%</u>

*26 weeks for fiscal 2020 as compared with 27 weeks for fiscal 2019.

Analysis of Operations – Logistical Services

Net revenues for the three and six months ended May 30, 2020 declined \$4,834 and \$5,270, respectively, from the prior year periods due primarily to the major impact of the COVID-19 pandemic which forced a nearly total shut-down of furniture retail operations throughout the country from late March through early May of the second quarter. To maintain some level of revenue and retain our drivers primarily during April, we ran some of our trucks at substantially lower than optimal load levels resulting in inefficiencies and provided freight services for customers outside of the furniture industry.

Other Items Affecting Net Income

Other Loss, Net

Other loss, net, for the three and six months ended May 30, 2020 was \$765 and \$1,127, respectively, as compared to \$145 and \$268, respectively for the three and six months ended June 1, 2019. The increased net loss for each respective period is primarily due to death benefits received in the prior year periods from life insurance policies covering former executives, declining interest income from our investments in CDs, and higher net costs for Company-owned life insurance.

Income Taxes

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income could have a significant impact on our effective tax rate for the respective quarter.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. A major provision of the CARES Act allows net operating losses from the 2018, 2019 and 2020 tax years to be carried back up to five years. As a result, our effective tax rates for the three and six months ended May 30, 2020 were (36.4%) and (36.5%), respectively, which differ from the federal statutory rate of 21% primarily due to the effects of carrying back our current net operating loss to tax years in which the federal statutory rate was 35%, and to the effects of state income taxes and various permanent differences, including a tax deficiency of \$114 during the six months ended May 30, 2020 arising from stock-based compensation. Our effective tax rates for the three and six months ended June 1, 2019 were 20.0% and 23.8%, respectively, and differ from the federal statutory rate of 21% primarily due to the effects of state income taxes and various permanent differences, including the recognition of non-taxable proceeds from Company-owned life insurance.

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PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
MAY 30, 2020
(Dollars in thousands except share and per share data)

Liquidity and Capital Resources

Cash Flows

Cash used in operations for the first half of 2020 was \$5,747 compared to \$8,942 used in operations for the first half of 2019, representing a decrease in cash used of \$3,195. This decreased use of cash is primarily due to decreased investment in inventory as there were no store openings in the first half of fiscal 2020, other changes in working capital due in part to the timing impact of the additional week in the prior year period and improved operations in our retail segment, and cash conservation measures implemented in the second quarter of fiscal 2020 in response to the impact of COVID-19.

Our overall cash position decreased by \$8,252 during the first half of 2020, compared to an overall decrease of \$21,887 during the first half of 2019. In addition to the cash used in operations, we had a net \$102 source of cash from investing activities in the current period as compared to a net use of \$7,959 for the prior year period, with the change primarily consisting of reduced capital expenditures as compared with the prior year period along with proceeds received in 2020 from the sale of one of our real estate holdings. Net cash used in financing activities was \$2,607 for the current period compared to \$4,986 used in the prior year period. The decreased use for financing is primarily due to cash conservation measures implemented in response to COVID-19, including delaying the payment of the \$1,249 dividend which was declared in the second quarter of 2020, along with a temporary suspension of repurchases of our stock. Share repurchases totaled \$1,241 during the first half of 2020 as compared with \$2,347 repurchased during the first half of 2019. As of May 30, 2020, \$9,398 remains authorized under our existing share repurchase plan.

Debt and Other Obligations

Our credit facility as of May 30, 2020 provided for a line of credit of up to \$25,000. At May 30, 2020, we had \$4,773 outstanding under standby letters of credit against our line, leaving availability under our credit line of \$20,227. In addition, we have outstanding standby letters of credit with another bank totaling \$325. Effective June 15, 2020, we executed an amended and restated credit facility with our bank to increase the maximum amount available under our credit line to \$50,000 through December 31, 2020, after which date the maximum availability will return to the original amount of \$25,000. The line bears interest at the rate of LIBOR plus 1.9%, with a fee of 0.25% charged for the unused portion of the line and is secured by a general lien on our accounts receivable and inventory. In addition, all covenants based on financial ratios have been waived for the remainder of fiscal 2020, and the maturity of the facility will be extended from December 5, 2021 to January 31, 2022.

We lease land and buildings that are used in the operation of our Company-owned retail stores as well as in the operation of certain of our licensee-owned stores, and we lease land and buildings at various locations throughout the continental United States for warehousing and distribution hubs used in our logistical services segment. We also lease tractors, trailers and local delivery trucks used in our logistical services and retail segments. The total future minimum lease payments for leases with terms in excess of one year at May 30, 2020 is \$183,043, the present value of which is \$156,027 and is included in our accompanying condensed consolidated balance sheet at May 30, 2020. In addition, we are currently in negotiations with a number of our lessors to obtain relief in the form of rent deferrals or abatements from rents currently due as a result of the effects of COVID-19 on our business. We also have guaranteed certain lease obligations of licensee operators. Remaining terms under these lease guarantees range from approximately one to five years. We were contingently liable under licensee lease obligation guarantees in the amount of \$1,793 at May 30, 2020. See Note 11 to our condensed consolidated financial statements for additional details regarding our leases and lease guarantees.

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PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
MAY 30, 2020
(Dollars in thousands except share and per share data)

Investment in Retail Real Estate

We have a substantial investment in real estate acquired for use as retail locations. Such real estate is included in property and equipment, net, in the accompanying condensed consolidated balance sheets and is considered part of our retail segment. The net book value of such retail real estate occupied by Company-owned stores was \$17,590 at May 30, 2020.

The following information summarizes our total investment in retail real estate owned at May 30, 2020:

	Number of Locations	Aggregate Square Footage	Net Book Value
Real estate occupied by Company-owned and operated stores, included in property and equipment, net	8	201,096	\$ 17,590

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2019, except for changes related to our adoption of Accounting Standards Codification Topic 842 as described in Note 1 and Note 11 to the condensed consolidated financial statements.

Off-Balance Sheet Arrangements

We utilize stand-by letters of credit in the procurement of certain goods in the normal course of business. In addition, we have guaranteed certain lease obligations of licensee operators for some of their store locations. See Note 11 to our condensed consolidated financial statements for further discussion of lease guarantees, including descriptions of the terms of such commitments and methods used to mitigate risks associated with these arrangements.

Contingencies

We are involved in various legal and environmental matters, which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, it is our opinion that the final resolution of these matters will not have a material adverse effect on our financial position or future results of operations. See Note 10 to our condensed consolidated financial statements for further information regarding certain contingencies as of May 30, 2020.

Item 3. Quantitative and Qualitative Disclosure about Market Risk:

We are exposed to market risk from changes in the value of foreign currencies. Substantially all of our imports purchased outside of North America are denominated in U.S. dollars. Therefore, we believe that gains or losses resulting from changes in the value of foreign currencies relating to foreign purchases not denominated in U.S. dollars would not be material to our results from operations in fiscal 2020.

We are exposed to market risk from changes in the cost of raw materials used in our manufacturing processes, principally wood, woven fabric, and foam products. The cost of foam products, which are petroleum-based, is sensitive to changes in the price of oil.

We are also exposed to commodity price risk related to diesel fuel prices for fuel used in our logistical services and retail segments. We manage our exposure to that risk primarily through the application of fuel surcharges to our customers.

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PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
MAY 30, 2020
(Dollars in thousands except share and per share data)

We have potential exposure to market risk related to conditions in the commercial real estate market. Our retail real estate holdings of \$17,590 at May 30, 2020 for Company-owned stores could suffer significant impairment in value if we are forced to close additional stores and sell or lease the related properties during periods of weakness in certain markets. Additionally, if we are required to assume responsibility for payment under the lease obligations of \$1,793 which we have guaranteed on behalf of licensees as of May 30, 2020 we may not be able to secure sufficient sub-lease income in the current market to offset the payments required under the guarantees. We are also exposed to risk related to conditions in the commercial real estate rental market with respect to the right-of-use assets we carry on our balance sheet for leased retail store locations, warehouse and distribution facilities. At May 30, 2020, the unamortized balance of such right-of-use assets totaled \$118,195. Should we have to close or otherwise abandon one of these leased locations, we could incur additional impairment charges if rental market conditions do not support a fair value for the right of use asset in excess of its carrying value.

Item 4. Controls and Procedures:

The Company's principal executive officer and principal accounting officer have evaluated the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon their evaluation, the principal executive officer and principal accounting officer concluded that the Company's disclosure controls and procedures are effective. There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION
BASSETT FURNITURE INDUSTRIES INCORPORATED AND SUBSIDIARIES
MAY 30, 2020

(Dollars in thousands except share and per share data)

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

The coronavirus global pandemic has caused a significant disruption in non-essential retail commerce and may have a material adverse impact upon our financial condition and results of operations.

On March 11, 2020, the World Health Organization declared the current coronavirus (“COVID-19”) outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country have imposed varying degrees of restriction on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures have had a significant adverse impact upon many sectors of the economy, including non-essential retail commerce. As a result of these circumstances, we temporarily closed our dedicated stores, our manufacturing locations and many of our warehouses. In addition, many of our office personnel were working remotely. As of the date of this filing, we have reopened all of our retail stores. However, our manufacturing operations continue in the ramp up phase and are currently not producing at the incoming rate of wholesale orders. We are unable to predict when and how quickly we will be able to resume full manufacturing operations and the impact this may have on our financial statements in the near and long term. Whereas most state and local governments have begun to ease restrictions on commercial retail activity, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions in certain areas of the county. Furthermore, the economic recession brought on by the pandemic may have a continuing adverse impact on consumer demand for our products. Should these conditions persist for a prolonged period beyond the second quarter, this may have a continuing material adverse impact on our ultimate financial condition and liquidity.

Apart from the above, there are no other changes to the Company’s risk factors as described in Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2019.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table summarizes the stock repurchase activity by or on behalf of the Company or any “affiliated purchaser,” as defined by Rule 10b-18(a) (3) of the Exchange Act, for the three months ended May 30, 2020 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

	Total Shares Purchased		Average Price Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
March 1, 2020 - April 4, 2020	57,000	\$	8.34	57,000	\$	9,398
April 5 - May 2, 2020	-	\$	-	-	\$	9,398
May 3 - May 30, 2020	-	\$	-	-	\$	9,398

(1) The Company is authorized to repurchase Company stock under a plan which was originally announced in 1998. On October 3, 2018, the Board of Directors increased the remaining limit of the repurchase plan to \$20,000. At May 30, 2020 \$9,398 remains available for share repurchases under the plan.

Item 3. Defaults Upon Senior Securities

None.

PART II - OTHER INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES INCORPORATED AND SUBSIDIARIES
FEBRUARY 29, 2020

(Dollars in thousands except share and per share data)

Item 6. Exhibits

a. Exhibits:

Exhibit 3a – Articles of Incorporation as amended to date are incorporated herein by reference to the Exhibit to Form 10-Q for the fiscal quarter ended February 28, 1994.

Exhibit 3b – [By-laws as amended to date are incorporated herein by reference to Exhibit 3 to Form 8-K filed with the SEC on January 17, 2020.](#)

Exhibit 4 – [Sixth Amended and Restated Credit Agreement with Truist Bank dated June 15, 2020. Registrant hereby agrees to furnish the SEC, upon request, other instruments defining the rights of holders of long-term debt of the Registrant.](#)

Exhibit 31a – [Chief Executive Officer’s certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 31b – [Chief Financial Officer’s certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 32a – [Chief Executive Officer’s certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 32b – [Chief Financial Officer’s certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 101.INS XBRL Instance

Exhibit 101.SCH XBRL Taxonomy Extension Schema

Exhibit 101.CAL XBRL Taxonomy Extension Calculation

Exhibit 101.DEF XBRL Taxonomy Extension Definition

Exhibit 101.LAB XBRL Taxonomy Extension Labels

Exhibit 101.PRE XBRL Taxonomy Extension Presentation

Exhibit 104. Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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SIGNATURES

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

BASSETT FURNITURE INDUSTRIES, INCORPORATED

/s/ ROBERT H. SPILMAN, JR.
Robert H. Spilman, Jr., Chairman and Chief Executive Officer
July 9, 2020

/s/ J. MICHAEL DANIEL
J. Michael Daniel, Senior Vice President and Chief Financial Officer
July 9, 2020

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\$50,000,000.00

SIXTH AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of

June 15, 2020

among

BASSETT FURNITURE INDUSTRIES, INCORPORATED,

The Initial Guarantors Listed Herein,

and

TRUIST BANK

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SIXTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS SIXTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of June 15, 2020, is by and among BASSETT FURNITURE INDUSTRIES, INCORPORATED, BASSETT FURNITURE INDUSTRIES OF NORTH CAROLINA, LLC, BASSETT DIRECT STORES, LLC, BASSETT DIRECT NC, LLC, BASSETT DIRECT SC, LLC and TRUIST BANK, formerly known as Branch Banking and Trust Company.

The Borrower, the Guarantors and Branch Banking and Trust Company (“BB&T”) are parties to the Original Credit Agreement (as defined herein) which provides for the making of loans by the Bank to the Borrower in an aggregate principal amount at any one time outstanding not exceeding \$25,000,000. BB&T has changed its name to Truist Bank.

The parties hereto wish to amend the Original Credit Agreement in certain respects and to restate the Original Credit Agreement to read in its entirety as set forth below. Accordingly, the parties hereto agree that effective on the Restatement Effective Date (as defined herein), the Original Credit Agreement is amended and restated to read in its entirety as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The terms as defined in this Section 1.01 shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided or unless the context otherwise requires), have the meanings set forth herein:

“Account Debtor” shall mean the person who is obligated on any of the Accounts Receivable Collateral or otherwise is obligated as a purchaser or lessee of any of the Inventory Collateral.

“Accounts Receivable Collateral” shall mean all rights of the Borrower and the Guarantors to payment for goods sold or leased, or to be sold or to be leased, or for services rendered or to be rendered, howsoever evidenced or incurred, including, without limitation, all accounts, instruments, chattel paper and general intangibles, all returned or repossessed goods and all books, records, computer tapes, programs and ledger books arising therefrom or relating thereto, whether now owned or hereafter acquired or arising.

“ACL Agreement” means any credit line sweep services agreement now or hereafter entered into between the Bank and the Borrower and all amendments and modifications thereof.

“Acquisition” means the acquisition of (i) a controlling equity interest in another Person (including the purchase of an option, warrant or convertible or similar type security to acquire such a controlling interest at the time it becomes exercisable by the holder thereof), whether by purchase of such equity interest or upon exercise of an option or warrant for, or conversion of securities into, such equity interest, or (ii) assets of another Person which constitute all or any material part of the assets of such Person or of a line or lines of business conducted by such Person.

“Adjusted Monthly Libor Index” has the meaning set forth in Section 2.06(c).

“Advance” shall mean an advance made to the Borrower under this Agreement pursuant to Article II. An Advance is a “Prime Rate Advance” if such Advance is part of a Prime Rate Loan or a “Euro-Dollar Advance” if such Advance is part of a Euro-Dollar Loan.

“Affiliate” of any Person means (i) any other Person which directly, or indirectly through one or more intermediaries, controls such Person, (ii) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person, or (iii) any other Person of which such Person owns, directly or indirectly, 20% or more of the common stock or equivalent equity interests. As used herein, the term “control” means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Credit Agreement, together with all amendments and supplements hereto.

“Applicable Margin” has the meaning set forth in Section 2.06(a).

“Assignee” has the meaning set forth in Section 9.07(c).

“Authority” has the meaning set forth in Section 8.02.

“Bank” means Truist Bank, a North Carolina banking corporation, formerly known as Branch Banking and Trust Company, and its successors and assigns.

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may include, without limitation, Term SOFR or a rate established from a weighted average of rates over a particular time period) selected by the Bank giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body, or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the London Interbank Offered Rate for U.S. dollar-denominated syndicated or bilateral credit facilities, and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the London Interbank Offered Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Bank giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the London Interbank Offered Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the London Interbank Offered Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated or bilateral credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including, but not limited to, changes to the definition of “Prime Rate,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Bank decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Bank in a manner substantially consistent with market practice (or, if the Bank decides that adoption of any portion of such market practice is not administratively feasible or if the Bank determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Bank decides is reasonably necessary in connection with the administration of the Loan).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the London Interbank Offered Rate:

- (a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the London Interbank Offered Rate permanently or indefinitely ceases to provide the London Interbank Offered Rate; or
- (b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the London Interbank Offered Rate:

- (a) a public statement or publication of information by or on behalf of the administrator of the London Interbank Offered Rate announcing that such administrator has ceased or will cease to provide the London Interbank Offered Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the London Interbank Offered Rate;
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the London Interbank Offered Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the London Interbank Offered Rate, a resolution authority with jurisdiction over the administrator for the London Interbank Offered Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the London Interbank Offered Rate, which states that the administrator of the London Interbank Offered Rate has ceased or will cease to provide the London Interbank Offered Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the London Interbank Offered Rate;
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the London Interbank Offered Rate announcing that the London Interbank Offered Rate is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Bank by notice to the Borrower.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the London Interbank Offered Rate and solely to the extent that the London Interbank Offered Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the London Interbank Offered Rate for all purposes hereunder in accordance with this Agreement and (y) ending at the time that a Benchmark Replacement has replaced the London Interbank Offered Rate for all purposes hereunder pursuant to this Agreement.

“Borrower” means Bassett Furniture Industries, Incorporated, a Virginia corporation, and its successors and permitted assigns.

“Borrowing” means a borrowing hereunder consisting of Advances made to the Borrower at the same time by the Bank pursuant to Article II.

“Capital Stock” means any nonredeemable capital stock of the Borrower or any Consolidated Subsidiary (to the extent issued to a Person other than the Borrower), whether common or preferred.

“Cash Equivalents” means (i) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than 90 days from the date of acquisition; (ii) time deposits, certificates of deposit and banker’s acceptances of any domestic commercial bank having capital and surplus in excess of \$200,000,000 having maturities of not more than 90 days from the date of acquisition; (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (i) and entered into with any bank meeting the qualifications thereof, the highest credit rating obtainable from Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc. and maturing within ninety days after the date of acquisition; and (v) money market funds which invest at least 90% of their assets in the types of securities or instruments described in clauses (i), (ii), (iii) and (iv) above.

“CERCLA” means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. §9601 et seq. and its implementing regulations and amendments.

“CERCLIS” means the Comprehensive Environmental Response Compensation and Liability Information System established pursuant to CERCLA.

“Change of Law” shall have the meaning set forth in Section 8.02.

“Closing Certificate” has the meaning set forth in Section 3.01(e).

“Code” means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code. Any reference to any provision of the Code shall also be deemed to be a reference to any successor provision or provisions thereof.

“Collateral” shall have the meaning set forth in the Security Agreement.

“Commitment” means (i) \$50,000,000.00 for the period from the Restatement Effective Date to and including December 31, 2020 and (ii) \$25,000,000.00 at all times on and after January 1, 2021.

“Compliance Certificate” has the meaning set forth in Section 5.01(d).

“Consolidated Debt to Consolidated Tangible Net Worth Ratio” means the ratio of the Consolidated Total Debt to the Consolidated Tangible Net Worth as of the end of each Fiscal Quarter, as prepared in accordance with GAAP.

“Consolidated Fixed Charge Coverage Ratio” means, for any four-quarter period ending on the date of measurement, the ratio of (i) the Consolidated Net Income before taxes plus Depreciation and Amortization and interest expense for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis, minus distributions to shareholders or other distributions or payments or advances to shareholders (other than for stock repurchases) for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis, plus lease expense for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis to (ii) the Borrower’s and its Consolidated Subsidiaries’ Current Maturities of Long Term Debt plus lease expense for such four-quarter period on a consolidated basis, all as prepared in accordance with GAAP.

“Consolidated Net Income” means, for any period, the Net Income of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis, but excluding (i) extraordinary gains; (ii) extraordinary non-cash losses and (iii) any equity interests of the Borrower or any Subsidiary of the Borrower in the unremitted earnings of any Person that is not a Subsidiary of the Borrower.

