

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

FORM 10-K

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

For the fiscal year ended November 27, 2021

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
(Address of principal executive offices)

24055
(Zip Code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 at least 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 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
Non-Accelerated Filer

Accelerated Filer
Smaller reporting company
Emerging growth company

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of May 29, 2021 was \$277,243,046.

The number of shares of the Registrant's common stock outstanding on January 14, 2022 was 9,768,646.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Bassett Furniture Industries, Incorporated definitive Proxy Statement for its 2021 Annual Meeting of Stockholders to be held March 9, 2022, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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As used herein, unless the context otherwise requires, “Bassett,” the “Company,” “we,” “us” and “our” refer to Bassett Furniture Industries, Incorporated and its subsidiaries. References to 2021, 2020 and 2019 mean the fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019. Please note that fiscal 2019 contained 53 weeks.

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”, “aimed” 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, which should be read in conjunction with Item 1A “Risk Factors”, that could cause actual results to differ materially from those contemplated by such forward-looking statements include:

- the impact of the ongoing coronavirus (“COVID-19”) outbreak upon our ability to maintain normal operations at our retail stores, manufacturing facilities and in our logistical services operations, 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 in stores and on the web and consumer demand for home furnishings
- ability of our customers and consumers to obtain credit
- the profitability of the stores (independent licensees and Company-owned retail stores) which may result in future store closings
- 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 and advertising 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 supply chain disruptions and 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 technology systems and possible disruptions due to cybersecurity threats, including any impacts from a network security incident; and the sufficiency of our insurance coverage, including cybersecurity insurance
- 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 by our wholly-owned subsidiary Zenith Freight Lines, LLC

You should keep in mind that any forward-looking statement made by us in this report 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 report 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, might not occur.

PART I

ITEM 1. BUSINESS

(dollar amounts in thousands except per share data)

General

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, many of which feature Bassett galleries or design centers. We also sell our products through our website at www.bassettfurniture.com. We were founded in 1902 and incorporated under the laws of Virginia in 1930. Our rich 119-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.

With 97 BHF stores at November 27, 2021, 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, including the Lane Venture outdoor furniture 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 and ultimately gain market share.

The BHF stores feature custom order furniture, free in-home and virtual 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 or virtual design services for our customers.

We have factories in Newton, North Carolina that manufacture Bench Made custom upholstered and outdoor furniture. We also have factories in Martinsville and Bassett, Virginia that assemble and finish our custom dining offerings, including our Bench Made line of solid hardwood furniture. We currently lease a facility in Haleyville, Alabama where we manufacture aluminum frames for our outdoor furniture. Our manufacturing team takes great pride in the breadth of its options, the precision of its craftsmanship, and the speed of its manufacturing process. Our logistics team then 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.

During fiscal 2018 we acquired Lane Venture, a manufacturer and distributor of premium outdoor furniture and is 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 the Bassett Outdoor brand 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 on the growing trend of outdoor living.

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. Over 60% of Zenith’s revenue is generated from services provided to non-Bassett customers.

Ongoing Impact of the COVID-19 Pandemic and Related Supply Chain and Labor Issues Upon Our Business

On March 11, 2020, the World Health Organization declared the 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 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 had a significant adverse impact upon many sectors of the economy, including non-essential retail commerce, beginning in our second fiscal quarter of 2020.

In response to the above and for the protection of our employees and customers, we temporarily closed our dedicated BHF stores, our manufacturing locations and many of our warehouses for several weeks primarily during the second fiscal quarter of 2020. The disruption to our operations caused by the COVID-19 pandemic resulted in a significant loss for the year ended November 28, 2020. By the end of the third quarter of fiscal 2020 we had reopened all stores and resumed manufacturing activity, allowing us to return to profitability beginning with the third quarter of fiscal 2020 and continuing through fiscal 2021.

Since restarting our manufacturing operations and reopening stores, the pace of incoming wholesale orders from both the retail stores and our independent dealers outside the BHF store network have far exceeded our post reopening forecasts. Wholesale orders for fiscal 2021 increased 29% as compared to 2020. In addition, wholesale orders for fiscal 2021 represented a 28% increase as compared to pre-pandemic levels of fiscal 2019. However, various supply chain disruptions and logistical challenges have created significant delays in order fulfillment resulting in abnormally high backlogs. In addition, inflationary pressures throughout the supply chain have resulted in us implementing multiple wholesale price increases over the last several months. We expect that wholesale gross margins will be slightly impacted during the first half of fiscal 2022 as we cycle through the backlog.

To address our growing backlog, in fiscal 2021 we opened another upholstery manufacturing facility in Newton, NC, adjacent to our existing 500,000 square foot complex. Production from this additional 123,000 square foot facility began in early June and is dedicated to our opening price point “Everyday Value” product. The added space will also allow us to expand our Bench Made motion program, previously referred to as Magnificent Motion, that has exceeded our sales projections since its debut in early 2020.

We continue to closely monitor the COVID-19 pandemic and its lingering impact on the economy, the consumer and our business. While the rate of incoming orders at both our wholesale and retail segments remains strong, there are continuing logistical challenges faced by us and the entire home furnishings industry resulting from COVID-related labor shortages and supply chain disruptions creating significant delays in order fulfillment and increasing backlogs. Although unable to predict with certainty, we expect gradual decreases in wholesale and retail backlogs over the course of fiscal 2022 driven by an anticipated lower rate of future incoming orders coupled with increased manufacturing and shipping activity. Whereas the progress in mass vaccination programs in the U.S. has prompted state and local governments to substantially lift most remaining restrictions on commercial retail activity, it is nevertheless possible that the recent resurgence in COVID-19 cases due to the Delta and Omicron variants, as well as any future variants of the coronavirus entering the U.S., could prompt a return to tighter restrictions in certain areas of the country. Furthermore, pandemic-related labor shortages and supply chain disruptions remain unresolved and order cancellations could result if the present delays in order fulfillment continue for an extended period of time. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 pandemic upon our financial condition and future results of operations.

Operating Segments

We have strategically aligned our business into three reportable segments: Wholesale, Retail – Company-owned stores, and Logistical Services.

The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of BHF stores (Company-owned retail stores and licensee-owned stores) and independent furniture retailers. Our retail segment consists of 63 Company-owned and operated BHF stores. The following table shows the number of Company-owned stores by state as of November 27, 2021:

State	Number of Stores	State	Number of Stores
Alabama	1	Missouri	1
Arizona	3	Nevada	1
Arkansas	1	New Jersey	2
California	3	New York	6
Connecticut	3	North Carolina	5
Delaware	1	Ohio	2
Florida	4	Oklahoma	1
Georgia	3	Pennsylvania	2
Kansas	1	South Carolina	1
Kentucky	1	Tennessee	1
Maryland	3	Texas	12
Massachusetts	1	Virginia	4
		Total	63

Our six locations in the state of New York include a 16,000 square foot clearance center in Middletown, New York. Unlike our other 62 BHF locations, the clearance center offers only clearance merchandise at reduced price points and without design consulting services.

Wholesale Segment Overview

The wholesale furniture industry is very competitive and there are a large number of manufacturers both within and outside the United States who compete in the market on the basis of product quality, price, style, delivery and service. Additionally, many retailers source imported product directly, thus bypassing domestic furniture manufacturers and wholesale importers. We believe that we can be successful in the current competitive environment because our products represent excellent value combining attractive prices, quality and styling, prompt delivery, and superior service.

Wholesale shipments by category for the last three fiscal years, excluding intercompany sales to our retail segment, are summarized below:

	2021				2020				2019			
	External	Intercompany	Total		External	Intercompany	Total		External	Intercompany	Total	
Bassett Custom Upholstery	\$105,445	\$ 69,533	\$174,978	59.2%	\$ 71,840	\$ 56,360	\$128,200	58.0%	\$ 78,856	\$ 73,559	\$152,415	58.4%
Bassett Leather	36,157	61	36,218	12.3%	20,487	949	21,436	9.7%	17,083	2,137	19,220	7.4%
Bassett Custom Wood	24,079	24,066	48,145	16.3%	19,682	19,629	39,311	17.8%	21,264	24,818	46,082	17.6%
Bassett Casegoods	17,378	18,610	35,988	12.2%	13,719	18,409	32,128	14.5%	17,221	23,699	40,920	15.7%
Accessories (1)	-	-	-	0.0%	-	-	-	0.0%	748	1,720	2,468	0.9%
Total	\$183,059	\$ 112,270	\$295,329	100.0%	\$125,728	\$ 95,347	\$221,075	100.0%	\$135,172	\$ 125,933	\$261,105	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.

Approximately 24% of our 2021 wholesale sales were of imported product compared to 24% and 23% in 2020 and 2019, respectively. We define imported product as fully finished product that is sourced. Our domestic product includes certain products that contain components which were also sourced. We continue to believe that a blended strategy including domestically produced products primarily of a custom-order nature combined with sourcing of major collections provides the best value and quality of products to our customers.

The dollar value of our wholesale backlog, representing orders received but not yet shipped to the BHF store network or independent dealers, was \$90,057 at November 27, 2021 and \$54,874 at November 28, 2020. We believe that the backlog will gradually decrease over the course of 2022 to a more manageable level as supply chain constraints begin to ease and because we do not believe the pace of business experienced in late fiscal 2020 through most of fiscal 2021 is sustainable.

We use lumber, fabric, leather, foam and other materials in the production of wood and upholstered furniture. These components are purchased from a variety of domestic and international suppliers and are widely available. The price and availability of foam, which is highly dependent on the cost of oil and available capacity of oil refineries, can be subject to significant volatility from time to time. We currently assemble and finish these components in our five manufacturing facilities in the United States.

Retail Segment Overview – Company-Owned Retail Stores

The retail furniture industry remains very competitive and includes local furniture stores, regional furniture retailers, national department and chain stores, single-vendor branded retailers and on-line retailers. As a whole, our store network with 63 Company-owned stores and 34 licensee-owned stores, ranks in the top 30 in retail furniture sales in the United States. Our Company-owned store network peaked at 70 stores in fiscal 2019. Since that time, we have closed seven underperforming locations.

Net sales for our Company-owned retail stores by major product category for the last three fiscal years are summarized below:

	2021		2020		2019	
Bassett Custom Upholstery	\$ 139,527	56.3%	\$ 112,888	53.3%	\$ 142,865	53.2%
Bassett Leather	226	0.1%	2,326	1.1%	3,782	1.4%
Bassett Custom Wood	30,931	12.5%	28,942	13.7%	35,092	13.1%
Bassett Casegoods	42,658	17.2%	35,728	16.9%	44,827	16.7%
Accessories, mattresses & other (1)	34,485	13.9%	32,060	15.1%	42,127	15.7%
Total	\$ 247,827	100.0%	\$ 211,944	100.0%	\$ 268,693	100.0%

(1) Includes sales of goods other than Bassett-branded products, such as accessories and bedding, and also includes the sale of furniture protection plans.

The COVID crisis has given us the opportunity to look inward and to make structural improvements to our business model. We instituted a “virtual appointment” program for our stores in late March of 2020, whereby consumers digitally engage with our designers and transact without physically visiting a store. Adding this new form of engagement is one of the many lasting changes that have come out of the pandemic.

We consider our website to be the front door to our brand experience where customers can research our furniture and accessory offerings and subsequently buy online or engage with an in-store design consultant. Customer acquisition resulting from our digital outreach strategies has significantly increased our traffic to the website and our online orders over the last two years. While the growth in website traffic and orders moderated somewhat in fiscal 2021 compared to 2020, both have nearly doubled since 2019. Digital advertising dominated our marketing expenditures for the majority of the year as we chose to spend less on traditional television and direct mail advertising. We plan to continue with increased levels of spending on digital advertising and outreach during 2022.

The migration to digital brand research has 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, most of these items must be purchased in a store as they are not conducive to web transactions due to the number of options available. Consequently, we will continue to methodically re-design each one of these important lines. Our intent is to continue to offer the consumer custom options that will help them personalize their home but to 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. While we work to make it easier to purchase either in store or on-line, we will not compromise on our in-store experience or the quality of our in-home makeover capabilities.

We also continue 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. 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 also plan to heavily emphasize our “Made in America” story and utilize locally harvested and organic materials when possible. As part of this, we recently rebranded our premier Custom Upholstery line to be part of the Bench Made program emphasizing that those products are artisan crafted with exceptional domestic materials and are made to order. In addition, we expanded our Bench Made solid wood dining offerings to provide a sleeker more contemporary styling product to complement our initial Bench Made dining offerings.

Logistical Services Segment Overview

Zenith is a specialized supply chain solutions provider, offering the home furnishings industry the benefit of an asset-based network to move product with greater efficiency, enhanced speed to market, less damage and a single source of shipment visibility. We provide fully integrated solutions with the highest commitment to customer care and service as we seek to go beyond our customers' transactional expectations to create collaborative partnerships that provide a single source network to:

- Better manage inventory across multiple locations and provide total audit-ready accountability
- Reduce line haul and delivery costs
- Ensure availability of high-volume items in stores
- Integrate the omnichannel nature of today's retail supply chain
- Management and predictability of the total landed cost of goods

Our customer solutions are provided through the following services:

- Network line haul freight (middle mile)
- Warehousing, distribution and inventory management

At November 27, 2021, our shipping and delivery fleet consisted of the following:

	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Tractors	125	110	235
Trailers	318	360	678
Local delivery trucks	7	22	29

We own a central warehousing and national distribution hub located in Conover, North Carolina, and we lease fourteen facilities in ten states across the continental United States from which we operate regional freight terminals and provide warehouse and distribution services.

Recent Development Regarding Zenith

On January 31, 2022, we entered into a definitive agreement to sell substantially all of the assets of Zenith Freight Lines, LLC to J.B. Hunt Transport Services, Inc. for approximately \$87,000 in cash. We expect the transaction to close by February 28, 2022 subject to customary closing conditions.

Trademarks

Our trademarks, including "Bassett" and the names of some of our marketing divisions, products and collections, are significant to the conduct of our business. This is important due to consumer recognition of the names and identification with our broad range of products. Certain of our trademarks are licensed to independent retailers for use in full store and store gallery presentations of our products. We also own copyrights that are important in the conduct of our business.

Government Regulations

We believe that we have materially complied with all federal, state and local standards regarding safety, health and pollution and environmental controls.

Our logistical services segment is also subject to regulation by several federal governmental agencies, including the Department of Transportation ("DOT"). Specifically the Federal Motor Carrier Safety Administration and the Surface Transportation Board, which are agencies within the DOT. We are also subject to rules and regulations of various state agencies. These regulatory authorities have broad powers, generally governing matters such as authority to engage in motor carrier operations, motor carrier registration, driver hours of service, safety and fitness of transportation equipment and drivers and other matters.

We may also be affected by laws and regulations of countries from which we source goods. Labor, environmental and other laws and regulations change over time, especially in the developing countries from which we source. Changes in these areas of regulation could negatively impact the cost and availability of sourced goods. The timing and extent to which these regulations could have an adverse effect on our financial position or results of operations is difficult to predict. In addition, the imposition of new or increased duties, tariffs, retaliatory tariffs and trade limitations with respect to foreign-sourced products could negatively impact the cost of such goods. Based on the present facts, we do not believe that they will have a material adverse effect on our financial position or future results of operations.

Human Capital

We employed 2,219 people as of November 27, 2021. Our associate count represents an increase of 202 from a year ago, which can be attributed to increased production capacity at our upholstery facilities and the restoration of COVID-19 related headcount reductions in our logistical services segment.

Headcount by segment is as follows:

- 1,034 in the wholesale segment
- 541 in the retail segment
- 644 in the logistical services segment

Invested... In Each Other

This theme permeates everything we do at Bassett. We believe that our associates are most productive when we invest in their personal wellbeing, work environment and professional development. We also strive to maintain an inclusive and diverse workplace free from discrimination and harassment.

Personal & Financial Wellbeing

- We have a strong safety program which includes COVID-19 protocols which meet or exceed Centers for Disease Control guidelines.
- We hosted COVID-19 vaccination clinics for associates and spouses at several of our facilities.
- Our wellness programs, including onsite health clinics, personalized health coaching, mental health counseling, and incentivizing healthy lifestyle choices, are designed to improve associate health and reduce healthcare costs for both the associate and the Company.
- We offer comprehensive benefit plans including Company subsidized health insurance, 401(k) Plan with Company matching contributions, and paid time off. We believe our benefit plans are competitive and meet the needs of most of our associates.

Work Environment

We continue to make substantial investments in our facilities designed to improve associate comfort, increase manufacturing capacity and gain efficiencies. These include:

- Updated break areas, restrooms and lighting in several of our manufacturing facilities.
- Continued renovations at our corporate headquarters.
- Introduction of "Bassett TV" in our manufacturing facilities and offices as a communication tool.

We are also conducting associate focus groups to solicit input for further improving our work-life experience.

Professional Development

We offer a tuition reimbursement program for associates who desire to further their education and we strive to provide opportunities for advancement within our organization. Online training designed to enhance the in-store and follow up experiences for customer and associate alike is required for our customer-facing associates.

Discrimination and Harassment Policy

We continue to maintain and enforce our policy prohibiting discrimination and harassment in our workplace. Our managers are trained in how to prevent, recognize and respond to possible inappropriate behavior. Associates have several available avenues for reporting concerns, including a confidential hotline. We promptly and carefully investigate each complaint of harassment or discrimination.

Major Customers

Our risk exposure related to our customers, consisting primarily of trade accounts receivable along with certain guarantees, net of recognized reserves, totaled approximately \$30,048 and \$24,476 at November 27, 2021 and November 28, 2020, respectively. At November 27, 2021 and November 28, 2020, approximately 22% and 24%, respectively, of the aggregate risk exposure, net of reserves, was attributable to five customers. In fiscal 2021, 2020 and 2019, no customer accounted for more than 10% of total consolidated net sales. However, two customers accounted for approximately 23%, 29% and 44% of our consolidated revenue from logistical services during 2021, 2020 and 2019, respectively.

Available Information

We file our annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC's website at www.sec.gov.

Through our website, www.bassettfurniture.com, we make available free of charge as soon as reasonably practicable after electronically filing or furnishing with the SEC, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments thereto.

ITEM 1A. RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. The risk factors below represent what we believe are the known material risk factors with respect to us and our business. Any of the following risks could materially adversely affect our business, operations, industry, financial position or future financial results.

Risks Related to the Coronavirus Pandemic

The coronavirus global pandemic which caused a significant disruption in non-essential retail commerce may continue to 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 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 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. By the end of June 2020, we had reopened all of our retail stores that had been temporarily closed. However, continuing logistical challenges faced by the entire home furnishings industry resulting from COVID-related labor shortages and supply chain disruptions have created significant delays in order fulfillment and increasing backlogs as we have not been able to produce and ship at the incoming rate of wholesale and retail orders. Although unable to predict with certainty, we expect gradual decreases in wholesale and retail backlogs over the course of 2022 driven by an anticipated lower rate of future incoming orders coupled with gradual easing of supply chain constraints. If we are unable to reduce the backlogs and increase the speed of order fulfillment it is possible that some of our customers may begin to cancel existing orders and require refunds of deposits, which could have an adverse impact upon our liquidity and results of operations. While the home furnishings industry has fared much better during the pandemic than other sectors of the economy, the recent surges in COVID-19 cases due to new variants of the virus and the resurgence of inflation brought on by labor and supply shortages may have an adverse impact upon our business. Should these conditions persist for a prolonged period, this may have a continuing material adverse impact on our ultimate financial condition and liquidity.

Risks Related to Our Retail Operations

We face a volatile retail environment and changing economic conditions that may further adversely affect consumer demand and spending.

Historically, the home furnishings industry has been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. Should current economic conditions weaken, the current rate of housing starts decline, or rising inflation persist, consumer confidence and demand for home furnishings could deteriorate which could adversely affect our business through its impact on the performance of our Company-owned stores, as well as our licensees and the ability of a number of them to meet their obligations to us.

Our retail stores face significant competition from national, regional and local retailers of home furnishings, including increasing on-line competition via the internet.

The retail market for home furnishings is highly fragmented and intensely competitive. We currently compete against a diverse group of retailers, including national department stores, regional or independent specialty stores, and dedicated franchises of furniture manufacturers. National mass merchants such as Costco also have limited product offerings. We also compete with retailers that market products through store catalogs and the internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time. We have also seen increasing competition from retailers offering consumers the ability to purchase home furnishings via the internet for home delivery, and this trend is expected to continue. Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including aggressive advertising, pricing and marketing, extension of credit to customers on terms more favorable than we offer, and expansion into markets where we currently operate.

Competition from any of these sources could cause us to lose market share, revenues and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations.

Our licensee-owned stores may not be able to meet their obligations to us.

We have a significant amount of accounts receivable attributable to our network of licensee-owned stores. We also guarantee a limited number of leases of some of our licensees. If these stores do not generate the necessary level of sales and profits, the licensees may not be able to fulfill their obligations to us resulting in additional bad debt expenses and real estate related losses.

Risks Related to Our Brand and Product Offerings

Failure to successfully anticipate or respond to changes in consumer tastes and trends in a timely manner could adversely impact our business, operating results and financial condition.