“Consolidated Subsidiary” means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Borrower in its consolidated and consolidating financial statements as of such date.

“Consolidated Tangible Net Worth” means, at any time, Stockholders’ Equity, less the sum of the value, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, prepared in accordance with GAAP,

(A) [Intentionally Omitted];

(B) All assets which would be treated as intangibles under generally accepted accounting principles, including without limitation goodwill (whether representing the excess of cost over book value of assets acquired, or otherwise), trademarks, tradenames, copyrights, patents and technologies, and unamortized debt discount and expense;

(C) To the extent not included in (B) of this definition, any amount at which shares of capital stock of the Borrower appear as an asset on the balance sheet of the Borrower and its Consolidated Subsidiaries; and

(D) Loans or advances to stockholders, directors, officers or employees.

“Consolidated Total Assets” means, at any time, the total assets of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, prepared in accordance with GAAP.

“Consolidated Total Debt” means at any date, without duplication, the sum of: (1) all Debt of the Borrower and its Consolidated Subsidiaries, (2) all obligations (absolute or contingent) of the Borrower and its Consolidated Subsidiaries to reimburse any bank or other Person in respect of amounts which are available to be drawn or have been drawn under a letter of credit or similar instrument, and (3) all Lease Obligations, all as reflected on the Borrower’s balance sheet and determined in accordance with GAAP.

“Controlled Group” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Code.

“Cost of Acquisition” means, with respect to any Acquisition, as at the date of entering into any agreement therefor, the sum of the following (without duplication): (i) the value of the capital stock, warrants or options to acquire capital stock of Borrower or any Subsidiary to be transferred in connection therewith, (ii) the amount of any cash and fair market value of other property (excluding property described in clause (i) and the unpaid principal amount of any debt instrument) given as consideration, (iii) the amount (determined by using the face amount or the amount payable at maturity, whichever is greater) of any Debt incurred, assumed or acquired by the Borrower or any Subsidiary in connection with such Acquisition, (iv) all additional purchase price amounts in the form of earnouts and other contingent obligations that should be recorded on the financial statements of the Borrower and its Subsidiaries in accordance with GAAP, (v) all amounts paid in respect of covenants not to compete, consulting agreements that should be recorded on financial statements of the Borrower and its Subsidiaries in accordance with GAAP, and other affiliated contracts in connection with such Acquisition, (vi) the aggregate fair market value of all other consideration given by the Borrower or any Subsidiary in connection with such Acquisition, and (vii) out of pocket transaction costs for the services and expenses of attorneys, accountants and other consultants incurred in effecting such transaction, and other similar transaction costs so incurred. For purposes of determining the Cost of Acquisition for any transaction, (A) the capital stock of the Borrower shall be valued (I) in the case of capital stock that is then designated as a national market system security by the National Association of Securities Dealers, Inc. (“NASDAQ”) or is listed on a national securities exchange, the average of the last reported bid and ask quotations or the last prices reported thereon, and (II) with respect to any other shares of capital stock, as determined by the Board of Directors of the Borrower and, if requested by the Bank, determined to be a reasonable valuation by the independent public accountants referred to in Section 5.01(a), (B) the capital stock of any Subsidiary shall be valued as determined by the Board of Directors of such Subsidiary and, if requested by the Bank, determined to be a reasonable valuation by the independent public accountants referred to in Section 5.01(a), and (C) with respect to any Acquisition accomplished pursuant to the exercise of options or warrants or the conversion of securities, the Cost of Acquisition shall include both the cost of acquiring such option, warrant or convertible security as well as the cost of exercise or conversion.

“Current Debt” means the aggregate principal amount of Debt which would in accordance with GAAP, be classified as current debt.

“Current Maturities of Long Term Debt” means all payments in respect of Long Term Debt (excluding any such amounts included within Current Debt) that are required to be made within one year from the date of determination, whether or not the Obligation to make such payments would constitute a current liability of the obligor under GAAP.

“Debt” of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker’s acceptance, (v) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vi) all obligations (absolute or contingent) of such Person to reimburse any bank or other Person in respect of amounts which are available to be drawn or have been drawn under a letter of credit or similar instrument, (vii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (viii) all Debt of others Guaranteed by such Person, (ix) all obligations of such Person with respect to interest rate protection agreements, foreign currency exchange agreements or other hedging agreements (valued as the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable hedging agreement, if any); and (x) the principal portion of all obligations of such Person under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease under GAAP.

“Default” means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived in writing, become an Event of Default.

“Default Rate” means, with respect to the Loan, on any day, the sum of 2% plus the then highest interest rate (including the Applicable Margin) which may be applicable to the Loan (irrespective of whether any Loan is actually outstanding hereunder).

“Depreciation and Amortization” means for any period an amount equal to the sum of all depreciation and amortization expenses of the Borrower and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP.

“Dividends” means for any period the sum of all dividends paid or declared during such period in respect of any Capital Stock and Redeemable Preferred Stock (other than dividends paid or payable in the form of additional Capital Stock).

“Dollars” or “\$” means dollars in lawful currency of the United States of America.

“Domestic Business Day” means a day other than a Saturday, Sunday legal holiday or other day when the Bank is authorized or required by applicable law to be closed.

“Domestic Subsidiary” means any Subsidiary which is organized under the laws of any state or territory of the United States of America.

“Early Opt-in Election” means the occurrence of:

- (a) a determination by the Bank that at least 5 currently outstanding U.S. dollar-denominated syndicated or bilateral credit facilities at such time contain (as a result of amendment or as originally executed) as a benchmark interest rate, in lieu of the London Interbank Offered Rate, a new benchmark interest rate to replace the London Interbank Offered Rate, and
- (b) the election by the Bank to declare that an Early Opt-in Election has occurred and the provision by the Bank of notice of such election to the Borrower.

“Eligible Guarantor” means Bassett Furniture Industries of North Carolina, LLC.

“Environmental Authority” means any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

“Environmental Authorizations” means all licenses, permits, orders, approvals, notices, registrations or other legal prerequisites for conducting the business of a Loan Party or any Subsidiary of a Loan Party required by any Environmental Requirement.

“Environmental Judgments and Orders” means all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

“Environmental Laws” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment, including, without limitation, ambient air, surface water, groundwater or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

“Environmental Liabilities” means any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with any Environmental Requirements.

“Environmental Notices” means notice from any Environmental Authority or by any other person or entity, of possible or alleged noncompliance with or liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

“Environmental Proceedings” means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

“Environmental Releases” means releases as defined in CERCLA or under any applicable state or local environmental law or regulation.

“Environmental Requirements” means any legal requirement relating to health, safety or the environment and applicable to a Loan Party, any Subsidiary of a Loan Party or the Properties, including but not limited to any such requirement under CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

“Euro-Dollar Business Day” means any Domestic Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

“Euro-Dollar Loan” means the Loan during Interest Periods when the Loan bears or is to bear interest at a rate based upon the London Interbank Offered Rate.

“Event of Default” has the meaning set forth in Section 6.01.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“Financing” shall mean (i) any transaction or series of transactions for the incurrence by a Loan Party of any Debt or for the establishment of a commitment to make advances which would constitute Debt of a Loan Party, which Debt is not by its terms subordinate and junior to other Debt of a Loan Party, (ii) an obligation incurred in a transaction or series of transactions in which assets of a Loan Party are sold and leased back, or (iii) a sale of accounts or other receivables or any interest therein, other than a sale or transfer of accounts or receivables attendant to a sale permitted hereunder of an operating division.

“Fiscal Month” means any fiscal month of the Borrower.

“Fiscal Quarter” means any fiscal quarter of the Borrower.

“Fiscal Year” means any fiscal year of the Borrower.

“Foreign Subsidiary” means any Subsidiary which is not a Domestic Subsidiary.

“GAAP” means generally accepted accounting principles applied on a basis consistent with those which, in accordance with Section 1.02, are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Guaranteed Obligations” means any and all liabilities, indebtedness and obligations of any and every kind and nature, heretofore, now or hereafter owing, arising, due or payable from the Borrower to the Bank, arising under or evidenced by this Agreement or the Note.

“Guarantors” shall mean the Initial Guarantors.

“Hazardous Materials” includes, without limitation, (a) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. §6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) any “hazardous substance”, “pollutant” or “contaminant”, as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

“Initial Guarantors” shall mean collectively (i) Bassett Furniture Industries of North Carolina, LLC, a North Carolina limited liability company, (ii) Bassett Direct Stores, LLC, a Virginia limited liability company, (iii) Bassett Direct NC, LLC, a Virginia limited liability company, and (iv) Bassett Direct SC, LLC, a Virginia limited liability company.

“Interest Payment Date” shall mean the first day of each month.

“Interest Period” means the period commencing on June 1, 2020 and ending on the day that is immediately prior to the numerically corresponding day of each subsequent month; and any Interest Period which begins on a day for which there is no numerically corresponding day in a subsequent period, shall end on the last Domestic Business Day of each subsequent period.

“Inventory Collateral” shall mean all inventory of the Borrower and Guarantors, or in which the Borrower or any Guarantor has rights, whether now owned or hereafter acquired, wherever located, including, without limitation, all goods of the Borrower and Guarantors held for sale or lease or furnished or to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, returned and repossessed goods, all raw materials, work-in-process, finished goods and supplies used or consumed in the business of the Borrower or any Guarantor, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, intellectual property, bills of lading or orders for the delivery of all, or any portion, of the foregoing.

“Investment” means any investment in any Person, whether by means of purchase or acquisition of obligations or securities of such Person, capital contribution to such Person, loan or advance to such Person, making of a time deposit with such Person, Guarantee or assumption of any obligation of such Person or otherwise.

“Lease Obligations” means, with respect to any Person for any period, the obligations of such Person to pay rent or other amounts under any finance or operating lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as liabilities on a balance sheet of such person under GAAP.

“Letter of Credit” means the letters of credit issued by the Bank pursuant to Section 2.03(a) and “Letter of Credit” means any one of such Letters of Credit, as any of such letters of credit may be extended, renewed, replaced or amended from time to time.

“Letter of Credit Advance” means an advance made by the Bank pursuant to Section 2.03(c).

“Letter of Credit Agreement” means any agreement entered into by the Borrower and the Bank pursuant to which a Letter of Credit is issued, as amended, modified or restated from time to time.

“Lien” means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, servitude or encumbrance of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, lease or other title retention agreement relating to such asset.

“Loan” means the aggregate outstanding Advances made by the Bank to the Borrower under this Agreement. The Loan shall at all times be a Euro-Dollar Loan, unless such Loan is to be a Prime Rate Loan pursuant to Article VIII herein.

“Loan Documents” means this Agreement, the Note, the Letter of Credit Agreements, the Letters of Credit, the Security Agreement, any ACL Agreement, any other document evidencing, relating to or securing the Loan or the Letters of Credit, and any other document or instrument delivered from time to time in connection with this Agreement, the Note, the Letter of Credit Agreements, the Letters of Credit, the Security Agreement or the Loan, as such documents and instruments may be amended or supplemented from time to time.

“Loan Parties” means collectively the Borrower and each Guarantor that is now or hereafter a party to any of the Loan Documents.

“London Interbank Offered Rate” has the meaning set forth in Section 2.06(c).

“Long Term Debt” means the aggregate principal amount of Debt for Money Borrowed which would in accordance with GAAP, be classified as long term debt.

“Margin Stock” means “margin stock” as defined in Regulations T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

“Material Adverse Effect” means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other related event or events, act or acts, condition or conditions, occurrence or occurrences, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business, properties or prospects of the Borrower and its Consolidated Subsidiaries, taken as a whole, (b) the rights and remedies of the Bank under the Loan Documents, or the ability of the Borrower or any other Loan Party to perform its obligations under the Loan Documents to which it is a party, as applicable, or (c) the legality, validity or enforceability of any Loan Document.

“Multiemployer Plan” shall have the meaning set forth in Section 4001(a)(3) of ERISA.

“Net Proceeds of Capital Stock/Conversion of Debt” means any and all proceeds (whether cash or non-cash) or other consideration received by the Borrower or a Consolidated Subsidiary in respect of the issuance of Capital Stock (including, without limitation, the aggregate amount of any and all Debt converted into Capital Stock), after deducting therefrom all reasonable and customary costs and expenses incurred by the Borrower or such Consolidated Subsidiary directly in connection with the issuance of such Capital Stock.

“Net Income” means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

“Note” means the promissory note of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Advances, together with all amendments, consolidations, modifications, renewals and supplements thereto.

“Notice of Borrowing” has the meaning set forth in Section 2.02.

“Obligations” means the collective reference to all indebtedness, obligations and liabilities to the Bank existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, of the Loan Parties under this Agreement, any Letter of Credit Agreement or any other Loan Document.

“Officer’s Certificate” has the meaning set forth in Section 3.01(f).

“Original Credit Agreement” means that certain Fifth Amended and Restated Credit Agreement, dated as of December 5, 2015, between the Borrower, the Guarantors and BB&T, as amended by First Amendment to Fifth Amended and Restated Credit Agreement, dated as of November 15, 2018. This Agreement amends, restates and replaces the Original Credit Agreement.

“Participant” has the meaning set forth in Section 9.07(b).

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“Person” means an individual, a corporation, a limited liability company, a partnership (including without limitation, a joint venture), an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

“Plan” means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding 5 plan years made contributions.

“Prime Rate” means, for any day, a rate per annum equal to the Bank’s announced Prime Rate, and each change in the Prime Rate shall be effective on the date any change in the Bank’s Prime Rate is publicly announced as being effective. The Prime Rate is but one of several interest rate bases used by the Bank. The Bank lends at interest rates above and below the Prime Rate.

“Prime Rate Loan” means the Loan during Interest Periods when the Loan bears or is to bear interest at a rate based upon the Prime Rate.

“Properties” means all real property owned, leased or otherwise used or occupied by a Loan Party or any Subsidiary of a Loan Party, wherever located.

“Quarterly Payment Date” means March 31, June 30, September 30 and December 31 of each year.

“Receivables” shall have the meaning assigned to the term “Accounts” in the Security Agreement.

“Redeemable Preferred Stock” of any Person means any preferred stock issued by such Person which is at any time prior to the Termination Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Restatement Effective Date” shall have the meaning provided in Section 3.01.

“Security Agreement” means that certain Security Agreement dated of even date herewith, by and between the Borrower and Guarantors for the benefit of the Bank.

“Stockholders’ Equity” means, at any time, the shareholders’ equity of the Borrower and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Borrower or any of its Consolidated Subsidiaries. Shareholders’ equity generally would include, but not be limited to (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) translation adjustments for foreign currency transactions.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Subsidiary” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

“Taxes” has the meaning set forth in Section 2.12(c).

“Termination Date” means January 31, 2022.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Third Parties” means all lessees, sublessees, licensees and other users of the Properties, excluding those users of the Properties in the ordinary course of the Borrower’s business and on a temporary basis.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

“Undrawn Amount” means, with respect to any Letter of Credit, at any time, the maximum amount available to be drawn under such Letter of Credit at such time and “Undrawn Amounts” means, at any time, the sum of all Undrawn Amounts at such time.

“Unused Commitment” means at any date, with respect to the Bank, an amount equal to the Commitment less the Used Commitment.

“Used Commitment” means at any date, with respect to the Bank, the sum of (A) the aggregate outstanding principal amount of the Advances, (B) the aggregate outstanding principal amount of the Letter of Credit Advances, and (C) the aggregate Undrawn Amounts.

“Wholly Owned Subsidiary” means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors’ qualifying shares) are at the time directly or indirectly owned by the Borrower.

Section 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower’s independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Bank, unless with respect to any such change concurred in by the Borrower’s independent public accountants or required by GAAP, in determining compliance with any of the provisions of this Agreement or any of the other Loan Documents: (i) the Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Bank shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 5.01 hereof, shall mean the financial statements referred to in Section 4.04).

Section 1.03. Use of Defined Terms. All terms defined in this Agreement shall have the same meanings when used in any of the other Loan Documents, unless otherwise defined therein or unless the context shall otherwise require.

Section 1.04. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

Section 1.05. References. Unless otherwise indicated, references in this Agreement to “Articles”, “Exhibits”, “Schedules”, and “Sections” are references to articles, exhibits, schedules and sections hereof.

ARTICLE II

THE CREDITS

Section 2.01. Commitment to Make Advances. The Bank agrees, on the terms and conditions set forth herein, to make Advances to the Borrower from time to time before the Termination Date; provided that, immediately after each such Advance is made, the aggregate outstanding principal amount of all Advances by the Bank together with the aggregate outstanding principal amount of all Letter of Credit Advances and Undrawn Amounts shall not exceed the amount of the Commitment. Except as otherwise provided in an ACL Agreement, each Borrowing under this Section shall be in an aggregate principal amount of \$1,000,000 or any larger multiple of \$500,000.00 (except that any such Borrowing may be in the aggregate amount of the Unused Commitment). Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.10, prepay Advances and reborrow under this Section at any time before the Termination Date.

Section 2.02. Method of Borrowing Advances. (a) Except as otherwise provided in an ACL Agreement, the Borrower shall give the Bank notice in the form attached hereto as Exhibit B (a “Notice of Borrowing”) prior to 11:00 A.M. (Charlotte, North Carolina time) on the Domestic Business Day of each Borrowing, specifying:

- (i) the date of such Borrowing; and
 - (ii) the aggregate amount of such Borrowing.
- (b) [Intentionally Omitted].

(c) Unless the Bank determines that any applicable condition specified in Article III has not been satisfied, not later than 1:00 P.M. (Charlotte, North Carolina time) on the date of each Borrowing, the Bank shall (except as provided in subsection (d) of this Section) make available such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Borrower at the Bank's aforesaid address.

Section 2.03. Letters of Credit.

(a) The Bank may, from time to time upon request of the Borrower, in its sole discretion issue Letters of Credit for the account of the Borrower, subject to satisfaction of the conditions referenced in Section 3.03.

(b) Each Letter of Credit shall be subject to the provisions of this Agreement and to the provisions set forth in the Letter of Credit Agreement executed by the Borrower in connection with the issuance of such Letter of Credit. The Borrower agrees to promptly perform and comply with the terms and conditions of each Letter of Credit Agreement.

(c) The payment by the Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement a Letter of Credit Advance in the amount of such draft.

(d) [Intentionally Omitted].

(e) As of the Restatement Effective Date, the existing Letters of Credit are set forth on Schedule 2.03 attached hereto.

(f) [Intentionally Omitted].

(g) The Borrower shall pay to the Bank on the earlier of demand and the Termination Date the outstanding principal amount of such Letter of Credit Advance.

(h) The Bank will notify the Borrower promptly of the presentment for payment of any Letter of Credit (on the date of presentment, if possible, and otherwise on the next Domestic Business Day, it being agreed that such notice may be made by phone), together with notice of the date such payment shall be made.

Section 2.04. Note. (a) The Advances of the Bank shall be evidenced by a single Note payable to the order of the Bank in an amount equal to the original principal amount of the Commitment.

(b) [Intentionally Omitted].

(c) The Bank shall record, and prior to any transfer of its Note shall endorse on the schedule forming a part thereof appropriate notations to evidence, the date, amount and maturity of, and effective interest rate for, each Advance made by it, the date and amount of each payment of principal made by the Borrower with respect thereto and such schedule shall constitute rebuttable presumptive evidence of the principal amount owing and unpaid on the Note; provided that the failure of the Bank to make, or any error in making, any such recordation or endorsement shall not affect the obligation of the Borrower hereunder or under the Note or the ability of the Bank to assign the Note. The Bank is hereby irrevocably authorized by the Borrower so to endorse the Note and to attach to and make a part of the Note a continuation of any such schedule as and when required.

Section 2.05. Maturity of Loans. Each Advance included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, subject to Section 6.01, on the Termination Date.

Section 2.06. Interest Rates. (a) “Applicable Margin” shall mean 1.90%.