Sales of our furniture are dependent upon consumer acceptance of our designs, styles, quality and price. As with all retailers, our business is susceptible to changes in consumer tastes and trends. We attempt to monitor changes in consumer tastes and home design trends through attendance at international industry events and fashion shows, internal marketing research, and communication with our retailers and design consultants who provide valuable input on consumer tendencies. However, such tastes and trends can change rapidly and any delay or failure to anticipate or respond to changing consumer tastes and trends in a timely manner could adversely impact our business, operating results and financial condition.

In addition, certain suppliers may require extensive advance notice of our requirements in order to produce products in the quantities we desire. This long lead time may require us to place orders far in advance of the time when certain products will be offered for sale, thereby exposing us to risks relating to shifts in consumer demand and trends, and any downturn in the U.S. economy.

Our success depends upon our brand, marketing and advertising efforts and pricing strategies, and if we are not able to maintain and enhance our brand, or if we are not successful in these efforts and strategies, our business and operating results could be adversely affected.

Maintaining and enhancing our brand is critical to our ability to expand our base of customers and drive increased traffic at both Company-owned and licensee-owned stores and to our website. Digital advertising and outreach dominated our marketing expenditures for fiscal 2021 and 2020, with no change in strategy expected for 2022. We also expect to invest more heavily in our website in 2022 to improve the navigation and the ordering capabilities to increase web sales. We cannot provide assurance that our marketing, advertising and other efforts to promote and maintain awareness of our brand will not require us to incur substantial costs. If these efforts are unsuccessful or we incur substantial costs in connection with these efforts, our business, operating results and financial condition could be adversely affected.

Risks Related to Material Sourcing and Supply

Our use of foreign sources of production for a portion of our products exposes us to certain additional risks associated with international operations.

Our use of foreign sources for the supply of certain of our products exposes us to risks associated with overseas sourcing. These risks are related to government regulation, volatile ocean freight costs, delays in shipments, extended lead time in ordering and, more recently, disruptions in supply due to plant shut-downs and shipping delays resulting from surges in COVID infections in other parts of the world. Governments in the foreign countries where we source our products may change their laws, regulations and policies, including those related to tariffs and trade barriers, investments, taxation and exchange controls which could make it more difficult to service our customers resulting in an adverse effect on our earnings. We have experienced recent increases in ocean freight costs coupled with a lack of availability of shipping containers resulting in reduced flow of products primarily from Asia. Continued product delays and extended order lead times may adversely affect our ability to service our customers and respond to changes in demand, resulting in the purchase of excess inventory in the face of declining demand, or lost sales due to insufficient inventory in the face of increasing demand, either of which would also have an adverse effect on our earnings or liquidity.

Fluctuations in the price, availability and quality of raw materials could result in increased costs or cause production delays which might result in a decline in sales, either of which could adversely impact our earnings.

We use various types of wood, foam, fibers, fabrics, leathers, and other raw materials in manufacturing our furniture. Certain of our raw materials, including fabrics, are purchased both abroad and domestically. Fluctuations in the price, availability and quality of raw materials could result in increased costs or a delay in manufacturing our products, which in turn could result in a delay in delivering products to our customers. For example, lumber prices fluctuate over time based on factors such as weather and demand, which in turn impact availability. More recently, general price inflation brought on by labor and supply shortages have forced us to implement four wholesale price increases during fiscal 2021. There is no guarantee that we will be able to successfully pass along additional cost increases as they arise, and rising inflation could have an adverse impact upon consumer demand for discretionary items such as home furnishings. Production delays or upward trends in raw material prices could result in lower sales or margins, thereby adversely impacting our earnings.

Risks Related to Our Logistical Services Operations

We may suffer adverse impacts from additional risks associated with the operations of Zenith, a freight transportation and logistics business.

Zenith exposes us to certain risks common to that business, including, but not limited to: difficulties attracting and retaining qualified drivers which could result in increases in driver compensation and could adversely affect our profitability and our ability to maintain or grow our fleet; adverse impacts from unfavorable fluctuations in the availability and price of diesel fuel; increased costs of compliance with, or liability for violation of, existing or future regulations in the highly regulated freight transportation industry; adverse impacts upon Zenith's results of operations which may result from seasonal factors and harsh weather conditions; and the increased liability inherent with the operation of heavy over-the-road vehicles.

Risks Related to Electronic Data Processing and Digital Information

We rely extensively on computer systems to process transactions, summarize results and manage our business. Disruptions in both our primary and back-up systems could adversely affect our business and operating results.

Our primary and back-up computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, natural disasters and errors by employees. Though losses arising from some of these issues would be covered by insurance, interruptions of our critical business computer systems or failure of our back-up systems could reduce our sales or result in longer production times. If our critical business computer systems or back-up systems are damaged or cease to function properly, we may have to make a significant investment to repair or replace them.

We may incur costs and reputational harm resulting from security risks we face in connection with our electronic processing, storage and transmission of confidential information.

We accept electronic payment cards in our stores and also gather certain personal identifiable information in the processing of our retail sales transactions. We also store and process confidential information pertaining to our employees and other third parties on our networks. We may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information. In addition, if there were a disclosure of confidential information provided by, or concerning, our employees, customers or other third parties, including through inadvertent disclosure, unapproved dissemination, or unauthorized access, our reputation could be harmed and we could be subject to civil or criminal liability and regulatory actions. Proceedings related to theft of credit or debit card information may be brought by payment card providers, banks and credit unions that issue cards, cardholders (either individually or as part of a class action lawsuit) and federal and state regulators. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our results and prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIESGeneral

We own our corporate office building, which includes an annex, located in Bassett, Va.

We own the following facilities, by segment:

Wholesale Segment:

<u>Facility</u>	<u>Location</u>
Bassett Wood Division	Martinsville, Va.
Bassett Wood Division	Bassett, Va.
Bassett Upholstery Division	Newton, N.C.
3 Warehouses	Bassett, Va.

In general, these facilities are suitable and are considered to be adequate for the continuing operations involved. All facilities are in regular use and provide adequate capacity for our manufacturing and warehousing needs. In addition to the owned properties shown above, we lease property in Newton, North Carolina for the manufacturing and warehousing operations of Lane Venture and Bassett Outdoor as well as a new upholstery manufacturing facility opened during 2021, and we lease a facility in Haleyville, Alabama which houses a production line for aluminum outdoor furniture. A former upholstery division manufacturing facility which occupied part of a regional distribution center in Grand Prairie, Texas that is leased by our logistical services segment was closed during the second quarter of fiscal 2020 and is currently subleased to another party.

Retail Segment:

Real estate associated with our retail segment consists of eight owned locations with an aggregate square footage of 201,096 and a net book value of \$16,941. These stores are located as follows:

Concord, North Carolina	Greensboro, North Carolina
Greenville, South Carolina	Fredericksburg, Virginia
Houston, Texas (2 locations)	Louisville, Kentucky
Knoxville, Tennessee	

Of these locations, two are subject to land leases. Our remaining 55 store locations are leased from third-parties. In addition to retail stores, we also lease twelve locations for use as regional warehouses and home delivery distribution centers.

Logistical Services Segment:

Owned real estate associated with our logistical services segment is located in Conover, North Carolina and includes the following facilities:

<u>Facility</u>	<u>Square Footage</u>
Distribution center and corporate office	242,000
2 Maintenance facilities	15,142
2 Transit warehouses	86,135

In addition to the owned facilities listed above, we also lease warehouse space in fourteen locations across the United States with an aggregate square footage of 942,176.

See Note 14 to the Consolidated Financial Statements included under Item 8 of this Annual Report for more information with respect to our operating lease obligations.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

David C. Baker, 61, joined the Company in 2005 as Director, Store Operations. From 2006 to 2015 he served as Vice President – Corporate Retail, and in 2015 was appointed to Senior Vice President, Corporate Retail. In 2019, he was appointed Senior Vice President, Chief Retail Officer. Prior to joining Bassett, Mr. Baker managed Bassett stores for licensees from 1999 to 2005 after having previously managed stores for other furniture retail chains including Haverty’s and Rhodes Furniture.

John E. Bassett III, 63, has been with the Company since 1981 and served in various wood manufacturing and product sourcing capacities, including Vice President, Wood Manufacturing; Vice-President, Global Sourcing from 2001 to 2007 and Vice President, Wood in 2008. He was appointed Senior Vice President, Wood in 2009. In 2019, he was also promoted to the position of Senior Vice President, Chief Operations Officer.

Bruce R. Cohenour, 63, has been with the Company since 2011, starting as Senior Vice President of Upholstery Merchandising. In 2013, he was promoted to Senior Vice President of Sales and Merchandising. In 2019, he was appointed Senior Vice President, Chief Sales Officer. Prior to joining Bassett, Mr. Cohenour was with Hooker Furniture Corp. from 2007 through 2010, last serving as President of the Case Goods Division.

J. Michael Daniel, 60, joined the Company in 2007 as Corporate Controller. From April 2009 through December 2009, he served as Corporate Controller and Interim Chief Financial Officer. In January 2010, he was appointed Vice President and Chief Accounting Officer. In January 2013, he was promoted to Senior Vice President and Chief Financial Officer. In 2019, he was also promoted to the position of Senior Vice President, Chief Financial and Administrative Officer.

Jack L. Hawn, 68, has been with the Company since 2015 as Senior Vice President, Bassett and President, Zenith. His company, Zenith Transportation, Inc., was majority owner of Zenith (Zenith Freight Lines, LLC) from 1999 until its interest in Zenith was acquired by the Company in 2015. He has served as President of Zenith since its formation in 1999.

Jay R. Hervey, Esq., 62, has served as the General Counsel, Vice President and Secretary for the Company since 1997.

Kara Kelchner-Strong, 47, joined the Company in 2007 as Director, Retail Communications. In 2015, she was promoted to Vice President, Strategy and Planning. In 2018, she was appointed Vice President, Strategic Transformation Officer and in 2019, she was promoted to Senior Vice President, Customer Experience Officer. Prior to joining Bassett, she held several positions with Restoration Hardware.

Robert H. Spilman, Jr., 65, has been with the Company since 1984. Since 2000, he has served as Chief Executive Officer and President, and in 2016 also became the Chairman of the Board of Directors.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information:

Bassett’s common stock trades on the NASDAQ global select market system under the symbol “BSET.” We had approximately 4,950 beneficial stockholders at January 14, 2022.

Issuer Purchases of Equity Securities:

We are authorized to repurchase Company stock under a plan which was originally announced in 1998. On July 15, 2021, the Board of Directors increased the remaining limit of the repurchase plan to \$20 million. The repurchase program does not include a specific time table or price targets and may be suspended or terminated at any time. Shares may be purchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of prevailing market conditions and other factors. There was no stock repurchase activity for the three months ended November 27, 2021. The approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program was \$19,348.

ITEM 6. [RESERVED]

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

(Amounts in thousands except share and per share data)

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 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 53 weeks of operations for the year ended November 30, 2019 as compared to 52 weeks included in the years ended November 27, 2021 and November 28, 2020.

Impact of COVID-19

For a discussion of how COVID-19 has impacted and may continue to impact our business and financial condition, please refer to the discussion under the heading "Ongoing Impact of the COVID-19 Pandemic and Related Supply Chain and Labor Issues Upon Our Business " in Part I, Item 1 of this report.

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, many of which feature Bassett galleries or design centers. We also sell our products through our website at www.bassettfurniture.com. We were founded in 1902 and incorporated under the laws of Virginia in 1930. Our rich 119-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.

With 97 BHF stores at November 27, 2021, 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 and ultimately gain market share.

The BHF stores feature custom order furniture, free in-home or virtual 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 or virtual design services for our customers.

We have factories in Newton, North Carolina that manufacture Bench Made custom upholstered and outdoor furniture. We also have factories in Martinsville and Bassett, Virginia that assemble and finish our custom dining offerings, including our Bench Made line of solid hardwood furniture. We currently lease a facility in Haleyville, Alabama where we manufacture aluminum frames for our outdoor furniture. Our manufacturing team takes great pride in the breadth of its options, the precision of its craftsmanship, and the speed of its manufacturing process. Our logistics team then 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.

During fiscal 2018, we acquired Lane Venture, a manufacturer and distributor of premium outdoor furniture which is 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 the Bassett Outdoor brand 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 on the growing trend of outdoor living.

We also own 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.

We consider our website to be the front door to our brand experience where customers can research our furniture and accessory offerings and subsequently buy online or engage with an in-store design consultant. Customer acquisition resulting from our digital outreach strategies has significantly increased our traffic to the website and our online orders over the last two years. While the growth in website traffic and orders moderated somewhat in late fiscal 2021 compared to 2020, both have nearly doubled since 2019. The migration to digital brand research has 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, most of these items must be purchased in a store as they are not conducive to web transactions due to the number of options available. Consequently, we will continue to methodically re-design each one of these important lines. Our intent is to continue to offer the consumer custom options that will help them personalize their home but to 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. While we work to make it easier to purchase either in store or on-line, we will not compromise on our in-store experience or the quality of our in-home makeover capabilities.

Analysis of Operations

The following discussion provides an analysis of our results of operations and reasons for material changes therein for fiscal year 2021 as compared to fiscal year 2020 and 2019. Because of the significant adverse impact that the COVID-19 pandemic had on our operations during the second quarter of fiscal 2020, we believe that a better understanding of the revenue and profitability growth that has resulted from our product and marketing initiatives as well as the cost reductions implemented in fiscal 2020 is obtained by comparing our current year results to the pre-pandemic results of fiscal 2019. Therefore, 2019 results are presented below for the purpose of showing a comparison with 2021. For an analysis of the fiscal year 2020 results as compared to fiscal year 2019, see “Analysis of Operations” in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s 2020 Annual Report on Form 10-K, filed with the SEC on January 21, 2021

Net sales revenue, cost of furniture and accessories sold, selling, general and administrative (“SG&A”) expense, new store pre-opening costs, other charges, and income from operations were as follows for the years ended November 27, 2021, November 28, 2020 and November 30, 2019:

	2021		2020		2019*		Comparative Change			
							2021 vs 2020		2021 vs 2019	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent		
Sales Revenue:										
Furniture and accessories	\$ 430,886	88.6%	\$ 337,672	87.5%	\$ 403,865	89.3%	\$ 93,214	27.6%	\$ 27,021	6.7%
Logistics	55,648	11.4%	48,191	12.5%	48,222	10.7%	7,457	15.5%	7,426	15.4%
Total net sales revenue	486,534	100.0%	385,863	100.0%	452,087	100.0%	100,671	26.1%	34,447	7.6%
Cost of furniture and accessories sold										
	209,799	43.1%	163,567	42.4%	179,244	39.6%	46,232	28.3%	30,555	17.0%
SG&A	196,831	40.5%	176,368	45.7%	217,913	48.2%	20,463	11.6%	(21,082)	-9.7%
New store pre-opening costs	-	0.0%	-	0.0%	1,117	0.2%	-	NM	(1,117)	-100.0%
Cost of logistical services	53,905	11.1%	46,946	12.2%	46,367	10.3%	6,959	14.8%	7,538	16.3%
Other charges	-	0.0%	15,205	3.9%	8,041	1.8%	(15,205)	-100.0%	(8,041)	-100.0%
Income (loss) from operations	\$ 25,999	5.3%	\$ (16,223)	-4.2%	\$ (595)	-0.1%	\$ 42,222	N/M	\$ 26,594	N/M

*53 weeks for fiscal 2019 as compared with 52 weeks for fiscal 2021 and 2020.

Our consolidated net sales by segment were as follows:

	2021	2020	2019*	Comparative Change			
				2021 vs 2020		2021 vs 2019	
				Dollars	Percent	Dollars	Percent
Sales Revenue							
Wholesale sales of furniture and accessories	\$ 295,329	\$ 221,075	\$ 261,105	\$ 74,254	33.6%	\$ 34,224	13.1%
Less: Sales to retail segment	(112,270)	(95,347)	(125,933)	(16,923)	17.7%	13,663	-10.8%
Wholesale sales to external customers	183,059	125,728	135,172	57,331	45.6%	47,887	35.4%
Retail sales of furniture and accessories	247,827	211,944	268,693	35,883	16.9%	(20,866)	-7.8%
Consolidated net sales of furniture and accessories	430,886	337,672	403,865	93,214	27.6%	27,021	6.7%
Logistical services revenue	86,977	75,158	80,074	11,819	15.7%	6,903	8.6%
Less: Services to wholesale segment	(31,329)	(26,967)	(31,852)	(4,362)	16.2%	523	-1.6%
Logistical services to external customers	55,648	48,191	48,222	7,457	15.5%	7,426	15.4%
Total sales revenue	\$ 486,534	\$ 385,863	\$ 452,087	\$ 100,671	26.1%	\$ 34,447	7.6%

*53 weeks for fiscal 2019 as compared with 52 weeks for fiscal 2021 and 2020.

Total sales revenue for fiscal 2021 increased \$100,671, or 26.1%, from prior year due primarily to the major impact of the COVID-19 pandemic on our operations during fiscal 2020, which forced a near total shut-down of our manufacturing and retail operations from late March through early May of 2020, followed by an exceptionally strong recovery in demand for home furnishings that has continued into fiscal 2021. Sales of furniture and accessories for fiscal 2021 increased \$34,447 or 7.6%, over fiscal 2019. This growth as compared to fiscal 2019 is attributable not only to the exceptionally strong demand for home furnishings that has benefited our industry over the past eighteen months, but also due to increases in our wholesale business through growth in our Lane Venture line of outdoor furniture, the introduction of our Bassett Outdoor line of outdoor furniture sold through our BHF store network, and the expansion of our wholesale customer base of independent dealers partially offset by lower retail sales from the closure of seven Company-owned stores since the end of 2019.

Cost of furniture and accessories sold as a percentage of total revenue for the fiscal 2021 increased over fiscal 2020 and 2019 primarily due to rising raw material and inbound freight costs, partially offset by improved leverage on fixed costs during fiscal 2021 versus 2020 when our operations were temporarily shut down due to the pandemic. SG&A expenses as a percentage of sales for fiscal 2021 decreased significantly from fiscal 2020 and 2019 due to increased leverage of fixed costs due to higher sales volume coupled with the fact that we have been able to maintain various expense reductions implemented in the second and third quarters of fiscal 2020 in response to the COVID-19 pandemic. This was partially offset by increased operating costs in the logistical services segment.

Other charges of \$15,205 incurred during fiscal 2020 included \$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 in May of 2020, a non-cash charge of \$1,971 for the impairment of goodwill associated with our wood reporting unit within our wholesale segment, and \$1,050 of litigation costs relating to certain wage and hour violation claims that had been asserted against the Company. These claims have since been settled at no additional cost.

Certain other items affecting comparability between fiscal 2021 and 2020 are discussed below in "Other Items Affecting Net Income".

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 (licensee-owned stores and Company-owned stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations 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. 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 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. With our acquisition of Zenith on February 2, 2015, we created the logistical services operating segment which reflects the operations of Zenith. In addition to providing shipping and warehousing services for the Company, the revenue from which is eliminated upon consolidation, 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 logistics revenue in our consolidated statement of operations. Zenith's operating costs are included in selling, general and administrative expenses. See "Recent Development Regarding Zenith" under Part I, Item 1 of the Annual Report regarding our entry into an agreement to sell substantially all of the assets of Zenith.

The following tables illustrate the effects of various intercompany eliminations on income (loss) from operations in the consolidation of our segment results for the full fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019:

	Year Ended November 27, 2021				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 295,329	\$ 247,827	\$ -	\$ (112,270) (1)	\$ 430,886
Logistics	-	-	86,977	(31,329) (2)	55,648
Total sales revenue	295,329	247,827	86,977	(143,599)	486,534
Cost of furniture and accessories sold	202,026	118,455	-	(110,682) (3)	209,799
SG&A expense	75,813	122,328	-	(1,310) (4)	196,831
Cost of logistical services	-	-	85,234	(31,329) (5)	53,905
Income from operations	\$ 17,490	\$ 7,044	\$ 1,743	\$ (278)	\$ 25,999

	Year Ended November 28, 2020				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 221,075	\$ 211,944	\$ -	\$ (95,347) (1)	\$ 337,672
Logistics	-	-	75,158	(26,967) (2)	48,191
Total sales revenue	221,075	211,944	75,158	(122,314)	385,863
Cost of furniture and accessories sold	152,982	107,233	-	(96,648) (3)	163,567
SG&A expense	63,506	114,208	-	(1,346) (4)	176,368
Cost of logistical services	-	-	73,913	(26,967) (5)	46,946
Income (loss) from operations (6)	\$ 4,587	\$ (9,497)	\$ 1,245	\$ 2,647	\$ (1,018)

	Year Ended November 30, 2019				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	\$ 261,105	\$ 268,693	\$ -	\$ (125,933) (1)	\$ 403,865
Logistics	-	-	80,074	(31,852) (2)	48,222
Total sales revenue	261,105	268,693	80,074	(157,785)	452,087
Cost of furniture and accessories sold	173,350	131,528	-	(125,634) (3)	179,244
SG&A expense	76,299	143,057	-	(1,443) (4)	217,913
New store pre-opening costs	-	1,117	-	-	1,117
Cost of logistical services	-	-	78,219	(31,852) (5)	46,367
Income (loss) from operations (6)	\$ 11,456	\$ (7,009)	\$ 1,855	\$ 1,144	\$ 7,446

(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.

(4) Represents the elimination of rent paid by our retail stores occupying Company-owned real estate.