(b) During each Interest Period in which the Loan is a Prime Rate Loan, such Prime Rate Loan shall bear interest on the outstanding principal amount thereof, for each day during the applicable Interest Period, at a rate per annum equal to the Prime Rate for such day plus the Applicable Margin. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Prime Rate Loan shall bear interest, payable on demand, for each day until paid in full at a rate per annum equal to the Default Rate.

(c) During each Interest Period in which the Loan is a Euro-Dollar Loan, such Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of: (1) the Applicable Margin, plus (2) the applicable Adjusted Monthly Libor Index for such Interest Period. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid in full at a rate per annum equal to the Default Rate.

The “Adjusted Monthly Libor Index” applicable to any Interest Period means a rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the applicable London Interbank Offered Rate for such Interest Period adjusted for any Changes in Costs and Reserve Requirements so that that the Bank shall receive the same yield.

The “London Interbank Offered Rate” applicable to any Euro-Dollar Loan means for the Interest Period of such Euro-Dollar Loan the average rate quoted by Bloomberg Finance L.P., or any quoting service or commonly available source utilized by Bank, on the determination date for deposits in U.S. Dollars offered in the London interbank market for one month determined at approximately 11:00 am London time two (2) Domestic Business Days prior to the commencement of the applicable Interest Period; provided that if the London Interbank Offered Rate would be less than zero percent (0%), then the London Interbank Offered Rate shall be deemed to be zero percent (0%).

“Changes in Costs and Reserve Requirements” means any increased costs or a reduction in the amounts received or receivable on the Loan by the Bank because of any change in any applicable law, regulation, rule, guideline or order, including without limitation the imposition, modification or applicability of any reserves, deposits or capital adequacy with respect to dollar funding in the London interbank market or any Benchmark Replacement.

(d) The Loan shall at all times be a Euro-Dollar Loan unless the Loan is to be a Prime Rate Loan pursuant to Article VIII herein. Interest shall be payable for each Interest Period on the Interest Payment Date immediately succeeding the last day of the Interest Period; provided that: (1) all accrued unpaid interest on the Loan shall be paid in full on the Termination Date; and (2) should the Commitment be terminated at any time prior to the Termination Date for any reason, any and all accrued unpaid interest shall be paid on the date of such termination.

(e) Each Letter of Credit Advance shall bear interest on the outstanding principal amount thereof, payable on demand, for each day from the date such Letter of Credit Advance is made until paid in full at a rate per annum equal to the Default Rate.

(f) The Bank shall determine each interest rate applicable to the Loan hereunder. The Bank shall give prompt notice to the Borrower by telecopy of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) After the occurrence and during the continuance of a Default, the principal amount of the Loans (and, to the extent permitted by applicable law, all accrued interest thereon) may, at the election of the Bank, bear interest at the Default Rate; provided, however, that automatically any overdue principal of and, to the extent permitted by law, overdue interest on the Loan shall bear interest payable on demand, for each day until paid, at a rate per annum equal to the Default Rate.

(h) In the event the Bank determines in its sole discretion on a particular date (the "Determination Date") that the Bank cannot make, fund, or maintain a loan based upon the London Interbank Offered Rate (provided a Benchmark Transition Event has not occurred) or the Benchmark Replacement, as applicable, for any reason, including without limitation illegality or the inability to ascertain or determine said rate on the basis provided for herein, then the Bank shall give notice to the Borrower of such determination and thereafter will have no obligation to make, fund or maintain a loan based on such index. Upon such Determination Date, the interest rate shall convert to the Prime Rate for purposes of any fundings or advances requested by the Borrower and shall apply to any outstanding balance and, thereafter, the interest rate on the Loan shall adjust simultaneously with any fluctuation in the Prime Rate. In the event the Bank determines that the circumstances giving rise to a notice pursuant to this Section have ended, the Bank shall provide notice of same at which time the interest rate will revert to the prior rate based upon the London Interbank Offered Rate (provided a Benchmark Transition Event has not occurred) or the Benchmark Replacement, as applicable, plus the Applicable Margin.

Section 2.07. Fees. (a) [Intentionally Omitted].

(b) The Borrower shall pay to the Bank, with respect to each Letter of Credit, a letter of credit fee (the "Letter of Credit Fee") determined by the Bank in its sole and absolute discretion in an amount not less than \$350.00 and not greater than one percent (1.0%) of the face amount of the Letter of Credit. Such Letter of Credit Fee shall be payable at the time each Letter of Credit is issued or renewed by the Bank.

(c) The Borrower shall pay to the Bank an unused commitment fee equal to the product of: (i) the aggregate of the daily average amounts of the Unused Commitment times (ii) a per annum percentage equal to 0.25%. Such unused commitment fee shall accrue from and including June 1, 2020 to and including the Termination Date. Unused commitment fees shall be payable quarterly in arrears on each Quarterly Payment Date and on the Termination Date; provided, that should the Commitment be terminated at any time prior to the Termination Date for any reason, the entire accrued and unpaid fee shall be paid on the date of such termination.

(d) [Intentionally Omitted].

Section 2.08. Late Charge. In the event that the Borrower fails to pay any installment of interest or the principal of the Loan within eight (8) days after the due date therefor, the Borrower shall pay to the Bank without demand a late charge equal to five percent (5%) of the amount of the scheduled payment. The imposition and payment of any late charge shall not constitute a waiver of the Bank's rights with respect to an Event of Default resulting from such late payment.

Section 2.09. Termination of Commitment. The Commitment shall terminate on the Termination Date and any Advances and if demand had not been earlier made Letter of Credit Advances then outstanding (together with accrued interest thereon) shall be due and payable on such date.

Section 2.10. Optional Prepayments. The Borrower may, subject to the terms of any applicable ACL Agreement, prepay the Loan in whole at any time, or from time to time in part in amounts aggregating at least \$10,000.00, or any larger multiple of \$1,000.00, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay the Advances.

Section 2.11. Mandatory Prepayments. (a) On the date on which the Commitment is terminated pursuant to Section 2.09, the Borrower shall repay or prepay such principal amount of the outstanding Advances (together with interest accrued thereon and any amounts due under Section 8.05(a)) as may be necessary so that after such payment the aggregate unpaid principal amount of the Advances, together with the aggregate principal amount of all Letter of Credit Advances and Undrawn Amounts does not exceed the aggregate amount of the Commitment as then reduced. Each such payment or prepayment shall be applied to repay or prepay the Advances.

(b) In the event that the aggregate principal amount of all Advances, together with the aggregate principal amount of the Letter of Credit Advances and Undrawn Amounts at any one time outstanding shall at any time exceed the aggregate amount of the Commitment at such time, the Borrower shall immediately repay so much of the Advances as is necessary in order that the aggregate principal amount of the Advances thereafter outstanding, together with the aggregate principal amount of the Letter of Credit Advances and Undrawn Amounts shall not exceed the aggregate amount of the Commitment at such time.

Section 2.12. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Loan and of fees hereunder, not later than 11:00 A.M. (Charlotte, North Carolina time) on the date when due, in Federal or other funds immediately available in Charlotte, North Carolina, to the Bank at its address referred to in Section 9.01.

(b) Whenever any payment of principal of, or interest on, the Advances or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(c) All payments of principal, interest and fees and all other amounts to be made by the Borrower pursuant to this Agreement with respect to any Advance or fee relating thereto shall be paid without deduction for, and free from, any tax, imposts, levies, duties, deductions, or withholdings of any nature now or at any time hereafter imposed by any governmental authority or by any taxing authority thereof or therein (all such non-excluded taxes, imposts, levies, duties, deductions or withholdings of any nature being "Taxes"). In the event that the Borrower is required by applicable law to make any such withholding or deduction of Taxes with respect to any Advance or fee or other amount, the Borrower shall pay such deduction or withholding to the applicable taxing authority, shall promptly furnish to the Bank in respect of which such deduction or withholding is made all receipts and other documents evidencing such payment and shall pay to the Bank additional amounts as may be necessary in order that the amount received by the Bank after the required withholding or other payment shall equal the amount the Bank would have received had no such withholding or other payment been made. If no withholding or deduction of Taxes are payable in respect of any Advance or fee relating thereto, the Borrower shall furnish the Bank, at the Bank's request, a certificate from each applicable taxing authority or an opinion of counsel acceptable to the Bank, in either case stating that such payments are exempt from or not subject to withholding or deduction of Taxes. If the Borrower fails to provide such original or certified copy of a receipt evidencing payment of Taxes or certificate(s) or opinion of counsel of exemption, the Borrower hereby agrees to compensate the Bank for, and indemnify them with respect to, the tax consequences of the Borrower's failure to provide evidence of tax payments or tax exemption.

In the event the Bank receives a refund of any Taxes paid by the Borrower pursuant to this Section 2.12, it will pay to the Borrower the amount of such refund promptly upon receipt thereof; provided, however, if at any time thereafter it is required to return such refund, the Borrower shall promptly repay to it the amount of such refund.

Section 2.13. Computation of Interest and Fees. Interest on the Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Facility fees, letter of credit fees and any other fees (excluding Facing Fees) payable hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.14. [Intentionally Omitted].

Section 2.15. [Intentionally Omitted].

Section 2.16. [Intentionally Omitted]

Section 2.17. [Intentionally Omitted]

ARTICLE III

CONDITIONS TO BORROWINGS

Section 3.01. Effectiveness of Agreement. This Agreement shall become effective on the date (the "Restatement Effective Date") on which the Bank receives the following documents and evidence of satisfaction of the following conditions:

- (a) receipt by the Bank from each of the parties hereto of a duly executed counterpart of this Agreement signed by such party;
- (b) receipt by the Bank of a duly executed Note complying with the provisions of Section 2.04;
- (c) [Intentionally Omitted];
- (d) [Intentionally Omitted];

(e) receipt by the Bank of a certificate (the "Closing Certificate"), dated the date of the Restatement Effective Date, substantially in the form of Exhibit C hereto, signed by a principal financial officer of each Loan Party, to the effect that (i) no Default has occurred and is continuing on the Restatement Effective Date and (ii) the representations and warranties of the Loan Parties contained in Article IV are true on and as of the date of the Restatement Effective Date;

(f) receipt by the Bank of all documents which the Bank may reasonably request relating to the existence of each Loan Party, the authority for and the validity of this Agreement, the Note, the Security Agreement and the other Loan Documents, and any other matters relevant hereto, all in form and substance satisfactory to the Bank, including without limitation a certificate of incumbency of each Loan Party (the "Officer's Certificate"), signed by the Secretary or an Assistant Secretary of the respective Loan Party, substantially in the form of Exhibit D hereto, certifying as to the names, true signatures and incumbency of the officer or officers of the respective Loan Party, authorized to execute and deliver the Loan Documents, and certified copies of the following items: (i) the Loan Party's Certificate of Incorporation or Articles of Organization, as the case may be, (ii) the Loan Party's Bylaws or Operating Agreement, as the case may be, (iii) a certificate of the Secretary of State of such Loan Party's State of organization as to the good standing of such Loan Party, and (iv) the action taken by the Board of Directors of the Loan Party authorizing the Loan Party's execution, delivery and performance of this Agreement, the Note and the other Loan Documents to which the Loan Party is a party;

(g) [Intentionally Omitted];

(h) the Security Agreement shall have been duly executed by the Borrower and Guarantors and shall have been delivered to the Bank and shall be in full force and effect and each document (including each Uniform Commercial Code financing statement) required by law or reasonably requested by the Bank to be filed, registered or recorded in order to create in favor of the Bank a valid, legal and perfected first-priority security interest in and lien on the Collateral described in the Security Agreement shall have been delivered to the Bank;

(i) the Bank shall have received the results of a search of the Uniform Commercial Code filings (or equivalent filings) made with respect to the Borrower and Guarantors in the states (or other jurisdictions) in which the chief executive office of each such person is located, any offices of such persons in which records have been kept relating to Accounts Receivable Collateral and the other jurisdictions in which Uniform Commercial Code filings (or equivalent filings) are to be made pursuant to the preceding paragraph, together with copies of the financing statements (or similar documents) disclosed by such search, and accompanied by evidence satisfactory to the Bank that the Liens indicated in any such financing statement (or similar document) have been released;

(j) receipt and approval by the Bank of the insurance required under this Agreement; and

(k) such other documents or items as the Bank or its counsel may reasonably request.

Section 3.02. Conditions to All Borrowings. The obligation of the Bank to make an Advance on the occasion of each Borrowing is subject to the satisfaction of the following conditions:

(a) receipt by the Bank of a Notice of Borrowing as required by Section 2.02;

(b) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(c) the fact that the representations and warranties of the Loan Parties contained in Article IV of this Agreement shall be true, in all material respects, on and as of the date of such Borrowing, except to the extent explicitly relating to a specified date; and

(d) the fact that, immediately after such Borrowing, the Used Commitment will not exceed the Commitment.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Loan Parties on the date of such Borrowing as to the truth and accuracy of the facts specified in clauses (b), (c) and (d) of this Section.

Section 3.03. Conditions to Issuance of Letters of Credit. The issuance of each Letter of Credit shall be subject to satisfaction of the conditions set forth in the related Letter of Credit Agreement and satisfaction of the following conditions:

- (a) the fact that, immediately before and after the issuance of such Letter of Credit, no Default shall have occurred and be continuing;
- (b) the fact that the representations and warranties of the Loan Parties contained in Article IV of this Agreement shall be true, in all material respects, on and as of the date of issuance of such Letter of Credit, except to the extent explicitly relating to a specified date;
- (c) the fact that, immediately after the issuance of such Letter of Credit, the Used Commitment will not exceed the Commitment; and
- (d) no Letter of Credit shall have an expiry date or termination date on or after the earlier of: (1) the date twelve months after the date of the issuance of such Letter of Credit; and (2) the date two Domestic Business Days prior to the Termination Date; provided that if the Borrower requests that the Bank issue a Letter of Credit with an expiry date or termination date after the date two Domestic Business Days prior to the Termination Date and the Bank agrees in its sole and absolute discretion to issue such Letter of Credit, the Borrower shall, not later than twenty (20) Domestic Business Days prior to the Termination Date, (1) secure such Letter of Credit with collateral of a type and having a value acceptable to, and as determined by, the Bank in its sole and absolute discretion and (2) execute and deliver to the Bank all such agreements, documents, instruments, certificates, opinions and other papers as the Bank shall require in its sole and absolute discretion as are necessary for the Bank to obtain a first priority lien on and security interest in such collateral.

Section 3.04. [Intentionally Omitted].

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Loan Parties represent and warrant that:

Section 4.01. Existence and Power. Each Loan Party is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as the case may be, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and has all organizational powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

Section 4.02. Organizational and Governmental Authorization; No Contravention. The execution, delivery and performance by each Loan Party of this Agreement, the Note, the Security Agreement and the other Loan Documents (i) are within each Loan Party's organizational powers, (ii) have been duly authorized by all necessary organizational action, (iii) require no action by or in respect of, or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation, articles of organization, operating agreement or by-laws of each Loan Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon each Loan Party or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Loan Parties or any of their respective Subsidiaries except as created by Section 9.04 hereof and by the Security Agreement.

Section 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Loan Parties enforceable in accordance with its terms, and the Note, the Security Agreement and the other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Loan Parties enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

Section 4.04. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of November 30, 2019 and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by Ernst & Young, LLP, copies of which have been delivered to the Bank, and the unaudited but reviewed consolidated financial statements of the Borrower for the interim period ended February 29, 2020, copies of which have been delivered to the Bank, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated.

(b) Since November 30, 2019, there has been no event, act, condition or occurrence having a Material Adverse Effect.

Section 4.05. Litigation. There is no action, suit or proceeding pending, or to the knowledge of the Loan Parties threatened, against or affecting the Loan Parties or any of their respective Subsidiaries before any court or arbitrator or any governmental body, agency or official which could have a Material Adverse Effect or which in any manner draws into question the validity or enforceability of, or could impair the ability of the Loan Parties to perform their respective obligations under, this Agreement, the Note, the Security Agreement or any of the other Loan Documents.

Section 4.06. Compliance with ERISA. (a) The Loan Parties and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA.

(b) Neither the Loan Parties nor any member of the Controlled Group is or ever has been obligated to contribute to any Multiemployer Plan.

Section 4.07. Taxes. There have been filed on behalf of the Loan Parties and their respective Subsidiaries all Federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Loan Parties or any Subsidiary have been paid. The charges, accruals and reserves on the books of the Loan Parties and their respective Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Loan Parties, adequate.

Section 4.08. Subsidiaries. Each of the Loan Party's Subsidiaries is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, as the case may be, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and has all organizational powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. No Loan Party has any Subsidiaries except those Subsidiaries listed on Schedule 4.08, which accurately sets forth each such Subsidiary's complete name and jurisdiction of incorporation.

Section 4.09. Not an Investment Company. No Loan Party nor any Subsidiary of a Loan Party is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.10. [Intentionally Omitted].

Section 4.11. Ownership of Property; Liens. Each of the Loan Parties and their respective Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in Section 5.14.

Section 4.12. No Default. No Loan Party nor any of their respective Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

Section 4.13. Full Disclosure. All information heretofore furnished by any Loan Party to the Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by any Loan Party to the Bank will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. Each Loan Party has disclosed to the Bank in writing any and all facts which could have or cause a Material Adverse Effect.

Section 4.14. Environmental Matters. (a) No Loan Party nor any Subsidiary of a Loan Party is subject to any Environmental Liability which could have or cause a Material Adverse Effect and no Loan Party nor any Subsidiary of a Loan Party has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA which could have or cause a Material Adverse Effect. None of the Properties has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. § 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA.

(b) No Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Properties or are otherwise present at, on, in or under the Properties, or, to the best of the knowledge of the Loan Parties, at or from any adjacent site or facility, except for Hazardous Materials, such as cleaning solvents, pesticides, finishing materials, glues and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, and managed or otherwise handled in the ordinary course of business in compliance with all applicable Environmental Requirements.

(c) The Loan Parties, and each of their respective Subsidiaries and Affiliates, has procured all Environmental Authorizations necessary for the conduct of its business, and is in compliance with all Environmental Requirements in connection with the operation of the Properties and the Loan Party's, and each of their respective Subsidiary's and Affiliate's, respective businesses.

Section 4.15. Compliance with Laws. Each Loan Party and each Subsidiary of a Loan Party is in compliance with all applicable laws, including, without limitation, all Environmental Laws, except where any failure to comply with any such laws would not, alone or in the aggregate, have a Material Adverse Effect.

Section 4.16. Capital Stock. All Capital Stock, debentures, bonds, notes and all other securities of each Loan Party and their respective Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including, but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws. The issued shares of Capital Stock of the Loan Party's respective Wholly Owned Subsidiaries are owned by the Loan Parties free and clear of any Lien or adverse claim. At least a majority of the issued shares of capital stock of each of the other Subsidiaries of the Loan Parties (other than Wholly Owned Subsidiaries) is owned by the respective Loan Parties free and clear of any Lien or adverse claim.

Section 4.17. Margin Stock. No Loan Party nor any of their respective Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Advance will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation X.

Section 4.18. Insolvency. After giving effect to the execution and delivery of the Loan Documents, the issuance of the Letters of Credit under this Agreement and the making of the Advances under this Agreement, no Loan Party will be “insolvent,” within the meaning of such term as defined in § 101 of Title 11 of the United States Code or Section 2 of the Uniform Fraudulent Transfer Act, or any other applicable state law pertaining to fraudulent transfers, as each may be amended from time to time, or be unable to pay its debts generally as such debts become due, or have an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

Section 4.19. Security Agreement. The Security Agreement is effective to create in favor of the Bank a legal, valid and enforceable security interest in the Collateral and, when financing statements in appropriate form are filed in the appropriate Uniform Commercial Code filing offices, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Borrower and Guarantors in such Collateral and the proceeds thereof, in each case prior and superior in right to any other Person.