(5) Represents the elimination of the cost of logistical services provided by Zenith to our wholesale segment.

(6) Excludes the effects of goodwill and asset impairment charges, cost of early retirement program, litigation costs and lease exit costs which are not allocated to our segments.

Non-GAAP Financial Information

To supplement the financial measures prepared in accordance with GAAP, we use certain non-GAAP financial measures, including income (loss) from operations before other charges and gross profit on wholesale sales of furniture and accessories by segment inclusive of intercompany sales. The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in tables below.

Income (Loss) from Operations before Other Charges

The following table reconciles income (loss) from operations as shown above for our consolidated segment results with income (loss) from operations as reported in accordance with GAAP for fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Consolidated segment income (loss) from operations excluding special charges	\$ 25,999	\$ (1,018)	\$ 7,446
Less:			
Asset impairment charges	-	12,184	4,431
Goodwill impairment charge	-	1,971	1,926
Early retirement program	-	-	835
Litigation expense	-	1,050	700
Lease exit costs	-	-	149
Income (loss) from operations as reported	<u>\$ 25,999</u>	<u>\$ (16,223)</u>	<u>\$ (595)</u>

Asset Impairment Charges

During fiscal 2020 the loss from operations included \$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.

During fiscal 2019 the loss from operations included \$4,431 of non-cash impairment charges recognized on the assets of six underperforming retail stores.

Goodwill Impairment Charges

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 during fiscal 2020 for the impairment of goodwill associated with our wood reporting unit within our wholesale segment (see Note 6 to our Consolidated Financial Statements).

During fiscal 2019 our annual evaluation of the carrying value of our recorded goodwill resulted in the recognition of a \$1,926 non-cash charge for the impairment of goodwill associated with our retail reporting unit (see Note 6 to our Consolidated Financial Statements).

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 received 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 year ended November 30, 2019.

Litigation Expense

During fiscal 2020 and 2019 we accrued \$1,050 and \$700, respectively for the estimated costs to resolve certain wage and hour violation claims that had been asserted against the Company.

Lease Exit Costs

During fiscal 2019 we recognized a \$149 charge for lease exit costs incurred in connection with the repositioning of a Company-owned retail store in Palm Beach, Florida to a new location within the same market.

Gross Profit by Segment

In the following analysis of results for our wholesale and retail segments, we present a measure of gross profit on sales which is inclusive of intercompany sales from our wholesale segment to our retail segment. We believe that this is a key metric by which to evaluate the performance of each segment and is consistent with management's view of our operating results. The following table reconciles the sales, cost of sales and gross profit presented for each of the wholesale and retail segments to the consolidated amounts for sales, cost of sales and the implied gross profit in accordance with GAAP.

	Year Ended November 27, 2021			
	Non-GAAP Presentation		Eliminations	GAAP Presentation
	Wholesale	Retail		Consolidated
Sales revenue: furniture & accessories	\$ 295,329	\$ 247,827	\$ (112,270) (1)	\$ 430,886
Cost of furniture and accessories sold	202,026	118,455	(110,682) (2)	209,799
Gross profit	\$ 93,303	\$ 129,372	\$ (1,588) (3)	\$ 221,087

	Year Ended November 28, 2020			
	Non-GAAP Presentation		Eliminations	GAAP Presentation
	Wholesale	Retail		Consolidated
Sales revenue: furniture & accessories	\$ 221,075	\$ 211,944	\$ (95,347) (1)	\$ 337,672
Cost of furniture and accessories sold	152,982	107,233	(96,648) (2)	163,567
Gross profit	\$ 68,093	\$ 104,711	\$ 1,301 (3)	\$ 174,105

	Year Ended November 30, 2019			
	Non-GAAP Presentation		Eliminations	GAAP Presentation
	Wholesale	Retail		Consolidated
Sales revenue: furniture & accessories	\$ 261,105	\$ 268,693	\$ (125,933) (1)	\$ 403,865
Cost of furniture and accessories sold	173,350	131,528	(125,634) (2)	179,244
Gross profit	\$ 87,755	\$ 137,165	\$ (299) (3)	\$ 224,621

- (1) Represents the elimination of sales from our wholesale segment to our Company-owned BHF stores.
- (2) 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.
- (3) Represents the change for the period in the elimination of intercompany profit in ending retail inventory.

Wholesale Segment

Net sales, gross profit, SG&A expense and operating income for our Wholesale Segment were as follows for the fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019:

	2021		2020		2019*		Comparative Change			
							2021 vs 2020		2021 vs 2019	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent		
Net sales	\$ 295,329	100.0%	\$ 221,075	100.0%	\$ 261,105	100.0%	\$ 74,254	33.6%	\$ 34,224	13.1%
Gross profit (1)	93,303	31.6%	68,093	30.8%	87,755	33.6%	25,210	37.0%	5,548	6.3%
SG&A	75,813	25.7%	63,506	28.7%	76,299	29.2%	12,307	19.4%	(486)	-0.6%
Income from operations	\$ 17,490	5.9%	\$ 4,587	2.1%	\$ 11,456	4.4%	\$ 12,903	281.3%	\$ 6,034	52.7%

- (1) Gross profit at the segment level is considered a Non-GAAP financial measure due to the included effects of intercompany transactions. Refer to the reconciliation of gross profit by segment to consolidated gross profit presented under Non-GAAP Financial Information above.

*53 weeks for fiscal 2019 as compared with 52 weeks for fiscal 2021 and 2020.

Wholesale shipments by category for the fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019 are summarized below:

	2021				2020				2019*			
	External	Intercompany	Total		External	Intercompany	Total		External	Intercompany	Total	
Bassett Custom												
Upholstery	\$105,445	\$ 69,533	\$174,978	59.2%	\$ 71,840	\$ 56,360	\$128,200	58.0%	\$ 78,856	\$ 73,559	\$152,415	58.4%
Bassett Leather	36,157	61	36,218	12.3%	20,487	949	21,436	9.7%	17,083	2,137	19,220	7.4%
Bassett Custom												
Wood	24,079	24,066	48,145	16.3%	19,682	19,629	39,311	17.8%	21,264	24,818	46,082	17.6%
Bassett Casegoods	17,378	18,610	35,988	12.2%	13,719	18,409	32,128	14.5%	17,221	23,699	40,920	15.7%
Accessories (1)	-	-	-	0.0%	-	-	-	0.0%	748	1,720	2,468	0.9%
Total	\$183,059	\$ 112,270	\$295,329	100.0%	\$125,728	\$ 95,347	\$221,075	100.0%	\$135,172	\$ 125,933	\$261,105	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.

*53 weeks for fiscal 2019 as compared with 52 weeks for fiscal 2021 and 2020.

Fiscal 2021 as Compared to Fiscal 2020

Net sales for the fiscal year ended November 27, 2021 increased \$74,254, or 33.6%, from the prior year due primarily to the major impact of the COVID-19 pandemic on our operations during fiscal 2020, which forced a nearly total shut-down of our manufacturing and retail operations from late March through early May of 2020, followed by an exceptionally strong recovery in demand for home furnishings that has continued through fiscal 2021. The increase in orders resulting from this surge in demand, coupled with continuing supply chain disruptions in the wake of the pandemic, has resulted in a wholesale backlog of \$90,057 at November 27, 2021 as compared to \$54,874 at November 28, 2020. As previously discussed, Bassett and most of the home furnishings industry has been faced with continuing logistical challenges from COVID-related labor shortages and supply chain disruptions creating significant delays in order fulfillment and increased backlogs. For fiscal 2021, gross margins improved primarily due to improved leverage on fixed costs versus the prior year period when our operations were temporarily shut down due to the pandemic partially offset by various cost increases including foam, plywood and various other commodity costs and container freight and other logistics costs. As a result of the aforementioned cost increases, we have instituted multiple price increases during the year, some of which have not been fully realized in the operations as those price increases have generally not been implemented against the existing backlog at the time those increases were given. SG&A expenses as a percentage of sales for fiscal 2021 decreased significantly from fiscal 2020 due to increased leverage of fixed costs due to higher sales volume partially offset by higher spending in the marketing and information technology areas.

Fiscal 2021 as Compared to Fiscal 2019

Because of the significant adverse impact that the COVID-19 pandemic had on our operations during the second quarter of fiscal 2020, we believe that a better understanding of the revenue growth that has resulted from our product and marketing initiatives is obtained by comparing our current year revenues to the pre-pandemic levels of fiscal 2019. Wholesale sales for fiscal 2021 increased \$34,224 or 13.1% over fiscal 2019. On an average weekly basis normalizing for fiscal 2019 being a 53-week year, sales increased 15.3% over 2019. Shipments to the BHF store network declined 3.6% for fiscal 2021 as compared to fiscal 2019. Growth in shipments to the BHF store network of the Bassett Outdoor line of outdoor furniture, introduced in fiscal 2020, was offset by lower retail sales from the closure of seven Company-owned stores since the end of 2019 and the fact that fiscal 2021 included one less week of sales as compared to 2019. Shipments to the open market (independent dealers outside of the BHF store network) increased 41% for fiscal 2021 over fiscal 2019 primarily due to increases from existing dealers along with an expansion of the dealer base. Shipments of our Lane Venture line of outdoor furniture increased 35% for fiscal 2021, respectively, over the comparable fiscal 2019 periods. In addition, wholesale orders for fiscal 2021, increased 28% over fiscal 2019. Wholesale orders from independent dealers increased 67% for fiscal 2021 over fiscal 2019 driven by increases from existing dealers along with an expansion of the dealer base. Also, orders from the Bassett Home Furnishings store network for fiscal 2021 increased 4.7% over fiscal 2019 in spite of having seven fewer stores in the fleet during 2021 as well as one less week in 2021 as compared to 2019. Lane Venture orders increased by 83% for fiscal 2021 over fiscal 2019.

Retail Segment – Company Owned Stores

Net sales, gross profit, SG&A expense, new store pre-opening costs and operating income (loss) for our retail segment were as follows for the fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019:

	2021		2020		2019*		Comparative Change			
							2021 vs 2020		2021 vs 2019	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent		
Net sales	\$ 247,827	100.0%	\$ 211,944	100.0%	\$ 268,693	100.0%	\$ 35,883	16.9%	\$ (20,866)	-7.8%
Gross profit (1)	129,372	52.2%	104,711	49.4%	137,165	51.0%	24,661	23.6%	(7,793)	-5.7%
SG&A	122,328	49.4%	114,208	53.9%	143,057	53.2%	8,120	7.1%	(20,729)	-14.5%
New store pre-opening costs	-	0.0%	-	0.0%	1,117	0.4%	-	0.0%	(1,117)	-100.0%
Loss from operations	\$ 7,044	2.8%	\$ (9,497)	-4.5%	\$ (7,009)	-2.6%	\$ 16,541	NM	\$ 14,053	NM

(1) Gross profit at the segment level is considered a Non-GAAP financial measure due to the included effects of intercompany transactions. Refer to the reconciliation of gross profit by segment to consolidated gross profit presented under Non-GAAP Financial Information above.

Retail sales by major product category for the fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019 were as follows:

	2021		2020		2019*	
Bassett Custom Upholstery	\$ 139,527	56.3%	\$ 112,888	53.3%	\$ 142,865	53.2%
Bassett Leather	226	0.1%	2,326	1.1%	3,782	1.4%
Bassett Custom Wood	30,931	12.5%	28,942	13.7%	35,092	13.1%
Bassett Casegoods	42,658	17.2%	35,728	16.9%	44,827	16.7%
Accessories, mattresses & other (1)	34,485	13.9%	32,060	15.1%	42,127	15.7%
Total	\$ 247,827	100.0%	\$ 211,944	100.0%	\$ 268,693	100.0%

(1) Includes the sale of goods other than Bassett-branded products, such as accessories and bedding, and also includes the sale of furniture protection plans.

*53 weeks for fiscal 2019 as compared with 52 weeks for fiscal 2021 and 2020.

Fiscal 2021 as Compared to Fiscal 2020

Net sales for fiscal 2021 increased \$35,886 or 16.9% from the prior year due primarily to the major impact of the COVID-19 pandemic on our operations in fiscal 2020, which forced a nearly total shut-down of our retail operations from late March through early May of that year, followed by an exceptionally strong recovery in demand for home furnishings that has continued through fiscal 2021. The increase in written sales (the value of sales orders taken but not delivered) resulting from this surge in demand has resulted in a retail backlog of \$82,894 at November 27, 2021 as compared to \$57,041 at November 28, 2020. As previously discussed, Bassett and most of the home furnishings industry has been faced with continuing logistical challenges from COVID-related labor shortages and supply chain disruptions creating significant delays in order fulfillment and increased backlogs. Gross margins for fiscal 2021 increased by 280 basis points, primarily driven by lower levels of promotional activity coupled with improved margins on clearance activity. SG&A expenses for fiscal 2021 as a percentage of sales decreased significantly as compared to fiscal 2020. This was driven by workforce and other overhead reductions and greater leverage on fixed costs from higher sales volumes. In addition, over the course of fiscal 2020 we closed seven unprofitable store locations.

Fiscal 2021 as Compared to Fiscal 2019

Because of the significant adverse impact that the COVID-19 pandemic had on our operations during the second quarter of fiscal 2020, we believe that a better understanding of the retail revenue trend that has resulted from our product and marketing initiatives is obtained by comparing our current year revenues to the pre-pandemic levels of fiscal 2019. Compared to fiscal 2019, net sales for fiscal 2021 decreased \$20,866 or 7.8%, as sales increases from the introduction of the Bassett Outdoor product line were offset by sales decreases from having seven fewer stores in operation. On an average weekly basis normalizing for fiscal 2019 being a 53-week year, sales decreased 6.0% as compared to 2019. Written sales increased 3.0% for fiscal 2021, respectively over fiscal 2019 in spite of having seven fewer stores in operation and one less week on fiscal 2021.

Logistical Services Segment

Revenues, operating expenses and income from operations for our logistical services segment were as follows for the fiscal years ended November 27, 2021, November 28, 2020 and November 30, 2019:

	2021		2020		2019*		Comparative Change			
							2021 vs 2020		2021 vs 2019	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent		
Logistics revenue	\$ 86,977	100.0%	\$ 75,158	100.0%	\$ 80,074	100.0%	\$ 11,819	15.7%	\$ 6,903	8.6%
Operating expenses	85,234	98.0%	73,913	98.3%	78,219	97.7%	11,321	15.3%	7,015	9.0%
Income from operations	<u>\$ 1,743</u>	<u>2.0%</u>	<u>\$ 1,245</u>	<u>1.7%</u>	<u>\$ 1,855</u>	<u>2.3%</u>	<u>\$ 498</u>	<u>40.0%</u>	<u>\$ (112)</u>	<u>-6.0%</u>

*53 weeks for fiscal 2019 as compared with 52 weeks for fiscal 2020.

Analysis of Operations – Logistical Services

Net revenues for fiscal 2021 increased \$11,819 over the prior year due primarily to the major impact of the COVID-19 pandemic on our operations in fiscal 2020, which forced a near total shut-down of furniture retail operations throughout the country from late March through early May of 2020. Zenith's operating expenses as a percentage of revenue for 2021 improved as compared to fiscal 2020 due to better operating efficiency in our middle mile service compared to fiscal 2020 when we were forced during the second quarter of 2020 to run some of our trucks at substantially lower than optimal load levels resulting in inefficiencies. These improvements were partially offset by significantly higher warehouse labor costs as Zenith has been challenged to find and retain freight-handling personnel in the warehousing operation since reopening from the COVID shutdown. Operating expense as a percent of revenue for 2021 increased as compared to 2019 primarily due to the previously mentioned increased labor costs.

Other Items Affecting Net Income (Loss)

Other items affecting net income (loss) for fiscal 2021 and 2020 are as follows:

	2021	2020
Interest income (1)	\$ 54	\$ 236
Interest expense (2)	(322)	(49)
Net periodic pension costs (3)	(422)	(499)
Net gains (cost) of company-owned life insurance (4)	(364)	647
Other	(705)	(898)
Total other loss, net	<u>\$ (1,759)</u>	<u>\$ (563)</u>

- (1) Consists of interest income arising from our short-term investments and interest-bearing cash equivalents. The decline in interest income for fiscal 2021 as compared with fiscal 2020 was due primarily to lower interest rates. See Note 3 to the Consolidated Financial Statements for additional information regarding our investments in certificates of deposit.
- (2) The increase in interest expense in fiscal 2021 over fiscal 2020 is due to the increase in finance leases for tractor, trailer and office equipment. See Note 14 to the Consolidated Financial Statements for additional information regarding our leases.
- (3) Represents the portion of net periodic pension costs not included in income from operations. See Note 9 to the Consolidated Financial Statements for additional information related to our defined benefit pension plans.
- (4) Includes a gain arising from death benefits from Company-owned life insurance of \$914 in fiscal 2020.

Provision for Income taxes

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, for the year ended November 28, 2020, we were able to recognize tax benefits substantially in excess of the current federal statutory rate of 21% due to the effects of carrying back our current net operating loss to tax years in which the federal statutory rate was 35%.

We recorded an income tax provision (benefit) of \$6,198, \$(6,365) and \$188 in fiscal 2021, 2020 and 2019, respectively. Our effective tax rate for 2021 of 25.6% differs from the federal statutory rate of 21.0% due to the effects of state income taxes and various permanent differences. Our effective tax rate of 37.9% for 2020 differs from the federal statutory rate of 21.0% primarily due to the benefit of the CARES Act and to the effects of state income taxes and various permanent differences, including those related to the non-deductible goodwill impairment charge. Our effective tax rate of (10.8%) for 2019 differs from the federal statutory rate of 21.0% primarily due to the non-deductible goodwill impairment charge along with the effects of state income taxes and certain other non-deductible expense. See Note 12 to the Consolidated Financial Statements for additional information regarding our income tax provision (benefit), as well as our net deferred tax assets and other matters.

We have net deferred tax assets of \$3,189 as of November 27, 2021, which, upon utilization, are expected to reduce our cash outlays for income taxes in future years. It will require approximately \$12,000 of future taxable income to utilize our net deferred tax assets.

Liquidity and Capital Resources

We are committed to maintaining a strong balance sheet in order to weather difficult industry conditions, to allow us to take advantage of opportunities as market conditions improve, and to execute our long-term retail strategies.

Cash Flows

Cash provided by operations for fiscal 2021 was \$14,563 compared to \$36,675 for fiscal 2020, representing a decrease of \$22,112. This decrease in operating cash flow is primarily due to significantly increased investment in inventory as we work to fulfill our order backlog and cope with ongoing supply chain disruptions partially offset by increased customer deposits associated with the increase in retail backlogs.

Our overall cash position decreased by \$11,425 during fiscal 2021, compared to an overall increase of \$26,112 during fiscal 2020, a decline of \$37,537 from the prior year. In addition to the decline in cash flows from operations, net cash used in investing activities during fiscal 2021 increased \$7,824 to a net use of \$11,571 compared to net cash used in investing activities of \$3,747 for the prior year. This increase was primarily due to increased capital expenditures in the current year while the prior year period also included proceeds from the sale of our closed Gulfport store location. Net cash used in financing activities during fiscal 2021 increased \$7,601 to a net use of \$14,417 as compared to a net use of \$6,816 for the prior year, primarily due to increased share repurchases of \$5,566 during fiscal 2021 as compared to \$2,208 repurchased during fiscal 2020 along with a special dividend of \$2,479 declared and paid during fiscal 2021. As of November 27, 2021, \$19,348 remains authorized under our existing share repurchase plan. With cash and cash equivalents and short-term investments totaling \$52,089 on hand at November 27, 2021, expected future operating cash flows and the availability under our credit line noted below, we believe we have sufficient liquidity to fund operations for the foreseeable future.

Debt and Other Obligations

Our bank credit facility provides for a line of credit of up to \$25,000. At November 27, 2021, we had \$3,931 outstanding under standby letters of credit against our line, leaving availability under our credit line of \$21,069. In addition, we have outstanding standby letters of credit with another bank totaling \$325. 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. We were in compliance with all covenants under the agreement as of November 27, 2021. The credit facility matures on January 31, 2022.

On January 27, 2022, we entered into a new credit facility with our bank which also provides for a credit line of up to \$25,000. The line bears interest at the One-Month Term Secured Overnight Financing Rate ("One-Month Term SOFR") plus 1.5% and is unsecured. Our bank will charge a fee of 0.25% on the daily unused balance of the line, payable quarterly. Under the terms of the new facility, we must maintain the following financial covenants, measured quarterly on a rolling twelve-month basis:

- Consolidated fixed charge coverage ratio of not less than 1.4 times,
- Consolidated lease-adjusted leverage ratio not to exceed 3.0 times, and
- Minimum tangible net worth ratio of \$140,000, which will change to \$120,000 if we do not complete the sale of Zenith (see "Recent Development Regarding Zenith" under Part I, Item 1 of this Annual Report regarding our entry into an agreement to sell substantially all of the assets of Zenith).

We were in compliance with these covenants at November 27, 2021 and expect to remain in compliance for the foreseeable future. The new credit facility will mature on January 27, 2025, at which time any amounts outstanding under the facility will be due.