Section 4.20. Labor Matters. There are no significant strikes, lockouts, slowdowns or other labor disputes against any Loan Party or any Subsidiary of any Loan Party pending or, to the knowledge of any Loan Party, threatened, that could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect. The hours worked by and payment made to employees of the Loan Parties and each Subsidiary of any Loan Party have not been in violation of the Fair Labor Standards Act or any other applicable federal, state or foreign law dealing with such matters, where such violations could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

Section 4.21. Patents, Trademarks, Etc. To the best of their knowledge, the Loan Parties and each Subsidiary of a Loan Party owns, or is licensed to use, all patents, trademarks, trade names, copyrights, technology, know-how and processes, service marks and rights with respect to the foregoing that are (a) used in or necessary for the conduct of their respective businesses as currently conducted and (b) material to the businesses, assets, operations, properties, prospects or condition (financial or otherwise) of the Loan Parties and their respective Subsidiaries taken as a whole. To the best of their knowledge, the use of such patents, trademarks, trade names, copyrights, technology, know-how, processes and rights with respect to the foregoing by the Loan Parties and their respective Subsidiaries, does not infringe on the rights of any Person. The Loan Parties have delivered to the Bank a schedule setting forth all registered patents, trademarks and copyrights owned by, or licensed to, the Loan Parties.

ARTICLE V

COVENANTS

The Loan Parties agree, jointly and severally, that, so long as the Bank has any Commitment hereunder or any amount payable under the Note or any Letter of Credit Advance remains unpaid:

Section 5.01. Information. The Borrower will deliver to the Bank:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income, shareholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, all audited by Ernst & Young, LLP or other independent public accountants of nationally recognized standing, with such audit to be free of exceptions and qualifications not acceptable to the Bank;

(b) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related statement of income and statement of cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all reviewed by the accountants referenced in (a) above and certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the Chief Financial or Accounting Officer of the Borrower, any of which may be satisfied by providing copies of Borrower's filed 10-Qs and 10-Ks together with Section 906 certifications;

(c) [Intentionally Omitted];

(d) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate, substantially in the form of Exhibit E (a "Compliance Certificate"), of the Chief Financial or Accounting Officer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.32, 5.38 and 5.39 on the date of such financial statements, and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Loan Parties are taking or propose to take with respect thereto;

(e) [Intentionally Omitted];

(f) within 5 Domestic Business Days after the Borrower becomes aware of the occurrence of any Default, a certificate of the Chief Financial or Accounting Officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(g) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Borrower shall have filed with the Securities and Exchange Commission;

(i) if and when the Borrower or any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(j) promptly after the Borrower knows of the commencement thereof, notice of any litigation, dispute or proceeding involving a claim against a Loan Party and/or any Subsidiary of a Loan Party for \$1,000,000.00 or more in excess of amounts covered in full by applicable insurance; and

(k) as soon as available and in any event within 45 days after the end of each Fiscal Quarter upon request of the Bank, an aging of payables, showing the age of such payables, identifying the Persons who are the creditors for such payables (specifying the amount and age of the payables, owing to each such creditor) and containing such other information and accompanied by such supporting documents as the Bank, in its sole discretion may from time to time prescribe, dated as of the last day of such Fiscal Quarter the statements in which, in each instance, shall be certified as to truth and accuracy by the Senior Vice President – Chief Financial Officer or other authorized officer of the Borrower and each Guarantor;

(l) as soon as available and in any event within 45 days after the end of each Fiscal Quarter upon request of the Bank, an aging of Receivables, showing the age of such Receivables, identifying the Persons who are the Account Debtors for such Receivables (specifying the amount and age of the Receivables owing from each such Account Debtor) and containing such other information and accompanied by such supporting documents as the Bank, in its sole discretion may from time to time reasonably prescribe, dated as of the last day of such Fiscal Quarter the statements in which, in each instance, shall be certified as to truth and accuracy by the Senior Vice President – Chief Financial Officer or other authorized officer of the Borrower and each Guarantor;

(m) [Intentionally Omitted];

(n) [Intentionally Omitted];

(o) [Intentionally Omitted]; and

(p) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Bank may reasonably request.

Section 5.02. Inspection of Property, Books and Records. The Borrower will (i) keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; (ii) permit, and will cause each Subsidiary of the Borrower and Guarantors to permit the Bank, or its designee, at the expense of the Borrower and Guarantors, to perform periodic field audits and investigations of the Borrower, the Guarantors and the Collateral; and (iii) permit, and will cause each Subsidiary to permit, with reasonable prior notice which notice shall not be required in the case of an emergency, representatives of the Bank at the Bank's expense prior to the occurrence of an Event of Default and at the Borrower's expense after the occurrence of an Event of Default to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants. The Borrower agrees to cooperate and assist in such visits and inspections, in each case at such reasonable times and as often as may reasonably be desired.

Section 5.03. [Intentionally Omitted].

Section 5.04. [Intentionally Omitted].

Section 5.05. [Intentionally Omitted].

Section 5.06. [Intentionally Omitted].

Section 5.07. [Intentionally Omitted]

Section 5.08. [Intentionally Omitted].

Section 5.09. [Intentionally Omitted].

Section 5.10. [Intentionally Omitted].

Section 5.11. [Intentionally Omitted].

Section 5.12. [Intentionally Omitted];

Section 5.13. [Intentionally Omitted].

Section 5.14. Negative Pledge. No Loan Party nor any Subsidiary of a Loan Party will voluntarily create, assume or suffer to exist any Lien on any of its Accounts (as such term is defined in the Security Agreement), Inventory (as such term is defined in the Security Agreement) or the proceeds thereof, except for Liens securing the Bank created or arising under the Loan Documents.

Section 5.15. Maintenance of Existence. Each Loan Party shall, and shall cause each Subsidiary of a Loan Party to, maintain its organizational existence and carry on its business in substantially the same manner and in substantially the same fields as such business is now carried on and maintained; provided that a Subsidiary of a Loan Party may be dissolved with the Bank's prior written consent if: (1) such Subsidiary is not a Loan Party; and (2) the total assets of such Subsidiary are less than \$50,000.

Section 5.16. Dissolution. No Loan Party nor any Subsidiary of a Loan Party shall suffer or permit dissolution or liquidation either in whole or in part, except through corporate reorganization to the extent permitted by Section 5.17.

Section 5.17. Consolidations, Mergers and Sales of Assets. No Loan Party will, nor will it permit any Subsidiary of a Loan Party to, consolidate or merge with or into, or sell, lease or otherwise transfer all or any substantial part of its assets to, any other Person, or discontinue or eliminate any business line or segment, provided that (a) a Loan Party may merge with another Person if (i) such Person was organized under the laws of the United States of America or one of its states, (ii) the Loan Party is the corporation surviving such merger, (iii) immediately after giving effect to such merger, no Default shall have occurred and be continuing, and (iv) if the Borrower merges with another Loan Party, the Borrower is the corporation surviving such merger, (b) Subsidiaries of a Loan Party (excluding Loan Parties) may merge with one another, (c) a Loan Party (other than the Borrower or an Eligible Guarantor) may transfer all or any part of its assets to another Loan Party, (d) a Loan Party may sell Inventory in the ordinary course of business and for fair value, and (e) the foregoing limitation on the sale, lease or other transfer of assets and on the discontinuation or elimination of a business line or segment shall not prohibit, during any Fiscal Quarter, a transfer of assets or the discontinuance or elimination of a business line or segment (in a single transaction or in a series of related transactions) unless the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred (excluding assets transferred under Sections 5.17(d)), and all other assets utilized in all other business lines or segments discontinued, during such Fiscal Quarter and the immediately preceding three Fiscal Quarters have a fair market value or book value whichever is greater (determined with respect to each such asset transferred or discontinued) of more than \$20,000,000.

Section 5.18. Use of Proceeds. No portion of the proceeds of the Loan will be used by the Borrower or any Subsidiary (i) in connection with, either directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, or (iii) for any purpose in violation of any applicable law or regulation. Except as otherwise provided herein, the proceeds of the Loan shall be used for general corporate purposes and working capital.

Section 5.19. Compliance with Laws; Payment of Taxes. Each Loan Party will, and will cause each Subsidiary of a Loan Party and each member of the Controlled Group to, comply with applicable laws in all material respects (including but not limited to ERISA), regulations and similar requirements of governmental authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings diligently pursued. Each Loan Party will, and will cause each Subsidiary of a Loan Party to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of a Loan Party or any Subsidiary of a Loan Party, except liabilities being contested in good faith by appropriate proceedings diligently pursued and against which, if requested by the Bank, the Borrower shall have set up reserves in accordance with GAAP.

Section 5.20. [Intentionally Omitted].

Section 5.21. Change in Fiscal Year. Each Loan Party will not change its Fiscal Year without the consent of the Bank.

Section 5.22. Maintenance of Property. Each Loan Party shall, and shall cause each Subsidiary of a Loan Party to, maintain all of its properties and assets (excluding assets that are obsolete or no longer useful in such Loan Party's business) in good condition, repair and working order, ordinary wear and tear excepted.

Section 5.23. Environmental Notices. Each Loan Party shall furnish to the Bank prompt written notice of all material Environmental Liabilities, pending, threatened or anticipated Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Properties or any adjacent property, and all facts, events, or conditions that could lead to any of the foregoing.

Section 5.24. Environmental Matters. No Loan Party or any Subsidiary of a Loan Party will, nor will any Loan Party permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle or ship or transport to or from the Properties any Hazardous Materials except for Hazardous Materials such as cleaning solvents, pesticides, finishing materials, glues, petroleum products, and other similar materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed or otherwise handled in the ordinary course of business in compliance with all applicable Environmental Requirements.

Section 5.25. Insurance. In addition to and cumulative with any other requirements herein or in the Security Agreement imposed on the Borrower and Guarantors with respect to insurance, the Borrower, Guarantors and the Subsidiaries of the Borrower and Guarantors shall maintain insurance with insurance companies satisfactory to the Bank on such of their respective properties and assets, in such amounts and against such risks as is customarily maintained by similar businesses operating in the same vicinity, but in any event to include public liability, worker's compensation, business interruption, malicious mischief, errors and omissions, loss, damage, flood, windstorm, fire, theft, extended coverage and product liability insurance in amounts satisfactory to the Bank, which insurance shall not be cancelled or altered (or the coverage thereunder reduced or restricted) by the Borrower, Guarantor or any Subsidiary of the Borrower and Guarantors, unless with the prior written consent of the Bank, or by the insurer of the Borrower and Guarantors, unless the Borrower gives at least 30 days advance written notice to the Bank thereof. The Borrower and Guarantors shall deliver to the Bank on the Restatement Effective Date and at such other times as the Bank may request, a detailed list of such insurance then in effect stating the names of the insurance companies, the amounts and rates of insurance, the date of expiration thereof, the properties and risks covered thereby and the insured with respect thereto, and, within 30 days after notice in writing from the Bank, obtain such additional insurance as the Bank may reasonably request. The Borrower and Guarantors will pay all premiums on the insurance referred to herein as and when they become due and shall do all things necessary to maintain the insurance in effect. If the Borrower or any Guarantor shall default in its obligation hereunder to insure the Collateral or any of their other respective properties or assets in a manner satisfactory to the Bank, then the Bank shall have the right (but not the obligation) to procure such insurance and to charge the costs of same to the Borrower and Guarantors, which costs shall be added to and become a part of the unpaid principal amount of the Obligations, shall bear interest at the Default Rate, shall be payable on demand by the Bank and shall be secured by the Collateral.

Section 5.26. Environmental Release. Each Loan Party agrees that upon the occurrence of an Environmental Release at or on any of the Properties it will act immediately to investigate the extent of, and to take appropriate remedial action to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

Section 5.27. Additional Covenants, Etc. In the event that at any time this Agreement is in effect or the Note or any Letter of Credit Advance remains unpaid any Loan Party shall enter into any agreement, guarantee, indenture or other instrument governing, relating to, providing for commitments to advance or guaranteeing any Financing or to amend any terms and conditions applicable to any Financing, which agreement, guarantee, indenture or other instrument includes covenants, warranties, representations, defaults or events of default (or any other type of restriction which would have the practical effect of any of the foregoing, including, without limitation, any "put" or mandatory prepayment of such debt) or other terms or conditions not substantially as, or in addition to those, provided in this Agreement or any other Loan Document, or more favorable to the lender or other counterparty thereunder than those provided in this Agreement or any other Loan Document, the Loan Party shall promptly so notify the Bank. Thereupon, if the Bank shall request by written notice to the Loan Parties, the Loan Parties and the Bank shall enter into an amendment to this Agreement providing for substantially the same such covenants, warranties, representations, defaults or events of default or other terms or conditions as those provided for in such agreement, guarantee, indenture or other instrument, to the extent required and as may be selected by the Bank, such amendment to remain in effect, unless otherwise specified in writing by the Bank, for the entire duration of the stated term to maturity of such Financing (to and including the date to which the same may be extended at the option of the Loan Party), notwithstanding that such Financing might be earlier terminated by prepayment, refinancing, acceleration or otherwise, provided that if any such agreement, guarantee, indenture or other instrument shall be modified, supplemented, amended or restated so as to modify, amend or eliminate from such agreement, guarantee, indenture or other instrument any such covenant, warranty, representation, default or event of default or other term or condition so made a part of this Agreement, then unless required by the Bank pursuant to this Section, such modification, supplement or amendment shall not operate to modify, amend or eliminate such covenant, warranty, representation, default or event of default or other term or condition as so made a part of this Agreement.

Section 5.28. [Intentionally Omitted].

Section 5.29. [Intentionally Omitted].

Section 5.30. [Intentionally Omitted].

Section 5.31. Subsidiaries, Partnerships and Joint Ventures. No Loan Party shall: (1) create, acquire, form or otherwise permit to exist, any Subsidiary other than Subsidiaries that are Subsidiaries existing on the Restatement Effective Date and described on Schedule 4.08; or (2) become a general partner in any general or limited partnership or joint venture; provided that: (1) so long as Schedule 4.08 is revised within fifteen (15) Domestic Business Days after the date that a Subsidiary is created, acquired or formed, a Loan Party may create, acquire or form a Subsidiary so long as after, and as a result of, giving pro forma effect to such creation, acquisition or formation no Default or Event of Default shall occur or exist ; and (2) a Subsidiary of a Loan Party that is a corporation or limited liability company may become a general partner in a general or limited partnership or joint venture so long as the sole assets of such Subsidiary consist of its interest in such partnership or joint venture and after giving pro-forma effect to such action, no Default or Event of Default (including, without limitation, a breach of any limitation set forth in Section 5.13) shall occur or exist.

Section 5.32. Additional Debt. No Loan Party or Subsidiary of a Loan Party shall directly or indirectly issue, assume, create, incur or suffer to exist any Debt or the equivalent (or Lease Obligations), except for: (a) Debt owed to the Bank; (b) Lease Obligations entered into in such Loan Party's normal course of business; (c) Debt incurred under any loan extended by or guaranteed by the U.S. Small Business Administration or any other United States government agency under or pursuant to the Coronavirus Aid, Relief, and Economic Security Act of 2020; and (d) Debt not otherwise permitted under this Section 5.32, the aggregate outstanding principal amount of which shall not, at any time, exceed \$1,000,000.

Section 5.33. [Intentionally Omitted].

Section 5.34. [Intentionally Omitted].

Section 5.35. [Intentionally Omitted].

Section 5.36. [Intentionally Omitted].

Section 5.37. [Intentionally Omitted].

Section 5.38. Consolidated Fixed Charge Coverage Ratio. The Borrower and its Consolidated Subsidiaries shall maintain a Consolidated Fixed Charge Coverage Ratio of not less than 1.20 to 1 as of the end of each Fiscal Year commencing with the Fiscal Year ending on November 27, 2021.

Section 5.39. Consolidated Debt to Consolidated Tangible Net Worth Ratio. The Borrower and its Consolidated Subsidiaries shall not permit the Consolidated Debt to Consolidated Tangible Net Worth Ratio to exceed 2.50 to 1 as of the Fiscal Quarter ending on February 27, 2021 or as of each Fiscal Quarter ending thereafter.

Section 5.40. Deposit Accounts. The Borrower shall maintain all of its primary deposit accounts, including without limitation its primary operating deposit accounts, with the Bank.

ARTICLE VI

DEFAULTS

Section 6.01. Events of Default. If one or more of the following events (“Events of Default”) shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of the Loan (including, without limitation, any Advance) or shall fail to pay any interest on the Loan (including, without limitation, any Advance) within five Domestic Business Days after such interest shall become due, or any Loan Party shall fail to pay any fee or other amount payable hereunder within five Domestic Business Days after such fee or other amount becomes due; or

(b) any Loan Party shall fail to observe or perform any covenant contained in Sections 5.02(ii), 5.14 to 5.18, inclusive, or Sections 5.21, 5.25, 5.32, 5.38, 5.39 or 5.40; or

(c) any Loan Party shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by clause (a) or (b) above) for thirty days after the earlier of (i) the first day on which any Loan Party has knowledge of such failure or (ii) written notice thereof has been given to the Borrower by the Bank; or

(d) any representation, warranty, certification or statement made or deemed made by the Loan Parties in Article IV of this Agreement or in any financial statement, material certificate or other material document delivered pursuant to this Agreement shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or

(e) any Loan Party or any Subsidiary of a Loan Party shall fail to make any payment in respect of Debt in an aggregate amount outstanding in excess of \$1,000,000 (other than the Note or any Letter of Credit Advance) when due or within any applicable grace period; or

(f) any event or condition shall occur which results in the acceleration of the maturity of Debt outstanding of any Loan Party or any Subsidiary of a Loan Party in an aggregate amount in excess of \$1,000,000 or the mandatory prepayment or purchase of such Debt by any Loan Party (or its designee) or such Subsidiary of a Loan Party (or its designee) prior to the scheduled maturity thereof, or enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Debt or any Person acting on such holders’ behalf to accelerate the maturity thereof or require the mandatory prepayment or purchase thereof prior to the scheduled maturity thereof, without regard to whether such holders or other Person shall have exercised or waived their right to do so; or

(g) any Loan Party or any Subsidiary of a Loan Party shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against any Loan Party or any Subsidiary of a Loan Party seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against any Loan Party or any Subsidiary of a Loan Party under the federal bankruptcy laws as now or hereafter in effect; or

(i) any Loan Party or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by any Loan Party, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(j) one or more judgments or orders for the payment of money in an aggregate amount in excess of \$1,000,000 shall be rendered against any Loan Party or any Subsidiary of a Loan Party and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days; or

(k) a federal tax lien shall be filed against any Loan Party or any Subsidiary of a Loan Party under Section 6323 of the Code or a lien of the PBGC shall be filed against any Loan Party or any Subsidiary of a Loan Party under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing; or

(l) (i) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of the voting stock of the Borrower; or (ii) as of any date a majority of the Board of Directors of the Borrower consists of individuals who were not either (A) directors of the Borrower as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A) and individuals described in clause (B); or

(m) there shall have occurred material uninsured damage to, or loss, theft or destruction of, any material part of the Collateral; or

(n) a default or event of default shall occur and be continuing under any of the Letter of Credit Agreements, the Security Agreement or any other Loan Document or the Borrower or any Guarantor shall fail to observe or perform any obligation to be observed or performed by it under any Letter of Credit Agreements, the Security Agreement or any other Loan Document, and such default, event of default or failure to perform or observe any obligation continues beyond any applicable cure or grace period provided in such Letter of Credit Agreement, the Security Agreement or such Loan Document; or

(o) [Intentionally Omitted]; or

(p) the occurrence of any event, act or condition which the Bank determines either does or has a reasonable probability of causing a Material Adverse Effect;

then, and in every such event, the Bank shall (i) by notice to the Borrower, terminate the Commitment and it shall thereupon terminate, (ii) declare an Event of Default under the Letter of Credit Agreements, and (iii) by notice to the Borrower, declare the Note (together with accrued interest thereon), the Letter of Credit Advances (together with all accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents to be, and the Note (together with all accrued interest thereon), the Letter of Credit Advances (together with all accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Loan Parties; provided that if any Event of Default specified in clause (g) or (h) above occurs with respect to any Loan Party, without any notice to any Loan Party or any other act by the Bank, the Commitment shall thereupon automatically terminate and the Note (together with accrued interest thereon), the Letter of Credit Advances (together with all accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents shall automatically become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Loan Parties. Notwithstanding the foregoing, the Bank shall have available to it all other remedies at law or equity, and shall exercise any one or all of them in its sole and absolute discretion. Notwithstanding the foregoing, the Bank shall have available to it all rights and remedies provided under the Loan Documents (including without limitation the Security Agreement) and in addition thereto, all other rights and remedies at law or equity, and the Bank shall exercise any one or all of them in its sole and absolute discretion.

Section 6.02. Notice of Default. The Bank shall give notice to the Borrower of any Default under Section 6.01(c).

Section 6.03. Cash Cover. If any Event of Default shall have occurred and be continuing, the Borrower shall, if requested by the Bank, pay to the Bank an amount in immediately available funds (which funds shall be held as collateral pursuant to arrangements satisfactory to the Bank) equal to the aggregate Undrawn Amounts, provided that, if any Event of Default specified in clause (g) or (h) above occurs, the Borrower shall be obligated to pay such amount to the Bank forthwith without any notice to the Borrower or any other act by the Bank.

Section 6.04. [Intentionally Omitted].

Section 6.05. Allocation of Proceeds. If an Event of Default has occurred and not been waived, and the maturity of the Note has and the Letter of Credit Advances have been accelerated pursuant to Article VI hereof, all payments received by the Bank hereunder, in respect of any principal of or interest on the Obligations or any other amounts payable by the Borrower or any other Loan Party hereunder, shall be applied by the Bank to the Obligations in such order as the Bank shall determine in its sole and absolute discretion.

ARTICLE VII

DAMAGES

Section 7.01. CONSEQUENTIAL DAMAGES. THE BANK SHALL NOT BE RESPONSIBLE OR LIABLE TO THE BORROWER OR ANY OTHER PERSON OR ENTITY FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

ARTICLE VIII

EFFECT OF BENCHMARK TRANSITION EVENT; COMPENSATION

Section 8.01. Benchmark Replacement. Notwithstanding anything to the contrary in this Agreement, the Note or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Bank may amend this Agreement and the Note to replace the London Interbank Offered Rate with a Benchmark Replacement. Any such amendment will become effective at 5:00 p.m. on the fifth (5th) Domestic Business Day after the Bank has provided notice in accordance with Section 8.3 to the Borrower without any further action or consent of the Borrower. No replacement of the London Interbank Offered Rate with a Benchmark Replacement pursuant to this Article VIII will occur prior to the applicable Benchmark Transition Start Date. The Applicable Margin and minimum and maximum rates, if any, set forth in this Agreement shall continue to apply following the implementation of a Benchmark Replacement. For avoidance of doubt, upon the replacement of the London Interbank Offered Rate with the Benchmark Replacement pursuant to this Section 8.01, interest shall accrue at the Benchmark Replacement plus the Applicable Margin.

Section 8.02. Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Bank will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary in this Agreement, the Note or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the Borrower

Section 8.03. Notices; Standards for Decisions and Determinations. The Bank will promptly notify the Borrower of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effective date of any Benchmark Replacement Conforming Changes, and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Bank pursuant to this Article VIII, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in the Bank's sole discretion and without consent of the Borrower.

Section 8.04. Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the obligation of the Bank to make any Advance or convert any Euro-Dollar Loan shall cease, and the Borrower may revoke any request for such an Advance or request for conversion to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for an Advance at or conversion to the Prime Rate and the outstanding balance shall accrue interest at the Prime Rate.

Section 8.05. Increased Cost and Reduced Return. (a) If after the Restatement Effective Date, a Change of Law or compliance by the Bank with any request or directive (whether or not having the force of law) of any Authority:

- (i) shall subject the Bank to any tax, duty or other charge with respect to any Euro-Dollar Loan, the Note or its obligation to make a Euro-Dollar Loan, or shall change the basis of taxation of payments to the Bank of the principal of or interest on any Euro-Dollar Loan or any other amounts due under this Agreement in respect of any Euro-Dollar Loan or its obligation to make a Euro-Dollar Loan (except for changes in the rate of tax on the overall net income of the Bank imposed by the jurisdiction in which the Bank's principal executive office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System) against assets of, deposits with or for the account of, or credit extended by, the Bank; or

(iii) shall impose on the Bank or on the United States market for certificates of deposit or the London interbank market any other condition affecting any Euro-Dollar Loan, the Note or its obligation to make a Euro-Dollar Loan;

and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining any Euro-Dollar Loan, or to reduce the amount of any sum received or receivable by the Bank under this Agreement or under the Note with respect thereto, by an amount deemed by the Bank to be material, then, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(b) If the Bank shall have determined that after the Restatement Effective Date the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any existing or future law, rule or regulation, or any change in the interpretation or administration thereof, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any Authority, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations hereunder to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such reduction.

(c) The Bank will promptly notify the Borrower of any event of which it has knowledge, occurring after the Restatement Effective Date, which will entitle the Bank to compensation pursuant to this Section. A certificate of the Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

(d) [Intentionally Omitted].

Section 8.06. Prime Rate Loans Substituted for Affected Euro-Dollar Loans. If (i) the obligation of the Bank to make or maintain a Euro-Dollar Loan has been suspended pursuant to Section 8.02 or (ii) the Bank has demanded compensation under Section 8.03, and the Borrower shall, by at least 5 Euro-Dollar Business Days' prior notice to the Bank, have elected that the provisions of this Section shall apply to the Bank, then, unless and until the Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Advances which would otherwise be made by the Bank as part of a Euro-Dollar Loan shall be made instead as a Prime Rate Loan, and

(b) after any Euro-Dollar Loan has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loan shall be applied to repay its Prime Rate Loan instead.

In the event that the Borrower shall elect that the provisions of this Section shall apply to the Bank, the Borrower shall remain liable for, and shall pay to the Bank as provided herein, all amounts due the Bank under Section 8.03 in respect of the period preceding the date of conversion of the Bank's portion of the Loan resulting from the Borrower's election.

Section 8.07. Compensation. Upon the request of the Bank, delivered to the Borrower, the Borrower shall pay to the Bank such amount or amounts as shall compensate the Bank for any loss, cost or expense incurred by the Bank as a result of any of the following: (a) any payment or prepayment (pursuant to Section 2.09, Section 2.10, Section 8.02 or otherwise) of a Euro-Dollar Loan on a date other than the last day of an Interest Period for such Euro-Dollar Loan, (b) any failure by the Borrower to prepay a Euro-Dollar Loan on the date for such prepayment specified in the relevant notice of prepayment hereunder, or (c) any failure by the Borrower to borrow a Euro-Dollar Loan on the date for the Borrowing specified in the applicable Notice of Borrowing delivered pursuant to Section 2.02, which compensation shall include, without limitation, an amount equal to the excess, if any, of (x) the amount of interest which would have accrued on the amount so paid or prepaid or not prepaid or borrowed for the period from the date of such payment, prepayment or failure to prepay or borrow to the last day of the then current Interest Period for such Euro-Dollar Loan (or, in the case of a failure to prepay or borrow, the Interest Period for such Euro-Dollar Loan which would have commenced on the date of such failure to prepay or borrow) at the applicable rate of interest for such Euro-Dollar Loan provided for herein over (y) the amount of interest (as reasonably determined by the Bank) the Bank would have paid on deposits in Dollars of comparable amounts having terms comparable to such period placed with it by leading banks in the London interbank market.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission or similar writing) and shall be given to such party at its address or telecopy number set forth on the signature pages hereof or such other address or telecopy number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number specified in this Section and the telecopy machine used by the sender provides a written confirmation that such telecopy has been so transmitted or receipt of such telecopy transmission is otherwise confirmed, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, and (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Bank under Article II or Article VIII shall not be effective until received.

Section 9.02. No Waivers. No failure or delay by the Bank in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. Expenses; Documentary Taxes; Indemnification. (a) The Loan Parties shall, jointly and severally, pay (i) all expenses of the Bank, including fees and disbursements of the Bank in connection with any field audits and investigations and fees and disbursements of special counsel for the Bank, in connection with the preparation of this Agreement and the other Loan Documents, any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default or alleged Default hereunder or thereunder and (ii) if a Default occurs, all out-of-pocket expenses incurred by the Bank, including fees and disbursements of counsel, in connection with such Default and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing this Agreement and the other Loan Documents.

(b) The Loan Parties shall, jointly and severally, indemnify the Bank against any transfer taxes, documentary taxes, assessments or charges made by any Authority by reason of the execution and delivery of this Agreement or the other Loan Documents.

(c) The Loan Parties shall, jointly and severally, indemnify the Bank and its Affiliates and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from any actual or proposed use by the Borrower of the proceeds of any extension of credit by the Bank hereunder or breach by any Loan Party of this Agreement or any other Loan Document or from investigation, litigation (including, without limitation, any actions taken by the Bank to enforce this Agreement or any of the other Loan Documents) or other proceeding (including, without limitation, any threatened investigation or proceeding) relating to the foregoing, and the Loan Parties shall reimburse the Bank, and each of its Affiliates and their respective directors, officers, employees and agents, upon demand for any expenses (including, without limitation, legal fees) incurred in connection with any such investigation or proceeding; but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified.

Section 9.04. Setoffs; Sharing of Set-Offs. Each Loan Party hereby grants to the Bank, as security for the full and punctual payment and performance of the obligations of each Loan Party under this Agreement, a continuing lien on and security interest in all deposits and other sums credited by or due from the Bank to such Loan Party or subject to withdrawal by such Loan Party; and regardless of the adequacy of any collateral or other means of obtaining repayment of such obligations, the Bank may at any time upon or after the occurrence of any Event of Default, and without notice to any Loan Party, set off the whole or any portion or portions of any or all such deposits and other sums against such obligations, whether or not any other Person or Persons could also withdraw money therefrom.

Section 9.05. Amendments and Waivers. Any provision of this Agreement, the Note, the Security Agreement or any other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Bank.

Section 9.06. [Intentionally Omitted].

Section 9.07. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no Loan Party may assign or otherwise transfer any of its rights under this Agreement.

(b) Anything in this Section 9.07 to the contrary notwithstanding, the Bank may assign and pledge all or any portion of the Loan, any Letter of Credit Advance and/or obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned Loan, Letter of Credit Advance and/or obligations made by the Borrower to the assigning and/or pledging Bank in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such assigned Loan, Letter of Credit Advance and/or obligations to the extent of such payment. No such assignment shall release the assigning and/or pledging Bank from its obligations hereunder.

Section 9.08. Confidentiality. The Bank agrees to exercise its best efforts to keep any information delivered or made available by the Loan Parties to it which is clearly indicated to be confidential information, confidential from anyone other than persons employed or retained by the Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the Loan, the Letters of Credit, the Letter of Credit Advances or any other advances of credit under this Agreement; provided, however, that nothing herein shall prevent the Bank from disclosing such information (i) upon the order of any court or administrative agency, (ii) upon the request or demand of any regulatory agency or authority having jurisdiction over the Bank, (iii) which has been publicly disclosed, (iv) to the extent reasonably required in connection with any litigation to which the Bank or its Affiliates may be a party, (v) to the extent reasonably required in connection with the exercise of any remedy hereunder, and (vi) to the Bank's legal counsel and independent auditors.

Section 9.09. [Intentionally Omitted].

Section 9.10. [Intentionally Omitted].

Section 9.11. Survival of Certain Obligations. Sections 8.03(a), 8.03(b), 8.05 and 9.03, and the obligations of the Loan Parties thereunder, shall survive, and shall continue to be enforceable notwithstanding, the termination of this Agreement and the Commitment and the payment in full of the principal of and interest on all Advances and Letter of Credit Advances.

Section 9.12. Virginia Law. This Agreement, each Note and each Letter of Credit Agreement shall be construed in accordance with and governed by the law of the Commonwealth of Virginia.

Section 9.13. Severability. In case any one or more of the provisions contained in this Agreement or any of the other Loan Documents should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby and shall be enforced to the greatest extent permitted by law.

Section 9.14. Interest. In no event shall the amount of interest due or payable hereunder, under the Note or under any Letter of Credit Advance exceed the maximum rate of interest allowed by applicable law, and in the event any such payment is inadvertently made to the Bank by the Borrower or inadvertently received by the Bank, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the Bank in writing that it elects to have such excess sum returned forthwith. It is the express intent hereof that the Borrower not pay and the Bank not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law.

Section 9.15. Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

Section 9.16. Consent to Jurisdiction. The Loan Parties (a) submit to personal jurisdiction in the Commonwealth of Virginia, the courts thereof and the United States District Courts sitting therein, for the enforcement of this Agreement, the Note and the other Loan Documents, (b) waives any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of North Carolina for the purpose of litigation to enforce this Agreement, the Note or the other Loan Documents, and (c) agrees that service of process may be made upon it in the manner prescribed in Section 9.01 for the giving of notice to the Borrower. Nothing herein contained, however, shall prevent the Bank from bringing any action or exercising any rights against any security and against the Loan Parties personally, and against any assets of the Loan Parties, within any other state or jurisdiction.

Section 9.17. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.18. [Intentionally Omitted].

ARTICLE X

GUARANTY

Section 10.01. [Intentionally Omitted].

Section 10.02. Unconditional Guaranty. Each Guarantor hereby irrevocably, unconditionally and jointly and severally guarantees, each as a primary obligor and not merely as a surety, to the Bank the due and punctual payment of the principal of and the premium, if any, and interest on the Guaranteed Obligations and any and all other amounts due under or pursuant to the Loan Documents, when and as the same shall become due and payable (whether at stated maturity or by optional or mandatory prepayment or by declaration, redemption or otherwise) in accordance with the terms of the Loan Documents. The Guarantors' guaranty under this Section is an absolute, present and continuing guarantee of payment and not of collectibility, and is in no way conditional or contingent upon any attempt to collect from the Borrower, any of the Guarantors or any other guarantor of the Guaranteed Obligations (or any portion thereof) or upon any other action, occurrence or circumstances whatsoever. In the event that the Borrower or any Guarantor shall fail so to pay any such principal, premium, interest or other amount to the Bank, the Guarantors will pay the same forthwith, without demand, presentment, protest or notice of any kind (all of which are waived by the Guarantors to the fullest extent permitted by law), in lawful money of the United States, at the place for payment specified in Loan Documents or specified by the Bank. The Guarantors further agree, promptly after demand, to pay to the Bank the costs and expenses incurred by the Bank in connection with enforcing the rights of the Bank against the Borrower and any or all of the Guarantors (whether in a bankruptcy proceeding or otherwise) following any default in payment of any of the Guaranteed Obligations or the obligations of the Guarantors hereunder, including, without limitation, the fees and expenses of counsel to the Bank.

Section 10.03. Obligations Absolute. The obligations of the Guarantors hereunder are and shall be absolute and unconditional, irrespective of the validity, regularity or enforceability of this Agreement, any of the Guaranteed Obligations or any of the Loan Documents, shall not be subject to any counterclaim, set-off, deduction or defense based upon any claim any of the Guarantors may have against the Borrower, any other Guarantor or the Bank hereunder or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, to the fullest extent permitted by law, any circumstance or condition whatsoever (whether or not any of the Guarantors shall have any knowledge or notice thereof), including, without limitation:

(a) any amendment or modification of or supplement to any of the Loan Documents or any other instrument referred to herein or therein, or any assignment or transfer of any thereof or of any interest therein, or any furnishing or acceptance of additional security for any of the Guaranteed Obligations;

(b) any waiver, consent or extension under any Loan Document or any such other instrument, or any indulgence or other action or inaction under or in respect of, or any extensions or renewals of, any Loan Document, any such other instrument or any Guaranteed Obligation;

(c) any failure, omission or delay on the part of the Bank to enforce, assert or exercise any right, power or remedy conferred on or available to the Bank against the Borrower or any Guarantor, any Subsidiary of the Borrower or any other Guarantor;

(d) any bankruptcy, insolvency, readjustment, composition, liquidation or similar proceeding with respect to the Borrower, any Subsidiary of the Borrower or any Guarantor or any property of the Borrower or any such Subsidiary or any unavailability of assets against which the Guaranteed Obligations, or any of them, may be enforced;

(e) any merger or consolidation of the Borrower, any Subsidiary of the Borrower or any Guarantor or any of the Guarantors into or with any other Person or any sale, lease or transfer of any or all of the assets of any of the Guarantors, the Borrower or any Subsidiary of the Borrower to any Person;

(f) any failure on the part of the Borrower or any Subsidiary of the Borrower or any Guarantor for any reason to comply with or perform any of the terms of any agreement with any of the Guarantors;

(g) any exercise or non-exercise by the Bank of any right, remedy, power or privilege under or in respect of any of the Loan Documents or the Guaranteed Obligations, including, without limitation, under this Section;

(h) any default, failure or delay, willful or otherwise, in the performance or payment of any of the Guaranteed Obligations;

(i) any furnishing or acceptance of security, or any release, substitution or exchange thereof, for any of the Guaranteed Obligations;

(j) any failure to give notice to any of the Guarantors of the occurrence of any breach or violation of, or any event of default or any default under or with respect to, any of the Loan Documents or the Guaranteed Obligations;

(k) any partial prepayment, or any assignment or transfer, of any of the Guaranteed Obligations; or

(l) any other circumstance (other than indefeasible payment in full) which might otherwise constitute a legal or equitable discharge or defense of a guarantor or which might in any manner or to any extent vary the risk of such Guarantor.

The Guarantors covenant that their respective obligations hereunder will not be discharged except by complete performance of the obligations contained in the Loan Documents and this Agreement and the final and indefeasible payment in full of the Guaranteed Obligations. The Guarantors unconditionally waive, to the fullest extent permitted by law (A) notice of any of the matters referred to in this Section, (B) any and all rights which any of the Guarantors may now or hereafter have arising under, and any right to claim a discharge of the Guarantor's obligations hereunder by reason of the failure or refusal by the Bank to take any action pursuant to a notice given under, Sections 49-25 or 49-26 of the Code of Virginia (1950), as amended, or any similar or successor provisions, (C) all notices which may be required by statute, rule of law or otherwise to preserve any of the rights of the Bank against the Guarantors, including, without limitation, presentment to or demand of payment from the Borrower, any of the Borrower's Subsidiaries or any of the other Guarantors with respect to any Loan Document or this agreement, notice of acceptance of the Guarantors' guarantee hereunder and/or notice to the Borrower, any of the Borrower's Subsidiaries or any Guarantor of default or protest for nonpayment or dishonor, (D) any diligence in collection from or protection of or realization upon all or any portion of the Guaranteed Obligations or any security therefor, any liability hereunder, or any party primarily or secondarily liable for all or any portion of the Guaranteed Obligations, and (E) any duty or obligation of the Bank to proceed to collect all or any portion of the Guaranteed Obligations from, or to commence an action against, the Borrower, any Guarantor or any other Person, or to resort to any security or to any balance of any deposit account or credit on the books of the Bank in favor of the Borrower, any Guarantor or any other Person, despite any notice or request of any of the Guarantors to do so.