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 November 27, 2021 is \$164,855, the present value of which is \$141,674 and is included in our accompanying consolidated balance sheet at November 27, 2021. We were contingently liable under licensee lease obligation guarantees in the amount of \$1,845 at November 27, 2021. Remaining terms under these lease guarantees range from approximately one to five years. See Note 14 to our consolidated financial statements for a schedule of future cash payments on our lease obligations and additional details regarding our leases and lease guarantees.

We provide post-employment benefits to certain current and former executives and management level employees of the Company. Included among these benefits are two defined-benefit plans with a combined projected benefit obligation of \$10,740 at November 27, 2021. See Note 9 to our consolidated financial statements for a projection of future benefit payments under these plans from 2022 through 2031. We also have deferred compensation plans with a total liability of \$3,437 at November 27, 2021, the current portion of which is \$296. See Note 9 to our consolidated financial statements for additional information regarding these plans.

Dividends and Share Repurchases

During fiscal 2021, we declared and paid four quarterly dividends totaling \$5,210, or \$0.53 per share, as well as one special dividend totaling \$2,479, or \$0.25 per share. During fiscal 2021, we repurchased 204,714 shares of our stock for \$5,566 under our share repurchase program. The weighted-average effect of these share repurchases on both our basic and diluted earnings per share was approximately \$0.02 per share. On July 15, 2021, our Board of Directors increased the remaining limit of the repurchase plan to \$20,000. The approximate dollar value that may yet be purchased pursuant to our stock repurchase program as of November 27, 2021 was \$19,348.

Capital Expenditures

We currently anticipate that total capital expenditures for fiscal 2022 will be approximately \$25 to \$30 million, approximately half of which will be used for the purchase and renovation of a site for a new retail store in a new market as well as repositions of two other retail locations, with the remainder used for the expansion and upgrade of our outdoor furniture manufacturing facilities in Haleyville, Alabama along with additional investments in technology and various other manufacturing upgrades within our wholesale segment. Our capital expenditure and working capital requirements in the foreseeable future may change depending on many factors, including but not limited to the overall performance of the store program, our rate of growth, our operating results and any adjustments in our operating plan needed in response to industry conditions, competition or unexpected events. We believe that our existing cash, together with cash from operations, will be sufficient to meet our capital expenditure and working capital requirements for the foreseeable future.

Fair Value Measurements

We account 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.

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 involving the valuation of business acquisitions, goodwill impairments (see Note 7 to the Consolidated Financial Statements) and asset impairments (see Note 13 to the Consolidated Financial Statements) have utilized Level 3 inputs.

Off-Balance Sheet Arrangements

We utilize stand-by letters of credit in the procurement of certain goods in the normal course of business. We lease land and buildings that are primarily used in the operation of BHF stores and Zenith distribution facilities. We have guaranteed certain lease obligations of licensee operators as part of our retail strategy. See Note 14 to the Consolidated Financial Statements, included in Item 8 of this Annual Report on Form 10-K, 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 claims and litigation as well as environmental matters, which arise in the normal course of business. Although the final outcome of these legal and environmental 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.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) which requires that certain estimates and assumptions be made that affect the amounts and disclosures reported in those financial statements and the related accompanying notes. Actual results could differ from these estimates and assumptions. We use our best judgment in valuing these estimates and may, as warranted, solicit external advice. Estimates are based on current facts and circumstances, prior experience and other assumptions believed to be reasonable. The following critical accounting policies, some of which are impacted significantly by judgments, assumptions and estimates, affect our consolidated financial statements.

Revenue Recognition - We adopted ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606 or “ASC 606”) effective as of November 25, 2018, the beginning of our 2019 fiscal year. ASC 606 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects 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. We offer payment terms varying from 30 to 60 days for wholesale customers. Estimates for returns and allowances have been recorded as a reduction of revenue based on our historical return patterns. The contracts with our licensee store owners do not provide for any royalty or license fee to be paid to us.

At retail, transfer occurs and revenue is recognized upon delivery of goods to the customer. We typically collect a significant portion of the purchase price as a customer deposit upon order, with the balance typically collected upon delivery. These deposits are carried on our balance sheet as a current liability until delivery is fulfilled and amounted to \$51,492 and \$25,341 as of November 27, 2021 and November 28, 2020, respectively. Substantially all of the customer deposits held at November 28, 2020 related to performance obligations satisfied during fiscal 2021 and have therefore been recognized in revenue for the year ended November 27, 2021. Estimates for returns and allowances have been recorded as a reduction of revenue based on our historical return patterns. We also sell furniture protection plans to our retail customers on behalf of a third party which is responsible for the performance obligations under the plans. Revenue from the sale of these plans is recognized upon delivery of the goods net of amounts payable to the third party service provider.

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. We recognize an asset for the amount of line-haul revenue earned but not yet billed which is included in other current assets. The balance of this asset was \$1,240 and \$783 at November 27, 2021 and November 28, 2020, respectively. 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. All invoices for logistical services are due 30 days from invoice date.

Allowance for credit losses - We maintain an allowance for credit losses for estimated losses resulting from the inability of our customers to make required payments. Our accounts receivable reserves were \$796 and \$1,211 at November 27, 2021 and November 28, 2020, respectively, representing 2.7% and 5.1% of our gross accounts receivable balances at those dates, respectively. The allowance for credit losses is based on a review of specifically identified customer accounts in addition to an overall aging analysis which is applied to accounts pooled on the basis of similar risk characteristics. Judgments are made with respect to the collectibility of accounts receivable within each pool based on historical experience, current payment practices and current economic trends based on our expectations over the expected life of the receivables, which is generally ninety days or less. Although actual losses have not differed materially from our previous estimates, future losses could differ from our current estimates. Unforeseen events such as a licensee or customer bankruptcy filing could have a material impact on our results of operations.

Inventories - Inventories accounted for under the first-in, first out (“FIFO”) method are stated at the lower of cost or net realizable value, and inventory accounted for under the last-in, first out method (“LIFO”) is stated at the lower of cost or market. Cost is determined for domestic furniture inventories, excluding outdoor furniture products, using the LIFO method. The cost of imported inventories and domestic outdoor furniture products is determined on a FIFO basis. We estimate an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand and market conditions. Our reserves for excess and obsolete inventory were \$4,816 and \$4,522 at November 27, 2021 and November 28, 2020, respectively, representing 5.8% and 7.6%, respectively, of our inventories on a LIFO basis. If actual demand or market conditions in the future are less favorable than those estimated, additional inventory write-downs may be required.

Goodwill – Goodwill represents the excess of the fair value of consideration given over the fair value of the tangible assets and liabilities and identifiable intangible assets of businesses acquired. The acquisition of assets and liabilities and the resulting goodwill is allocated to the respective reporting unit: Wood, Upholstery, Retail or Logistical Services. We review goodwill at the reporting unit level annually for impairment or more frequently if events or circumstances indicate that assets might be impaired.

In accordance with ASC Topic 350, *Intangibles – Goodwill & Other*, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative goodwill impairment test described in ASC Topic 350 (as amended by Accounting Standards Update No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which we adopted for our annual evaluation of goodwill performed as of September 1, 2019). The more likely than not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative impairment test is unnecessary and our goodwill is considered to be unimpaired. However, if based on our qualitative assessment we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we will proceed with performing the quantitative evaluation process. Based on our qualitative assessment as described above for the annual test during fiscal 2019, we concluded that, given declines in our income from operations, primarily resulting from operating losses incurred in our retail reporting unit, as well as in our stock price since the previous analysis in fiscal 2018, it was necessary to perform the quantitative evaluation in the current year. As a result of this test, we recorded an impairment charge of \$1,926 during the year ended November 30, 2019. In addition, we performed an interim test of goodwill as of May 30, 2020 due to the severe impact of the COVID-19 pandemic and resulting business interruption during the second fiscal quarter of 2020. This interim test resulted in an impairment charge of \$1,971 for the year ended November 28, 2020. For the annual tests of goodwill performed as of the beginning of the fourth fiscal quarters of 2020 and 2021, we performed the qualitative assessment as described above and concluded that there has been no additional impairment of our goodwill as of November 27, 2021.

The quantitative evaluation compares the carrying value of each reporting unit that has goodwill with the estimated fair value of the respective reporting unit. Should the carrying value of a reporting unit be in excess of the estimated fair value of that reporting unit, a goodwill impairment charge will be recognized in the amount by which the reporting unit's carrying amount exceeds its fair value, but not to exceed the total goodwill assigned to the reporting unit. The determination of the fair value of our reporting units is based on a combination of a market approach, that considers benchmark company market multiples, an income approach, that utilizes discounted cash flows for each reporting unit and other Level 3 inputs as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurements and Disclosure*, and, in the case of our retail reporting unit, a cost approach that utilizes estimates of net asset value. The cash flows used to determine fair value are 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. Our estimates are subject to change given the inherent uncertainty in predicting future results. 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. As part of the goodwill impairment testing, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units. While we believe such assumptions and estimates are reasonable, the actual results may differ materially from the projected amounts.

Other Intangible Assets – Intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or between annual tests when an impairment indicator exists. The recoverability of indefinite-lived intangible assets is assessed by comparison of the carrying value of the asset to its estimated fair value. If we determine that the carrying value of the asset exceeds its estimated fair value, an impairment loss equal to the excess would be recorded. At November 27, 2021, our indefinite-lived intangible assets other than goodwill consist of trade names acquired in the acquisitions of Zenith and Lane Venture and have a carrying value of \$9,338.

Definite-lived intangible assets are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We estimate the useful lives of our intangible assets and ratably amortize the value over the estimated useful lives of those assets. If the estimates of the useful lives should change, we will amortize the remaining book value over the remaining useful lives or, if an asset is deemed to be impaired, a write-down of the value of the asset may be required at such time. At November 27, 2021 our definite-lived intangible assets consist of customer relationships and customized technology applications acquired in the acquisition of Zenith and customer relationships acquired in the acquisition of Lane Venture with a total carrying value of \$1,964.

Impairment of Long-Lived Assets - We periodically evaluate whether events or circumstances have occurred that indicate long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. When analyzing our real estate properties for potential impairment, we consider such qualitative factors as our experience in leasing and selling real estate properties as well as specific site and local market characteristics. Upon the closure of a Bassett Home Furnishings store, we generally write off all tenant improvements which are only suitable for use in such a store. Right of use assets under operating leases are written down to their estimated fair value. Our estimates of the fair value of the impaired right of use assets include 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*.

Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements regarding the impact or potential impact of recent accounting pronouncements upon our financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 2021.

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.