Section 10.04. Continuing Obligations; Reinstatement. The obligations of the Guarantors under this Article X are continuing obligations and shall continue in full force and effect until such time as all of the Guaranteed Obligations (and any renewals and extensions thereof) shall have been finally and indefeasibly paid and satisfied in full. The obligations of the Guarantors under this Article X shall continue to be effective or be automatically reinstated, as the case may be, if any payment made by the Borrower, any Guarantor or any Subsidiary of the Borrower or any Guarantor on, under or in respect of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned by the recipient upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower, any Guarantor or any such Subsidiary, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Borrower, any Guarantor or any such Subsidiary or any substantial part of the property of the Borrower, any Guarantor or any such Subsidiary, or otherwise, all as though such payment had not been made. If an event permitting the acceleration of all or any portion of the Guaranteed Obligations shall at any time have occurred and be continuing, and such acceleration shall at such time be stayed, enjoined or otherwise prevented for any reason, including without limitation because of the pendency of a case or proceeding relating to the Borrower, any Guarantor or any Subsidiary of the Borrower or any Guarantor under any bankruptcy or insolvency law, for purposes of this Article X and the obligations of the Guarantors hereunder, such Guaranteed Obligations shall be deemed to have been accelerated with the same effect as if such Guaranteed Obligations had been accelerated in accordance with the terms of the applicable Loan Documents or of this Agreement.

Section 10.05. Additional Security, Etc. The Guarantors authorize the Bank without notice to or demand on the Guarantors and without affecting their liability hereunder, from time to time (a) to obtain additional or substitute endorsers or guarantors; (b) to exercise or refrain from exercising any rights against, and grant indulgences to, the Borrower, any Subsidiary of the Borrower, any other Guarantor or others; and (c) to apply any sums, by whomsoever paid or however realized, to the payment of the principal of, premium, if any, and interest on, and other obligations consisting of, the Guaranteed Obligations. The Guarantors waive any right to require the Bank to proceed against any additional or substitute endorsers or guarantors or the Borrower or any of their Subsidiaries or any other Person or to pursue any other remedy available to the Bank.

Section 10.06. Information Concerning the Borrowers. The Guarantors assume all responsibility for being and keeping themselves informed of the financial condition and assets of the Borrower, the other Guarantors and their respective Subsidiaries, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which the Guarantors assume and insure hereunder, and agree that the Bank shall not have any duty to advise the Guarantors of information known to the Bank regarding or in any manner relevant to any of such circumstances or risks.

Section 10.07. Guarantors' Subordination. The Guarantors hereby absolutely subordinate, both in right of payment and in time of payment, any present and future indebtedness of the Borrower or any Subsidiary of the Borrower or any Guarantor to any or all of the Guarantors to the indebtedness of the Borrower or any such Subsidiary to the Bank, *provided* that the Guarantors may receive scheduled payments of principal, premium (if any) and interest in respect of such present or future indebtedness so long as there is no Event of Default then in existence.

Section 10.08. Waiver of Subrogation. Notwithstanding anything herein to the contrary, the Guarantors hereby waive any right of subrogation (under contract, Section 509 of the Bankruptcy Code or otherwise) or any other right of indemnity, reimbursement or contribution and hereby waive any right to enforce any remedy that the Bank now has or may hereafter have against the Borrower, any Guarantor or any endorser or any other guarantor of all or any part of the Guaranteed Obligations, and the Guarantors hereby waive any benefit of, and any right to participate in, any security or collateral given to the Bank to secure payment or performance of the Guaranteed Obligations or any other liability of the Borrower to the Bank. The waiver contained in this Section shall continue and survive the termination of this Agreement and the final and indefeasible payment in full of the Guaranteed Obligations.

Section 10.09. Enforcement. In the event that the Guarantors shall fail forthwith to pay upon demand of the Bank any amounts due pursuant to this Article X or to perform or comply with or to cause performance or compliance with any other obligation of the Guarantors under this Agreement, the Bank shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid or for the performance of or compliance with such terms, and may prosecute any such action or proceeding to judgment or final decree and may enforce such judgment or final decree against the Guarantors and collect in the manner provided by law out of the property of the Guarantors, wherever situated, any monies adjudged or decreed to be payable. The obligations of the Guarantors under this Agreement are continuing obligations and a fresh cause of action shall arise in respect of each default hereunder.

Section 10.10. Miscellaneous. Except as may otherwise be expressly agreed upon in writing, the liability of the Guarantors under this Article X shall neither affect nor be affected by any prior or subsequent guaranty by the Guarantors of any other indebtedness to the Bank. Notwithstanding anything in this Article X to the contrary, the maximum liability of each Guarantor hereunder shall in no event exceed the maximum amount which could be paid out by such Guarantor without rendering such Guarantor's obligations under this Article X, in whole or in part, void or voidable under applicable law, including, without limitation, (i) the Bankruptcy Code of 1978, as amended, and (ii) any applicable state or federal law relative to fraudulent conveyances.

Section 10.11. Amended, Restated and Replacement Agreement. This Agreement amends, restates and replaces in its entirety the Original Credit Agreement, all effective as of the Restatement Effective Date.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, under seal, by their respective authorized officers as of the day and year first above written.

BASSETT FURNITURE INDUSTRIES,
INCORPORATED

[Corporate Seal]

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

BASSETT FURNITURE INDUSTRIES OF NORTH
CAROLINA, LLC

[Corporate Seal]

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

BASSETT DIRECT STORES, LLC

By: Bassett Direct Stores, LLC
Its sole Member and Manager

[Corporate Seal]

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

BASSETT DIRECT NC, LLC

By: Bassett Direct Stores, LLC
Its sole Member and Manager

[Corporate Seal]

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

BASSETT DIRECT SC, LLC

By: Bassett Direct Stores, LLC
Its sole Member and Manager

[Corporate Seal]

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

TRUIST BANK, formerly known as Branch Banking and
Trust Company

By: _____ (SEAL)
Ray D. Vaughn, Senior Vice President

Truist Bank
310 First Street
Roanoke, Virginia 24011
Attention: Ray D. Vaughn
Telecopy number: (540) 510-3280
Telephone number: (540) 344-6897

#42061229v7

SIXTH AMENDED AND RESTATED
REVOLVING CREDIT NOTE

\$50,000,000.00

Roanoke, Virginia
June 15, 2020

For Value Received, BASSETT FURNITURE INDUSTRIES, INCORPORATED (the "Borrower") promises to pay to the order of TRUIST BANK (the "Bank"), the principal sum of FIFTY MILLION and NO/100 DOLLARS (\$50,000,000.00), or such lesser amount as may have been advanced hereunder and remains unpaid on the Termination Date (as defined in the Credit Agreement, as hereinafter defined), and to pay interest on the unpaid balance of such sum from the date hereof at the rate or rates set forth in Section 2.06 of the Credit Agreement on the dates provided for in this Note and upon the other terms and conditions contained in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in federal or other immediately available funds at the office of Truist Bank, 310 First Street, Suite 200, Roanoke, Virginia 24011, or at such other address as may be specified from time to time pursuant to the Credit Agreement.

This Note is the Note referred to in the Sixth Amended and Restated Credit Agreement dated as of June 15, 2020, among the Borrower, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC and Bassett Direct SC, LLC, and Truist Bank (as the same may be amended or modified from time to time, the "Credit Agreement"). Capitalized terms used in this Note that are not otherwise defined herein shall have the meanings assigned thereto in the Credit Agreement. Nothing contained herein shall obligate the Bank to make any advances to the Borrower hereunder, except as provided in the Credit Agreement.

Interest on this Note for each Interest Period shall be due and payable commencing on July 5, 2020 and continuing on the fifth (5th) day of each month thereafter; provided that: (1) all accrued unpaid interest on this Note shall be paid in full on the Termination Date; and (2) should the Commitment be terminated at any time prior to the Termination Date for any reason, any and all accrued interest shall be paid on the date of such termination. The principal balance of this Note shall be due and payable, subject to Section 6.01 of the Credit Agreement, on the Termination Date.

The Borrower shall have the right and shall be required to make prepayments of the principal of this Note upon the terms and subject to the conditions contained in the Credit Agreement.

In the event that the Borrower fails to pay any installment of interest or the principal of this Note within eight (8) days after its due date, the Borrower shall pay to the Bank without demand a late charge equal to five percent (5%) of the amount of the scheduled payment. The imposition and payment of any late charge shall not constitute a waiver of the Bank's rights with respect to an Event of Default resulting from such late payment.

Upon the occurrence and during the continuance of an Event of Default, this Note shall bear interest at the Default Rate as provided in Section 2.06 of the Credit Agreement.

The Events of Default hereunder are described in the Credit Agreement and are incorporated herein by this reference. In the event of the occurrence of any or all of such events, the entire unpaid principal balance of this Note together with all accrued interest hereon may automatically become or may be declared immediately due and payable in the manner and with the effect as provided in the Credit Agreement, and the Borrower shall pay interest and all compensation, fees and expenses set forth in Article VIII of the Credit Agreement as set forth in the Credit Agreement.

The Borrower agrees to pay all costs of collection, including attorneys' fees and expenses, if after the occurrence of an Event of Default this Note is placed in the hands of an attorney for collection, or if after the occurrence of an Event of Default the noteholder finds it necessary or desirable to secure the services or advice of an attorney with regard to collection.

The Borrower waives notice of intent to accelerate, notice of acceleration, presentment, demand, protest and notice of dishonor.

This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its choice of law principles.

IN WITNESS WHEREOF, the Borrower has caused this Sixth Amended and Restated Revolving Credit Note to be duly executed under seal, by its duly authorized officers as of the day and year first above written.

BASSETT FURNITURE INDUSTRIES,
INCORPORATED

By: /s/ _____ (SEAL)

Name: J. Michael Daniel

Title: Senior Vice President, Chief Financial Officer

By: _____ (SEAL)

Name: Jay R. Hervey

Title: Vice President, General Counsel and Secretary

NOTICE OF BORROWING

_____, 20__

To: Truist Bank

Re: Sixth Amended and Restated Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of June 15, 2020 among Bassett Furniture Industries, Incorporated, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank

Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Borrowing is delivered to you pursuant to Section 2.02 of the Credit Agreement.

The Borrower hereby requests a Borrowing in the aggregate principal amount of \$_____ to be made on _____, 20__.

The Borrower has caused this Notice of Borrowing to be executed and delivered by its duly authorized officer this ___ day of _____, 20__.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

By: _____
Title: _____

CLOSING CERTIFICATE

Reference is made to the Sixth Amended and Restated Credit Agreement (the "Credit Agreement") dated as of June 15, 2020 among Bassett Furniture Industries, Incorporated, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank. Capitalized terms used herein have the meanings ascribed thereto in the Credit Agreement.

Pursuant to Section 3.01(e) of the Credit Agreement, _____, the duly authorized _____ of the Borrower; and _____, the duly authorized _____ of each of the Initial Guarantors hereby certify to the Bank that: (i) no Default has occurred and is continuing on the date hereof; and (ii) the representations and warranties of the Borrower and the Initial Guarantors contained in Article IV of the Credit Agreement are true on and as of the date hereof.

Certified as of the 15th day of June, 2020.

BORROWER

BASSETT FURNITURE INDUSTRIES, INCORPORATED

By: _____
Title:

BASSETT FURNITURE INDUSTRIES OF NORTH CAROLINA, LLC

By: _____
Title:

BASSETT DIRECT STORES, LLC

By: _____
Title:

BASSETT DIRECT NC, LLC

By: _____
Title:

BASSETT DIRECT SC, LLC

By: _____
Title:



SECRETARY'S CERTIFICATE

The undersigned, _____, _____ Secretary of _____, a _____ corporation (the "Company"), hereby certifies that he has been duly elected, qualified and is acting in such capacity and that, as such, he is familiar with the facts herein certified and is duly authorized to certify the same, and hereby further certifies, in connection with the Sixth Amended and Restated Credit Agreement dated as of June 15, 2020, among Bassett Furniture Industries, Incorporated, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank, that:

1. Attached hereto as Exhibit A is a complete and correct copy of the Certificate of [Incorporation/Organization] of the Company as in full force and effect on the date hereof as certified by the Secretary of State of the State of _____, Company's state of organization.

2. Attached hereto as Exhibit B is a complete and correct copy of the [Bylaws/Operating Agreement] of the Company as in full force and effect on the date hereof.

3. Attached hereto as Exhibit C is a complete and correct copy of the resolutions duly adopted by the [Board of Directors] of the Company on _____, 20____, approving and authorizing the execution and delivery of the Credit Agreement, the Note (as such term is defined in the Credit Agreement) and the other Loan Documents (as such term is defined in the Credit Agreement) to which the Company is a party. Such resolutions have not been repealed or amended and are in full force and effect, and no other resolutions or consents have been adopted by the [Board of Directors] of the Company in connection therewith.

4. _____, who as _____, and _____, who as _____ of the Company signed the Credit Agreement, the Note and the other Loan Documents to which the Company is a party, were duly elected, qualified and acting as such at the time they signed the Credit Agreement, the Note and the other Loan Documents to which the Company is a party, and their respective signatures appearing on the Credit Agreement, the Note and the other Loan Documents to which the Company is a party are their genuine signatures.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 15th day of June, 2020

Name:
Title:



COMPLIANCE CERTIFICATE

Reference is made to the Sixth Amended and Restated Credit Agreement dated as of June 15, 2020 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Bassett Furniture Industries, Incorporated, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to Section 5.01(d) of the Credit Agreement, _____, the duly authorized [_____], of Bassett Furniture Industries, Incorporated, hereby certifies to the Bank that the information contained in the Compliance Checklist attached hereto is true, accurate and complete as of _____, 20__ (the "Compliance Date"), and that no Default is in existence on and as of the date hereof.

Dated as of _____.

BASSETT FURNITURE INDUSTRIES,
INCORPORATED

By: _____
Name: _____
Title: _____

COMPLIANCE CHECKLIST¹

BASSETT FURNITURE INDUSTRIES, INCORPORATED,
BASSETT FURNITURE INDUSTRIES OF NORTH CAROLINA, LLC,
BASSETT DIRECT STORES, LLC,
BASSETT DIRECT NC, LLC, AND BASSETT DIRECT SC, LLC

_____, 20__

1. **Additional Debt** (Section 5.32)
 - a. Debt not otherwise permitted under Section 5.32
(shall not exceed \$1,000,000) _____

2. **Consolidated Fixed Charge Coverage Ratio** (Section 5.38 – Commencing November 27, 2021)
 - a. Consolidated Net Income before taxes plus Depreciation, Amortization, interest expense and lease expense less distributions to shareholders for such four-quarter period of the Borrower and its Consolidated Subsidiaries _____

 - b. Borrower’s and its Consolidated Subsidiaries Current Maturities of Long Term Debt plus lease expense for such four-quarter period
(Ratio shall not be less than 1.2 to 1 as of the end of any fiscal year) _____

3. **Consolidated Debt to Consolidated Tangible Net Worth Ratio** (Section 5.39 – Commencing February 27, 2021)
 - a. Consolidated Total Debt at the end of such Fiscal Quarter _____

 - b. Consolidated Tangible Net Worth at the end of such Fiscal Quarter
(Ratio shall not be less than 2.50 to 1 as of the end of such Fiscal Quarter) _____

¹ All calculations are to be based on the Borrower and its Consolidated Subsidiaries, unless specifically indicated otherwise.

SCHEDULE 2.03

Existing Letters of Credit

1. Obligation # 00211
Face Amount: \$250,000
Beneficiary: National Interstate Insurance Company
 2. Obligation # 00214
Face Amount: \$20,000
Beneficiary: Liberty Mutual Insurance Company
 3. Obligation # 00218
Face Amount: \$218,000
Beneficiary: Liberty Mutual Insurance Company
 4. Obligation # 90010
Face Amount: \$277,000
Beneficiary: Liberty Mutual Insurance Company
 5. Obligation # 90012
Face Amount: \$1,416,000
Beneficiary: Liberty Mutual Insurance Company
 6. Obligation # 90016
Face Amount: \$500,000
Beneficiary: National Interstate Insurance Company
 7. Obligation # 90018
Face Amount: \$2,100,000
Beneficiary: Wells Fargo Bank, N.A.
-

SCHEDULE 4.08

Subsidiaries

The E.B. Malone Corporation (Delaware corporation)

LRG Furniture, LLC (Virginia limited liability company)

BDP, LC (Texas limited liability company)

BFD-Atlanta, LLC (Virginia limited liability company)

BD Boston, LLC (Virginia limited liability company)

BDU NY, LLC (Virginia limited liability company)

Zenith Freight Lines, LLC (North Carolina limited liability company)

Zenith, Inc. (North Carolina corporation)

Western States Distribution, LLC (California limited liability company)

All Subsidiaries are wholly-owned.

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this “Agreement”), dated as of the 15th day of June, 2020, is made by and among **BASSETT FURNITURE INDUSTRIES, INCORPORATED** (the “Borrower”), **BASSETT FURNITURE INDUSTRIES OF NORTH CAROLINA, LLC**, **BASSETT DIRECT STORES, LLC**, **BASSETT DIRECT NC, LLC**, **BASSETT DIRECT SC, LLC** (collectively, the “Guarantors” and, together with the Borrower, collectively, the “Grantors”), and **TRUIST BANK** (the “Bank”).

WITNESSETH:

RECITALS

Reference is made to that certain Sixth Amended and Restated Credit Agreement dated of even date herewith (as hereafter amended, modified, supplemented or restated from time to time, the “Credit Agreement”), among the Borrower, the Guarantors and the Bank. Terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

Each of the Guarantors has agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement and the Note. The obligations of the Bank to extend credit and issue the Letters of Credit under the Credit Agreement and the other Loan Documents are conditioned upon, among other things, the execution and delivery by the Grantors of a security agreement in the form hereof to secure (a) the due and punctual payment by the Borrower of: (i) the principal of and interest on the Note, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and any renewals, modifications or extensions thereof, in whole or in part; (ii) each payment required to be made by the Borrower under the Letter of Credit Agreements in respect of any of the Letters of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations, if any, to provide cash collateral and any renewals, modifications or extensions thereof, in whole or in part; and (iii) all other monetary obligations of the Borrower to the Bank under the Credit Agreement and the other Loan Documents to which the Borrower is or is to be a party, and any renewals, modifications or extensions thereof, in whole or in part; (b) the due and punctual performance of all other obligations of the Borrower under the Credit Agreement and the other Loan Documents to which the Borrower is or is to be a party, and any renewals, modifications or extensions thereof, in whole or in part; and (c) the due and punctual payment and performance of all obligations of each of the Guarantors under the Credit Agreement and the other Loan Documents to which it is or is to be a party and any renewals, modifications or extensions thereof, in whole or in part (all the foregoing indebtedness, liabilities and obligations being collectively called the “Obligations”).

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Grantors and the Bank, the parties hereto hereby agree as follows:

1. Definitions. As herein used, the following terms shall have the following meanings:

(a) “Account Debtor” means any Person who is or may become obligated to a Grantor under, with respect to or on account of an Account.

(b) “Account” means any and all accounts (as that term is defined in the U.C.C.) of any Grantor and includes, without limitation, any and all rights of any Grantor to payment for goods sold or leased or for services rendered whether due or to become due, whether or not earned by performance and whether now existing or arising in the future, including, without limitation, Accounts from Affiliates of the Grantors, but specifically excluding any account arising out of a transaction primarily for personal, family or household purposes in which the Account Debtor is an individual.

(c) “Chattel Paper” means any and all chattel paper (as that term is defined in the U.C.C.), whether tangible or electronic, of any Grantor.

(d) “Collateral” means (i) all Accounts, General Intangibles, Documents, Chattel Paper and Instruments now existing or hereafter arising of each Grantor; (ii) all guarantees of each Grantor’s existing and future Accounts, General Intangibles, Chattel Paper and Instruments and all other security held by any Grantor for the payment and satisfaction thereof; (iii) all Inventory now owned or hereafter acquired by any Grantor; (iv) any and all now owned or hereafter acquired or arising Deposit Accounts, Letter of Credit Rights, Goods (as that term is defined in the U.C.C.) and Supporting Obligations; (v) all books and records of the Grantors (including, without limitation, computer records, tapes, discs and programs and all other media, written, electric, magnetic or otherwise, containing such records) which relate to any Grantor’s Inventory, Accounts, Deposit Accounts, Letter of Credit Rights, Goods, Supporting Obligations, General Intangibles, Chattel Paper or Instruments or guarantees thereof; (vi) all insurance on all of the foregoing and the Proceeds of that insurance; and (vii) all cash and noncash Proceeds and products of all of the foregoing and the Proceeds and products of other Proceeds and products.

(e) “Collateral Locations” shall mean the Executive Offices and those locations set forth and described on Schedule 1 – Collateral Locations under the heading “Collateral Locations.”

(f) “Credit Documents” means the Credit Agreement, the Note, the Letter of Credit Agreements, the Collateral Documents and all other Loan Documents.

(g) “Deposit Account” means all deposit accounts (as that term is defined in the U.C.C.) of any Grantor, including without limitation, any and all moneys, sums and amounts now or hereafter on deposit with the Bank.

(h) “Documents” means any and all documents (as that term is defined in the U.C.C.) of any Grantor.

(i) “Event of Default” shall have the meaning assigned to it in Section 7 hereof.

(j) “Executive Offices” shall mean with respect to a Grantor, the address and location corresponding to such Grantor’s name set forth on Schedule 1 – Collateral Locations under the heading “Executive Offices.”

(k) “General Intangibles” means all general intangibles (as that term is defined in the U.C.C.) of any Grantor arising from, in connection with or related to any Account or Inventory (including, without limitation, all payment intangibles (as that term is defined in the U.C.C.)) and software, company records (paper and electronic), correspondence, credit files, records and other documents, computer programs, computer software, computer tapes and cards and other paper and documents in the possession or control of any Grantor or in the possession or control of any affiliate or computer service bureau, arising from, in connection with or related to any Account or Inventory.

(l) “Instruments” means all instruments (as that term is defined in the U.C.C.) of any Grantor arising from, in connection with or related to any Account or Inventory, including without limitation, checks, notes, certificated certificates of deposit, investment securities, negotiable instruments and writings evidencing a right to the payment of money of a type transferred in the ordinary course of business by delivery with any necessary instrument or assignment.

(m) “Inventory” means any and all inventory (as that term is defined in the U.C.C.) of any Grantor and shall include, without limitation, tangible personal property held for sale or lease or to be furnished under contracts of service, tangible personal property which any such Grantor has so leased or furnished, and raw materials, work in process and materials used, produced or consumed in such Grantor’s business, and shall include tangible personal property returned to any such Grantor by a purchaser or lessor thereof following the sale or lease thereof by any such Grantor.

(n) “Letter of Credit Rights” means any and all letter of credit rights (as that term is defined in the U.C.C.) arising from, in connection with or related to any Account or Inventory.

(o) “Obligations” has the meaning set forth in the Recitals.

(p) “Person” means an individual, a corporation, a limited liability company, a government or governmental subdivision or agency or instrumentality, a business trust, an estate, a trust, a partnership, a cooperative, an association, two or more Persons having a joint or common interest or any other legal or commercial entity.

(q) “Proceeds” means any and all proceeds (as that term is defined in the U.C.C.), including without limitation, whatever is received when Collateral is sold, exchanged, collected or otherwise disposed of.

(r) “Supporting Obligations” means any and all supporting obligations (as that term is defined in the U.C.C.) arising from, in connection with or related to any Account or Inventory.

(s) “U.C.C.” means the Uniform Commercial Code as in effect in the Commonwealth of Virginia.

Terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement. The rules of interpretation specified in Section 1.02 of the Credit Agreement shall be applicable to this Agreement.

2. Security Interest. In consideration of and in order to secure the fulfillment, satisfaction, payment and performance of all of the Obligations, each Grantor hereby assigns, pledges, hypothecates and sets over to the Bank, its successors and its assigns, and grants to the Bank, its successors and its assigns, a security interest in all of the Collateral.

3. Care of Collateral. The Grantors have the risk of loss of the Collateral. The Bank shall have no duty of care with respect to the Collateral, except that the Bank shall exercise reasonable care with respect to Collateral in its custody, but shall be deemed to have exercised reasonable care if such property is accorded treatment substantially equal to that which the Bank accords its own property, or if the Bank takes such action with respect to the Collateral as a Grantor shall request in writing, but no failure to comply with any such request nor any omission to do any such act requested by a Grantor shall be deemed a failure to exercise reasonable care, nor shall the Bank’s failure to take steps to collect any income accruing on the Collateral or to preserve rights against any parties or property be deemed a failure to have exercised reasonable care with respect to Collateral in its custody. The rights and security interest herein provided are granted as security only and shall not subject the Bank to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of any of the Collateral.

4. Set-Off. In addition to the rights and security interest elsewhere herein set forth, the Bank may, at its option at any time(s) after the occurrence of an Event of Default, and with or without notice to any Grantor, appropriate and apply to the payment or reduction, either in whole or in part, of the amount owing on any one or more of the Obligations, whether or not then due, any and all moneys now or hereafter on deposit in any Deposit Account or otherwise to the credit of or belonging to a Grantor in any Deposit Account, it being understood and agreed that the Bank shall not be obligated to assert or enforce any rights or security interest hereunder or to take any action in reference thereto, and that the Bank may in its discretion at any time(s) relinquish its rights as to particular Collateral hereunder without thereby affecting or invalidating the Bank's rights hereunder as to all or any other Collateral hereinbefore referred to.

5. Collection of Accounts.

(a) Upon the occurrence of an Event of Default, the Bank shall have the right at any time, acting if it so chooses in the name of any or all of the Grantors, to collect the Accounts, to sell, assign, compromise, discharge or extend the time for payment of any Account, to institute legal action for the collection of any Account, to apply all amounts in the any Deposit Account to payment of the Obligations, and to do all acts and things necessary or incidental thereto and the Grantors hereby ratify all such acts. The Bank may at any time after the occurrence of such Event of Default and without notice to any Grantor, notify any Account Debtor or guarantor thereof that the Account owed by such Account Debtor has been assigned to the Bank and is to be paid directly to the Bank. At the Bank's request the Grantors will so notify Account Debtors and shall indicate on all billings to Account Debtors that payments thereon are to be made to the Bank. In the event Account Debtors are so notified, no Grantor shall compromise, discharge, extend the time for payment or otherwise grant any indulgence or allowance with respect to any Account without the prior written consent of the Bank.

(b) Each Grantor irrevocably designates and appoints the Bank, effective upon the occurrence of an Event of Default, its true and lawful attorney (which appointment constitutes a power coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding) either in the name of the Bank or in the name of such Grantor to ask for, demand, sue for, collect, compromise, compound, receive, receipt for and give acquittances for any and all sums owing or which may become due upon any items of the Inventory or the Accounts and, in connection therewith, to take any and all actions as the Bank may deem necessary or desirable in order to realize upon the Inventory and the Accounts, including, without limitation, power to endorse in the name of such Grantor, any checks, drafts, notes or other instruments received in payment of or on account of the Inventory or the Accounts, but the Bank shall not be under any duty to exercise any such authority or power or in any way be responsible for the collection of the Inventory or the Accounts.

6. Representations, Warranties and Covenants as to Collateral.

Each Grantor hereby represents, warrants and covenants to and for the benefit of the Bank that:

(a) Sale of Collateral. No Grantor will sell, lease, exchange, or otherwise dispose of any of the Collateral without the prior written consent of the Bank; provided, however, prior to the occurrence of an Event of Default, Accounts may be collected and deposited in Accounts maintained at the Bank and Inventory may be sold in the ordinary course of business for cash or on open account or on terms of payment ordinarily extended to its customers. Upon the sale, exchange or other disposition of the Inventory, the security interest and lien created and provided for herein, without break in continuity and without further formality or act, shall continue in and attach to any proceeds thereof, including, without limitation, accounts, contract rights, shipping documents, documents of title, bills of lading, warehouse receipts, dock warrants, dock receipts and cash or non-cash proceeds, and in the event of any unauthorized sale, shall continue in the Inventory itself.

(b) Accounts. All existing and future Accounts included in the Collateral are or will be bona fide existing obligations created by the sale and delivery of merchandise or the rendering of services to customers and arose or will arise in the ordinary course of business; and that such Accounts are not and will not be subject to defense, set-off or counterclaim which in the aggregate would materially impair the value of such Accounts as collateral for the Obligations. No Grantor will, without the Bank's prior written consent, grant any extension of the time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with past practice or otherwise in accordance with prudent and reasonable business practices.

(c) Good Title; No Existing Encumbrances. The Grantors own the Collateral free and clear of any prior Lien, and no financing statements or other evidences of the grant of a security interest respecting the Collateral exist on the public records.

(d) Right to Grant Security Interest; No Further Encumbrances. The Grantors have the right to grant a security interest in the Collateral. The Grantors will pay all taxes and other charges against the Collateral (including, without limitation, property, use and sales taxes), and no Grantor will use the Collateral illegally or allow the Collateral to be encumbered except for the security interest in favor of the Bank granted herein.

(e) Location of Collateral. The Grantors hereby represent and warrant to the Bank that, as of the date hereof, the Collateral located in the United States is situated only at one or more of the Collateral Locations. The Grantors covenant with the Bank not to locate any Collateral located in the United States at any location other than a Collateral Location without at least 30 days prior written notice to the Bank. The Executive Office of each Grantor is such Grantor's chief executive office (if such Grantor has more than one place of business) or place of business (if such Grantor has one place of business). In addition, to the extent the Grantors warehouse any of the Inventory now or at any time hereafter, the Grantors acknowledge and agree that such warehousing may be conducted only by warehousemen who have been pre-approved by the Bank and who, in any event, shall execute and deliver to the Bank a bailee letter in form and substance satisfactory to the Bank. If the Grantors consign any of the Inventory, they will comply with the Uniform Commercial Code of any state where such Inventory is located with respect thereto, and shall file, cause the filing and hereby authorizes the Bank to file in the appropriate public office or offices UCC-1 financing statements showing such Grantor or Grantors, as the case may be, as consignor and the Bank as assignee of consignor, and will furnish copies thereof to the Bank. If any of the Inventory or any records concerning the Collateral are at any time to be located on premises leased by a Grantor or on premises owned by a Grantor subject to a mortgage or other lien, such Grantor shall so notify the Bank and shall if requested by the Bank obtain and deliver or cause to be delivered to the Bank, prior to delivery of any Inventory or records concerning the Collateral to said premises, an agreement, in form and substance satisfactory to the Bank, waiving the landlord's or mortgagee's or lienholder's right to enforce any claim against the Grantors for monies due under the landlord's lien, mortgage or other lien by levy or distraint or other similar proceedings against the Inventory or records concerning the Collateral and assuring the Bank's ability to have access to the Inventory and records concerning the Collateral in order to exercise its right hereunder to take possession thereof.

(f) Collateral Status. The Grantors will promptly notify the Bank if there is any adverse change in the status of the Collateral that materially impairs its value or collectibility, or if any defenses, set-offs or counterclaims are asserted by Account Debtors which in the aggregate materially impair the value or collectibility of the Accounts.

(g) Delivery of Certain Collateral. The Grantors have delivered all agreements, letters of credit, promissory notes, instruments, certificates of deposit, chattel paper or anything else, the physical possession of which is necessary in order for the Bank to perfect or preserve the priority of its security interest therein. If at any time any Collateral is evidenced by any promissory note or other instrument, the Grantors shall promptly notify the Bank and deliver such promissory note or other instrument to the Bank, duly endorsed to the Bank.

(h) Purchase of Collateral. No Grantor has purchased any of the Collateral in a bulk transfer or in a transaction which was outside the ordinary course of the business of the seller to such Grantor.

(i) Possession of Franchises, Licenses, Etc. The Grantors possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of any of their respective property and assets, and no Grantor is in violation of any term or condition thereof which would or might have a Material Adverse Effect. The Grantors have furnished the Bank an accurate and complete description of all registered copyrights, patents and trademarks of the Grantors.

(j) Records Respecting Collateral. The Grantors shall keep complete and accurate books and records and make all necessary entries thereon to reflect the transactions and facts giving rise to the Collateral and payments, credits and adjustments applicable thereto. All books and records of the Grantors with respect to the Collateral will be kept at the Executive Office (as it may be changed pursuant to Section 6(e)) and will not be removed from such address without the prior written consent of the Bank.

(k) Further Assurances. Each Grantor shall duly execute and/or deliver (or cause to be duly executed and/or delivered) to the Bank any instrument, invoice, document, document of title, dock warrant, dock receipt, warehouse receipt, bill of lading, order, financing statement, assignment, waiver, consent or other writing which may be reasonably necessary to the Bank to carry out the terms of this Agreement and any of the other Loan Documents and to perfect its security interest in and facilitate the collection of the Collateral, the proceeds thereof, and any other property at any time constituting security to the Bank. Each Grantor shall perform or cause to be performed such acts as the Bank may request to establish and maintain for the Bank a valid and perfected security interest in and lien on the Collateral, free and clear of any Liens other than in favor of the Bank, except that the Grantors shall not be required to perfect the Bank's security interest in Inventory manufactured or warehoused outside of the United States.

(l) Maintenance of Insurance. In addition to and cumulative with any other requirements herein or in the Credit Agreement imposed on the Grantors with respect to insurance, the Grantors shall maintain insurance with insurance companies satisfactory to the Bank on such of the Grantors' respective properties and assets, in such amounts and against such risks as is customarily maintained by similar businesses operating in the same vicinity, but in any event to include public liability, worker's compensation, business interruption, malicious mischief, errors and omissions, loss, damage, flood, windstorm, fire, theft, extended coverage and product liability insurance in amounts satisfactory to the Bank, which such insurance shall not be cancelled or altered (or the coverage thereunder reduced or restricted) by any Grantor, unless with the prior written consent of the Bank, or by the insurer of such Grantor, unless such Grantor gives at least 30 days advance written notice to the Bank thereof. The Grantors shall deliver to the Bank on the Restatement Effective Date and at such other times as the Bank may request, a detailed list of such insurance then in effect stating the names of the insurance companies, the amounts and rates of insurance, the date of expiration thereof, the properties and risks covered thereby and the insured with respect thereto, and, within 30 days after notice in writing from the Bank, obtain such additional insurance as the Bank may reasonably request. The Grantors will pay all premiums on the insurance referred to herein as and when they become due and shall do all things necessary to maintain the insurance in effect. The Bank may act as the Grantor's agent in adjusting or compromising any loss in an amount equal to or in excess of \$1,000,000 under any such insurance policy and in collecting and receiving the proceeds from any such policy. In the event of any loss in an amount equal to or in excess of \$1,000,000 under any such policy of insurance, the insurer named therein is hereby authorized and directed by the Grantor to make payment for such loss to the Bank, rather than to the Grantors and the Bank jointly. If any Grantor shall default in its obligation hereunder to insure the Collateral in a manner satisfactory to the Bank, then the Bank shall have the right (but not the obligation) to procure such insurance and to charge the costs of same to the Grantors, which costs shall be added to and become a part of the unpaid principal amount of the Obligations, shall bear interest at the Default Rate, shall be payable on demand by the Bank and shall be secured by the Collateral. The proceeds of all such insurance, if any loss should occur, may be applied by the Bank to the payment of the Obligations or to the replacement of any of the Collateral damaged or destroyed, as the Bank may elect or direct in its sole discretion. Each Grantor hereby appoints (which appointment constitutes a power coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding) the Bank as its lawful attorney-in-fact with full authority to make, adjust, settle claims under and/or cancel such insurance and to endorse the applicable Grantor's name on any instruments or drafts issued by or upon any insurance companies.

(m) Change of Chief Executive Office. The Grantors hereby understand and agree that if, at any time hereafter, any Grantor elects to move its Executive Office, or if any Grantor elects to change its name, identity, state of incorporation or organization, any tradename used to identify it in the conduct of its business or in the ownership of its properties, or its structure to other than as existing on the date hereof, the Grantors will notify the Bank in writing at least 30 days prior thereto.

(n) Waivers. With respect to each of the Collateral Locations, the Grantors will use their commercially reasonable best efforts to obtain not later than December 31, 2020 such waivers of lien, estoppel certificates or subordination agreements as the Bank may reasonably require to ensure the priority of its security interest in that portion of the Collateral situated at such locations.

(o) Name and Jurisdiction of Organization. The exact legal name of each Grantor and the state of incorporation or organization for each Grantor is as set forth below:

Bassett Furniture Industries, Incorporated	Virginia
Basset Furniture Industries of North Carolina, LLC	North Carolina
Bassett Direct Stores, LLC	Virginia
Bassett Direct NC, LLC	Virginia
Bassett Direct SC, LLC	Virginia

(p) Control Agreements. If requested by Bank, each Grantor will obtain and deliver or cause to be delivered to the Bank, a control agreement in form and substance satisfactory to Bank with respect to the Collateral with respect to: (i) Deposit Accounts; (ii) Letter-of-Credit Rights; and/or (iii) electronic Chattel Paper.

(q) Marking of Chattel Paper. No Grantor will create any Chattel Paper without placing a legend on the Chattel Paper acceptable to the Bank indicating that the Bank has a security interest in the Chattel Paper.

(r) Purchase Money Security Interests. To the extent the Obligations are used to purchase Collateral, the Borrower's repayment of the Loan shall apply on a "first-in-first-out" basis so that the portion of the Obligations used to purchase a particular item of Collateral shall be paid in the chronological order the applicable Grantor purchased the Collateral.

(s) Business Purpose. None of the Obligations is a Consumer Transaction, as defined in the U.C.C., and none of the Collateral has been or will be purchased or held primarily for personal, family or household purposes.

7. Events of Default. The happening of any one or more of the following events shall constitute an Event of Default hereunder: (a) the nonpayment when due of any of the Obligations which nonpayment is not fully cured within the applicable grace period therefor, if any; (b) the failure to perform, observe or fulfill any covenant or obligation contained in, or the occurrence of an event of default under, any of the Credit Documents, which failure or default is not fully cured within the applicable grace period therefor, if any; or (c) the occurrence of an Event of Default (as defined in the Credit Agreement).

8. Remedies. Upon the occurrence of an Event of Default, or at any time thereafter, the Bank shall have all of the rights and remedies available at law (including, without limitation, those provided to a secured party by the U.C.C.) or in equity to collect, enforce or satisfy any Obligations then owing, whether by acceleration or otherwise. In addition thereto, each Grantor further agrees that (i) in the event that notice is necessary under applicable law, written notice mailed to a Grantor at such Grantor's address given below, ten (10) Domestic Business Days prior to the date of a public sale of any of the Collateral subject to the security interest created herein or prior to the date after which a private sale or any other disposition of said Collateral will be made shall constitute reasonable notice, but notice given in any other reasonable manner or at any other time shall be deemed sufficient; (ii) in the event of sale or other disposition of any such Collateral, the Bank may apply the proceeds of any such sale or disposition to the satisfaction of the Bank's reasonable attorneys' fees and expenses, and all other costs and expenses incurred in connection with the Bank's taking, retaking, holding, preparing for sale, and selling or otherwise disposing of the Collateral; (iii) without precluding any other methods of sale, the sale of Collateral shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of banks disposing of similar property but in any event the Bank may sell on such terms as the Bank may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind; (iv) the Bank may require the Grantors to assemble the Collateral, taking all necessary or appropriate action to preserve and keep it in good condition, and make such available to the Bank at a place and time convenient to both parties, all at the expense of the Grantors; (v) the Bank has no obligation to repair, clean-up or otherwise prepare the Collateral for sale; and (vi) the Bank may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Furthermore, in any such event, to the extent permitted under applicable law, full power and authority are hereby given the Bank to sell, assign, and deliver the whole of the Collateral or any part(s) thereof, at any time(s) at any broker's board, or at public or private sale, at the Bank's option, and no delay on the Bank's part in exercising any power of sale or any other rights or options hereunder, and no notice or demand, which may be given to or made upon any or all of the Grantors by the Bank with respect to any power of sale or other right or option hereunder, shall constitute a waiver thereof, or limit or impair the Bank's right to take any action or to exercise any power of sale or any other rights hereunder, without notice or demand, or prejudice the Bank's rights as against the Grantors in any respect. The Grantors hereby waive and release to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshaling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Bank may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. If the Bank sells any of the Collateral upon credit, the Grantors will be credited only with payments actually made by the purchaser, received by the Bank and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Bank may resell the Collateral and the Grantors shall be credited with the proceeds of the sale as and when received, less expenses. In the event the Bank purchases any of the Collateral being sold, the Bank may pay for the Collateral by crediting some or all of the Obligations of the Grantors. The Bank shall not be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall the Bank be under any obligation to take any action whatsoever with regard thereto. The Bank has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and the Bank may release, modify or waive any collateral provided by any other Person to secure any of the Obligations, all without affecting the Bank's rights against the Grantors. The Grantors waive any right they may have to require the Bank to pursue any third Person for any of the Obligations. The Bank may sell the Collateral without giving any warranties as to the Collateral and may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

9. Continuing Security Interest. Any and all of the Bank's rights with respect to the security interests hereunder shall continue unimpaired, and the Grantors shall be and remain obligated in accordance with the terms hereof, notwithstanding the release or substitution of any Collateral at any time or of any rights or interests therein, or any delay, extension of time, renewal, compromise or other indulgence granted by the Bank in reference to any of the Obligations, or any promissory note, draft, bill of exchange or other instrument or Credit Document given in connection therewith, the Grantors hereby waiving all notice of any such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consenting to be bound thereby as fully and effectually as if the Grantors had expressly agreed thereto in advance.

10. No Waiver. No delay on the Bank's part in exercising any power of sale, option or other right hereunder, and no notice or demand which may be given to or made upon any Grantor by the Bank, shall constitute a waiver thereof, or limit or impair the Bank's right to take any action or to exercise any other power of sale, option or any other right hereunder, without notice or demand, or prejudice the Bank's rights as against any Grantor in any respect.

11. Financing Statements. Each Grantor authorizes the Bank to file Financing Statements or amendments thereto with respect to any of the Collateral in any location deemed necessary or appropriate by the Bank; each Grantor agrees to reimburse the Bank for the expense of any such filing in any location deemed necessary or appropriate by the Bank. To the extent lawful, each Grantor hereby appoints the Bank as its attorney-in-fact (without requiring the Bank to act as such) (which appointment constitutes a power coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding) to execute any financing statement in the name of such Grantor, and to perform all other acts that the Bank deems appropriate to perfect and continue its security interest in, and to protect and preserve, the Collateral.

12. Power of Attorney. Each Grantor hereby appoints any officer or agent of the Bank as such Grantor's true and lawful attorney-in-fact (which appointment constitutes a power coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding) with power to endorse the name of such Grantor upon any notes, checks, drafts, money orders or other instruments of payment or Collateral which may come into possession of the Bank; to sign and endorse the name of such Grantor upon any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against Account Debtors, assignments, verifications and notices in connection with Accounts; to give written notice to such office and officials of the United States Postal Service to affect such change or changes of address so that all mail addressed to any or all Grantors may be delivered directly to the Bank; granting unto such Grantor's said attorney full power to do any and all things necessary to be done with respect to the above transactions as fully and effectively as the Grantor might or could do, and hereby ratifying all its said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the term of this Agreement and all transactions hereunder.

13. Remedies, Etc., Cumulative. Each right, power and remedy of the Bank provided for in this Agreement or the Credit Documents or in any of the other instruments or agreements securing the Obligations or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Bank of any one or more of the rights, powers or remedies provided for in this Agreement, the Credit Documents or in any such other instrument or agreement now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Bank of all such other rights, powers or remedies, and no failure or delay on the part of the Bank to exercise any such right, power or remedy shall operate as a waiver thereof.

14. Continuing Agreement. This is a continuing agreement and shall remain in full force and effect until terminated by written agreement of the parties and until all of the principal of, premium, if any, interest on, and all costs and expenses associated with, all of the Obligations have been fully and indefeasibly paid. This Agreement and the liens and security interests created and granted hereunder shall remain in effect, notwithstanding the fact that at any time or from time to time there may be no Obligations outstanding, in order to secure all future Obligations. If this Security Agreement is revoked by operation of law as against any Grantor, such Grantor will indemnify and save the Bank and its successors and/or assigns harmless from any loss which may be suffered or incurred by them in making, giving, granting or extending any loans or other credit, financing or financial accommodations, or otherwise acting, hereunder prior to receipt by the Bank of notice in writing of such revocation.

15. Miscellaneous. This Agreement shall be governed by the laws of the Commonwealth of Virginia in all respects, including matters of construction, validity and performance except to the extent that the remedies provided herein with respect to any of the collateral are governed by the laws of any jurisdiction other than Virginia; section headings herein are for the convenience of reference only and shall not affect the construction or interpretation of or alter or modify the provisions of this Agreement; none of the terms or provisions of this Agreement may be waived, altered, modified, limited or amended except by an agreement expressly referring hereto and to which the Bank consents in writing duly signed for the Bank and on the Bank's behalf; the rights granted to the Bank herein shall be supplementary and in addition to those granted to the Bank in any Credit Documents; the addresses of the parties for delivery of notices, requests, demands and other communications hereunder are as set further below. Each of the Grantors hereby agrees that all of their indebtedness, liabilities and obligations under this Agreement, the Credit Agreement, the Note and the other Loan Documents shall be joint and several. No reference to "proceeds" in this Agreement authorizes any sale, transfer, or other disposition of the Collateral by any Grantor.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Security Agreement has been executed by the Grantors under seal by their duly authorized officers, managers or members, as applicable, as of the day and year first above written.

GRANTORS:

**BASSETT FURNITURE INDUSTRIES,
INCORPORATED**

[Corporate Seal]

By: _____ (SEAL)

Name: J. Michael Daniel

Title: Vice President, Chief Accounting Officer

By: _____ (SEAL)

Name: Jay R. Hervey

Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated

3525 Fairystone Park Highway

P.O. Box 626

Bassett, Virginia 24055

Attention: Jay R. Hervey

Telecopy number: (276) 629-6311

Telephone number: (276) 629-6000

[Executions Continue on Following Pages]

**BASSETT FURNITURE INDUSTRIES OF NORTH
CAROLINA, LLC**

[Corporate Seal]

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Vice President, Chief Accounting Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

BASSETT DIRECT STORES, LLC

[Corporate Seal]

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Vice President, Chief Accounting Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

[Executions Continue on Following Pages]

BASSETT DIRECT NC, LLC

[Corporate Seal]

By: Bassett Direct Stores, LLC
Its sole Member and Manager

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Vice President, Chief Accounting Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel
and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

[Executions Continue on Following Pages]

BASSETT DIRECT SC, LLC

[Corporate Seal]

By: Bassett Direct Stores, LLC
Its sole Member and Manager

By: Bassett Furniture Industries, Incorporated
Its sole Member and Manager

By: _____ (SEAL)
Name: J. Michael Daniel
Title: Vice President, Chief Accounting Officer

By: _____ (SEAL)
Name: Jay R. Hervey
Title: Vice President, General Counsel
and Secretary

c/o Bassett Furniture Industries, Incorporated
3525 Fairystone Park Highway
P.O. Box 626
Bassett, Virginia 24055
Attention: Jay R. Hervey
Telecopy number: (276) 629-6311
Telephone number: (276) 629-6000

#42094118v6

SCHEDULE 1
COLLATERAL LOCATIONS

Bassett Furniture Industries, Incorporated

Bassett Warehouse 1
3742 Fairystone Park Hwy.
Bassett, VA 24055

Conover
1123 4th Street SW
Conover, NC 28601

Bassett Warehouse 2
2615 Fairystone Park Hwy.
Bassett, VA 24055

Riverside
2358 Cottonwood Ave
Riverside, CA 92508

Bassett Plant 11
747 Beaver Creek Drive
Martinsville, VA 24112

Grand Prairie
2100 Refuge Way, Building 5
Grand Prairie, TX 79050

Orlando
2481 Principal Row Suite 100
Orlando, FL 32837

Tupelo
3406 W. Main Street
Tupelo, MS 38801

Sharon
31 Commercial Street
Sharon, MA 02067

Old Town
11 Sunset Dr
Bassett, VA 24055

Edgewood
103 Fulfillment Drive
Edgewood, MD

Bassett Furniture Industries of North Carolina, LLC

Bassett Upholstery Division #31 & 36
1111 East 20th Street
Newton, NC 28658

Lane Venture
2309 North College Ave
Newton, NC 28658

Lane Venture Contract
207 County Road 90
Haleyville, AL 35565

Bassett Direct Stores, LLC

3525 Fairystone Park Hwy
P.O. Box 626
Bassett, VA 24055

SCHEDULE 1
COLLATERAL LOCATIONS

EXECUTIVE OFFICES

Bassett Furniture Industries, Incorporated
3525 Fairystone Park Hwy.
P.O. Box 626
Bassett, VA 24055

Bassett Furniture Industries of North Carolina, LLC
3525 Fairystone Park Hwy.
P.O. Box 626
Bassett, VA 24055

Bassett Direct Stores, LLC
3525 Fairystone Park Hwy.
P.O. Box 626
Bassett, VA 24055

Bassett Direct NC, LLC
3525 Fairystone Park Hwy.
P.O. Box 626
Bassett, VA 24055

Bassett Direct SC, LLC
3525 Fairystone Park Hwy.
P.O. Box 626
Bassett, VA 24055

SCHEDULE 1
COLLATERAL LOCATIONS

RETAIL INVENTORY WAREHOUSE LOCATIONS

Knoxville
9533 Kingston Pike
Knoxville TN 37922

Tyler
530 W. Southwest Loop 323, Luna Road
Tyler, TX 75701

Houston
15305 Katy Freeway
Houston, TX 77094

Rochester
1600 Lexington Avenue, Bldg 605, Dock 26
Rochester, NY 14606

Fredericksburg
1551 Carl D. Silver Parkway
Fredericksburg, VA 22401

Newton
2066 Industrial Drive
Newton, NC 28658

Mebane
1013B Oakwood St. Ext.
Mebane, NC 27302

Atlanta
5964 A&C Peachtree Corners East
Norcross, GA 30093

Little Rock
2217 Cantrell Road
Capitol Park Warehouse Bld 2
Little Rock, AR72202

Richmond
4329 November Ave.
Richmond, VA 23606

San Antonio
4519 Macro Drive
San Antonio, TX 78218

Grand Prairie
2100 Refuge Way, Suite 100
Grand Prairie, TX 75050

Wichita
816 E. Funston Street
Wichita, KS 67211

Corona
500 E Rincon Street, Suite 150
Corona, CA 92879

Phoenix
302 E. University Drive
Phoenix, AZ 85004

Las Vegas
470 Mirror Court, Suite 102
Henderson, NV 89044

El Paso
1477 Lomaland Drive, Suite B-6
El Paso, TX 79935

Beacon Falls
125 Railroad Ave. Ext., Building 5&6
Beacon Falls, CT 06403

Stoughton
12 Campanelli Parkway
Stoughton, MA 02072

Essex
8840 Kelso Drive
Essex, MD 21221

Pittsburgh
310 Crown Ct., Suite 310
Oakdale, PA 15071

SCHEDULE 1
COLLATERAL LOCATIONS

RETAIL WAREHOUSE LOCATIONS MANAGED BY THIRD PARTIES

Downstream Logistics
807 Fifth Ave. North
Birmingham, AL 35203

Empire Delivery, Inc.
1600 NW 18th Street, Suite 701
Pompano Beach, FL 33069

Empire Delivery, Inc.
12700 Townsend Road
Philadelphia, PA 19154

RF Delivery Services, Inc.
51 Rodeo Drive
Brentwood, NY 11717

Show Me Delivery Service
2001 Innerbelt Business Center Drive
St. Louis, MO 63114

Show Me Delivery Service
4545 Fisher Road, Dock Door 196
Columbus OH 43228

SCHEDULE 1
COLLATERAL LOCATIONS

RETAIL STORE LOCATIONS

Leased Locations:

Bassett Furniture Industries, Incorporated
2970 John Hawkins Parkway
Hoover, AL 35244

Bassett Furniture Industries, Incorporated
11525 Cantrell Road, Suite 1050
Little Rock, AR 72212

Bassett Furniture Industries, Incorporated
15600 North Scottsdale Road (10/8/16)
Scottsdale, AZ 85260

Bassett Furniture Industries, Incorporated
4336 North Oracle Road
Tucson, AZ 85705

Bassett Furniture Industries, Incorporated
7131 West Ray Road, Suite 29-30
Chandler, AZ 85226

Bassett Furniture Industries, Incorporated
81A Technology Drive
Irvine, CA 92618

Bassett Furniture Industries, Incorporated
6344 North Topanga Boulevard, Building A
Woodland Hills, CA 91367

Bassett Furniture Industries, Incorporated
4175 East Inland Empire Avenue
Ontario, CA 91764

Bassett Furniture Industries, Incorporated
8886 Venice Boulevard (8/15/16)
Los Angeles, CA 90034

Bassett Furniture Industries, Incorporated
3573 Berlin Turnpike
Newington, CT 06111

Bassett Furniture Industries, Incorporated
1076 Post Road
Westport, CT 06880

Bassett Furniture Industries, Incorporated
549 Boston Post Road
Orange, CT 06477

Bassett Furniture Industries, Incorporated
5515 Concord Pike
Wilmington, DE 19803

Bassett Furniture Industries, Incorporated
425 South Dixie Highway
Coral Gables, FL 33146

Bassett Furniture Industries, Incorporated
23230 Via Vilagio Coconut Point
Estero, FL 33928

Bassett Furniture Industries, Incorporated
11385 Legacy Avenue
Palm Beach Gardens, FL 33410

Bassett Furniture Industries, Incorporated
212 North Cattlemen Road
Sarasota, FL 34243

Bassett Furniture Industries, Incorporated
3900 Federal Highway NW
Jensen Beach, FL 34957

Bassett Furniture Industries, Incorporated
3550 North Federal Highway
Ft. Lauderdale, FL 33308

Bassett Furniture Industries, Incorporated
120 Perimeter Center West, Suite 400
Atlanta, GA 30346

Bassett Furniture Industries, Incorporated
840 Ernest W Barrett Parkway, NW, Suite 320
Kennesaw, GA 30144

Bassett Furniture Industries, Incorporated
1905 Mall of Georgia Boulevard, Suite C
Buford, GA 30519

Bassett Furniture Industries, Incorporated
10310 East 13th Street North
Wichita, KS 67206

Bassett Furniture Industries, Incorporated
174 Boylston Street
Chestnut Hill, MA 02467

Bassett Furniture Industries, Incorporated
1150 Rockville Pike
Rockville, MD 20852

Bassett Furniture Industries, Incorporated
110 Shawan Road
Cockeysville, MD 21030

Bassett Furniture Industries, Incorporated
1909 Town Centre Boulevard, Suite 4140
Parole, MD 21401

Bassett Furniture Industries, Incorporated
111 Highlands Boulevard Drive
Manchester, MO 63011

Bassett Furniture Industries, Incorporated
11700 Carolina Place Parkway
Pineville, NC 28134

Bassett Furniture Industries, Incorporated
8201 Glenwood Avenue
Raleigh, NC 27612

Bassett Furniture Industries, Incorporated
439 Daniels Street
Raleigh, NC 27605

Bassett Furniture Industries, Incorporated
240 Rte 17 North (Paramus Town Square)
Paramus, NJ 07652

Bassett Furniture Industries, Incorporated
US Highway 1 & Quaker Ridge Road Store #35
Lawrenceville, NJ 08540

Bassett Furniture Industries, Incorporated
1852 Festival Drive # 140
Las Vegas, NV 89135

Bassett Furniture Industries, Incorporated
88-1 Dunning Road
Middletown, NY 10940

Bassett Furniture Industries, Incorporated
3755 Sheridan Drive
Amherst, NY 14226

Bassett Furniture Industries, Incorporated
220 Rte 110-220 Broad Hollow Road
Farmingdale, NY 11735

Bassett Furniture Industries, Incorporated
900 Old Country Road
Westbury, NY 11590

Bassett Furniture Industries, Incorporated
4 Commerce Drive
Victor, NY 14564

Bassett Furniture Industries, Incorporated
120 South Central Avenue
Hartsdale, NY 10530

Bassett Furniture Industries, Incorporated
4181 Weaverton Lane
Columbus, OH 43219

Bassett Furniture Industries, Incorporated
5929 Britton Parkway
Dublin, OH 43016

Bassett Furniture Industries, Incorporated
5710 North Classen Boulevard, Suite K
Oklahoma City, OK 73118

Bassett Furniture Industries, Incorporated
611 West Dekalb Pike
King of Prussia, PA 19406

Bassett Furniture Industries, Incorporated
8003 Mcknight Road
Pittsburgh, PA 15237

Bassett Furniture Industries, Incorporated
4528 McKinney Avenue
Dallas, TX 75205

Bassett Furniture Industries, Incorporated 7801
Burnet Road (Austin 1)
Austin, TX 78701

Bassett Furniture Industries, Incorporated
4630 Hulen Street
Fort Worth, TX 76312

Bassett Furniture Industries, Incorporated
530 Southwest Loop 323, Luna Road
Tyler, TX 75701

Bassett Furniture Industries, Incorporated
18740 Gulf Freeway
Friendswood, TX 77546

Bassett Furniture Industries, Incorporated
1310 Lake Woodlands
The Woodlands, TX 77546

Bassett Furniture Industries, Incorporated
17603 La Cantera Parkway, Suite 105
San Antonio, TX 78230

Bassett Furniture Industries, Incorporated
8245 Gaylord Parkway
Frisco, TX 75034

Owned Locations:

Bassett Furniture Industries, Incorporated
12941 Shelbyville Road
Louisville, KY 40243

Bassett Furniture Industries, Incorporated
4501 Landover Road
Greensboro, NC 27407

Bassett Furniture Industries, Incorporated
7830 Lyles Lane
Concord, NC 28027

Bassett Furniture Industries, Incorporated
733 Haywood Road
Greenville, SC 29607

Bassett Furniture Industries, Incorporated
2261 East Southlake Boulevard
Southlake, TX 76092

Bassett Furniture Industries, Incorporated
6801 North Mesa Street, Suite B-11
El Paso, TX 79912

Bassett Furniture Industries, Incorporated
21315 Windmill Parc Drive
Sterling, VA 20166

Bassett Furniture Industries, Incorporated
7505 Leesburg Pike, Space 120 B/C
Falls Church, VA 22043

Bassett Furniture Industries, Incorporated
11851 West Broad Street (Short Pump)
Richmond, VA 23233

Bassett Furniture Industries, Incorporated
9533 Kingston Pike
Knoxville, TN 37922

Bassett Furniture Industries, Incorporated
15305 Katy Freeway (Houston 1)
Houston, TX 77094

Bassett Furniture Industries, Incorporated
3625 Southwest Freeway (Houston 4)
Houston, TX 77027

Bassett Furniture Industries, Incorporated
1551 Carl D. Silver Parkway
Fredericksburg, VA 22401

CERTIFICATIONS

I, Robert H. Spilman, Jr., certify that:

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

July 9, 2020

/s/ ROBERT H. SPILMAN, JR.
Robert H. Spilman, Jr., Chairman and Chief Executive Officer

CERTIFICATIONS

I, J. Michael Daniel, certify that:

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

July 9, 2020

/s/ J. MICHAEL DANIEL
J. Michael Daniel, Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Bassett Furniture Industries, Incorporated (the "Company") on Form 10-Q for the period ending May 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert H. Spilman, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

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

July 9, 2020

/s/ ROBERT H. SPILMAN, JR.
Robert H. Spilman, Jr.,
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Bassett Furniture Industries, Incorporated and will be retained by Bassett Furniture Industries, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Bassett Furniture Industries, Incorporated (the "Company") on Form 10-Q for the period ending May 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Michael Daniel, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

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

July 9, 2020

/s/ J. MICHAEL DANIEL
J. Michael Daniel,
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Bassett Furniture Industries, Incorporated and will be retained by Bassett Furniture Industries, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.