We have potential exposure to market risk related to conditions in the commercial real estate market. Our retail real estate holdings of \$16,971 and \$17,338 at November 27, 2021 and November 28, 2020, respectively, for Company-owned stores, consisting of eight locations with a total of 201,096 square feet of space, 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 \$1,845 and \$1,811 which we have guaranteed on behalf of licensees as of November 27, 2021 and November 28, 2020, respectively, 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 and warehouse and distribution facilities. At November 27, 2021, the unamortized balance of such right-of-use assets totaled \$104,799. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Bassett Furniture Industries, Incorporated and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bassett Furniture Industries, Incorporated and Subsidiaries (the Company) as of November 27, 2021 and November 28, 2020, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended November 27, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at November 27, 2021 and November 28, 2020, and the results of its operations and its cash flows for each of the three years in the period ended November 27, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of November 27, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated January 31, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Measurement of Reserves for Excess and Obsolete Inventories

Measurement of Reserves for Excess and Obsolete Inventories

Description of the Matter At November 27, 2021, the Company’s inventories were \$78.0 million. As discussed in Note 2 and Note 6 to the consolidated financial statements, cost for domestic manufactured furniture inventories is determined using the last-in, first-out (“LIFO”) method and are stated at the lower of cost or market. The cost of imported inventories and domestic outdoor furniture products is determined using the first-in, first-out (“FIFO”) method and stated at the lower of cost or net realizable value. Reserves for excess and obsolete inventories are determined based upon historical write-offs, forecasted future demand, market conditions and, for domestic manufactured furniture, the respective valuations at LIFO.

Auditing management’s lower of cost or net realizable value or market determination for excess or obsolete inventories was complex due to the highly judgmental nature and estimation uncertainty in determining future demand and market conditions.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s determination of the reserves for excess and obsolete inventories. For example, we tested controls over management’s review of the calculation of reserves for excess and obsolete inventories which included their review of the significant assumptions described above.

Our audit procedures to test the reserves for excess and obsolete inventories included, among others, testing the completeness and accuracy of the underlying data used in management’s analyses. We evaluated the reasonableness of management’s assumptions by performing a retrospective review of the prior year assumptions to actual activity, including write-off history. We held discussions with senior financial and operational management to determine whether any strategic or operational changes in the business would impact expected demand for or related carrying value of inventory. We also performed sensitivity analyses of significant assumptions to evaluate the impact that changes would have on the inventory reserves. We searched for and evaluated information that corroborated or contradicted the Company’s assumptions.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2002.
Richmond, Virginia
January 31, 2022

Consolidated Balance Sheets
Bassett Furniture Industries, Incorporated and Subsidiaries
November 27, 2021 and November 28, 2020
(In thousands, except share and per share data)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 34,374	\$ 45,799
Short-term investments	17,715	17,715
Accounts receivable, net of allowance for credit losses of \$796 and \$1,211 as of November 27, 2021 and November 28, 2020, respectively	28,168	22,340
Inventories	78,004	54,886
Recoverable income taxes	8,379	9,666
Other current assets	13,644	10,272
Total current assets	<u>180,284</u>	<u>160,678</u>
Property and equipment, net	94,066	90,917
Other long-term assets		
Deferred income taxes, net	3,189	4,587
Goodwill and other intangible assets	23,448	23,827
Right of use assets under operating leases	114,148	116,903
Other	6,525	5,637
Total other long-term assets	<u>147,310</u>	<u>150,954</u>
Total assets	<u>\$ 421,660</u>	<u>\$ 402,549</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 28,324	\$ 23,426
Accrued compensation and benefits	15,934	16,964
Customer deposits	51,492	39,762
Current portion of operating lease obligations	27,693	27,078
Other accrued liabilities	10,776	11,141
Total current liabilities	<u>134,219</u>	<u>118,371</u>
Long-term liabilities		
Post employment benefit obligations	12,968	12,089
Long-term portion of operating lease obligations	105,841	111,972
Other long-term liabilities	5,900	2,087
Total long-term liabilities	<u>124,709</u>	<u>126,148</u>
Commitments and Contingencies		
Stockholders' equity		
Common stock, \$5 par value; 50,000,000 shares authorized; issued and outstanding 9,762,125 at November 27, 2021 and 9,942,787 at November 28, 2020	48,811	49,714
Retained earnings	115,631	109,710
Additional paid-in-capital	113	-
Accumulated other comprehensive loss	(1,823)	(1,394)
Total stockholders' equity	<u>162,732</u>	<u>158,030</u>
Total liabilities and stockholders' equity	<u>\$ 421,660</u>	<u>\$ 402,549</u>

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

Consolidated Statements of Operations
Bassett Furniture Industries, Incorporated and Subsidiaries
For the years ended November 27, 2021, November 28, 2020, and November 30, 2019
(In thousands, except per share data)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sales revenue:			
Furniture and accessories	\$ 430,886	\$ 337,672	\$ 403,865
Logistics	55,648	48,191	48,222
Total sales revenue	486,534	385,863	452,087
Cost of furniture and accessories sold	209,799	163,567	179,244
Selling, general and administrative expenses excluding new store pre-opening costs	196,831	176,368	217,913
New store pre-opening costs	-	-	1,117
Cost of logistical services	53,905	46,946	46,367
Asset impairment charges	-	12,184	4,431
Goodwill impairment charge	-	1,971	1,926
Litigation expense	-	1,050	700
Lease exit costs	-	-	149
Early retirement program	-	-	835
Income (loss) from operations	25,999	(16,223)	(595)
Interest income	54	236	568
Interest expense	(322)	(49)	(6)
Other loss, net	(1,491)	(750)	(1,707)
Income (loss) before income taxes	24,240	(16,786)	(1,740)
Income tax expense (benefit)	6,198	(6,365)	188
Net income (loss)	<u>\$ 18,042</u>	<u>\$ (10,421)</u>	<u>\$ (1,928)</u>
Net income per share			
Basic income (loss) per share	<u>\$ 1.83</u>	<u>\$ (1.05)</u>	<u>\$ (0.19)</u>
Diluted income (loss) per share	<u>\$ 1.83</u>	<u>\$ (1.05)</u>	<u>\$ (0.19)</u>
Dividends per share			
Regular dividends	<u>\$ 0.53</u>	<u>\$ 0.46</u>	<u>\$ 0.50</u>
Special dividend	<u>\$ 0.25</u>	<u>\$ -</u>	<u>\$ -</u>

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

Consolidated Statements of Comprehensive Income (Loss)
Bassett Furniture Industries, Incorporated and Subsidiaries
For the years ended November 27, 2021, November 28, 2020, and November 30, 2019
(In thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net income (loss)	\$ 18,042	\$ (10,421)	\$ (1,928)
Other comprehensive income (loss):			
Recognize prior service cost associated			
Actuarial adjustment to Long Term Cash Awards (LTCA)	26	(86)	(141)
Amortization associated with LTCA	144	125	124
Income taxes related to LTCA	(44)	(10)	4
Actuarial adjustment to supplemental executive retirement defined benefit plan (SERP)	(788)	(259)	1,313
Amortization associated with SERP	44	8	184
Income taxes related to SERP	<u>190</u>	<u>64</u>	<u>(382)</u>
Other comprehensive income (loss), net of tax	<u>(428)</u>	<u>(158)</u>	<u>1,102</u>
Total comprehensive income (loss)	<u>\$ 17,614</u>	<u>\$ (10,579)</u>	<u>\$ (826)</u>

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

Consolidated Statements of Cash Flows
Bassett Furniture Industries, Incorporated and Subsidiaries
For the years ended November 27, 2021, November 28, 2020, and November 30, 2019
(In thousands)

	2021	2020	2019
Operating activities:			
Net income (loss)	\$ 18,042	\$ (10,421)	\$ (1,928)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	14,597	13,480	13,500
Non-cash goodwill impairment charge	-	1,971	1,926
Non-cash asset impairment charges	-	12,184	4,431
Non-cash portion of lease exit costs	-	-	149
Bad debt valuation charges	(156)	492	61
Net (gain) loss on disposals of property and equipment	(367)	(81)	515
Gains on lease modifications	(37)	(1,313)	-
Inventory valuation charges	2,969	4,922	2,254
Deferred income taxes	1,545	2,513	(2,890)
Other, net	765	(51)	1,497
Changes in operating assets and liabilities			
Accounts receivable	(5,672)	(1,454)	(2,616)
Inventories	(26,087)	6,494	(5,196)
Other current and long-term assets	(2,241)	(9,325)	1,017
Right of use assets under operating leases	26,243	32,107	-
Customer deposits	11,730	14,421	(1,816)
Accounts payable and accrued liabilities	2,153	5,965	(1,095)
Obligations under operating leases	(28,921)	(35,229)	-
Net cash provided by operating activities	14,563	36,675	9,809
Investing activities:			
Purchases of property and equipment	(10,750)	(6,029)	(17,375)
Proceeds from sales of property and equipment	382	2,345	1,643
Cash paid for business acquisitions, net of cash acquired	-	-	-
Purchases of investments	-	(295)	-
Proceeds from maturities of investments	-	16	5,207
Other	(1,203)	216	(648)
Net cash used in investing activities	(11,571)	(3,747)	(11,173)
Financing activities:			
Cash dividends	(7,689)	(4,544)	(5,133)
Proceeds from exercise of stock options	42	-	25
Issuance of common stock	363	285	328
Repurchases of common stock	(5,566)	(2,208)	(7,345)
Taxes paid related to net share settlement of equity awards	(219)	(228)	-
Repayment of finance lease obligations	(1,348)	(121)	-
Payments on notes and equipment loans	-	-	(292)
Net cash used in financing activities	(14,417)	(6,816)	(12,417)
Change in cash and cash equivalents	(11,425)	26,112	(13,781)
Cash and cash equivalents - beginning of year	45,799	19,687	33,468
Cash and cash equivalents - end of year	\$ 34,374	\$ 45,799	\$ 19,687

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

Consolidated Statements of Stockholders' Equity
Bassett Furniture Industries, Incorporated and Subsidiaries
For the years ended November 27, 2021, November 28, 2020, and November 30, 2019
(In thousands, except share and per share data)

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
	Shares	Amount				
Balance, November 24, 2018	10,527,636	\$ 52,638	\$ -	\$ 140,009	\$ (2,338)	\$ 190,309
Comprehensive income (loss)						
Net loss	-	-	-	(1,928)	-	(1,928)
Amortization of defined benefit plan costs, net of tax	-	-	-	-	230	230
Actuarial adjustments to defined benefit plans, net of tax	-	-	-	-	872	872
Cumulative effect of a change in accounting principle	-	-	-	(21)	-	(21)
Regular dividends (\$0.50 per share)	-	-	-	(5,133)	-	(5,133)
Issuance of common stock	102,303	511	217	-	-	728
Purchase and retirement of common stock	(513,649)	(2,568)	(980)	(3,797)	-	(7,345)
Stock-based compensation	-	-	958	-	-	958
Balance, November 30, 2019	10,116,290	50,581	195	129,130	(1,236)	178,670
Comprehensive income (loss)						
Net loss	-	-	-	(10,421)	-	(10,421)
Amortization of defined benefit plan costs, net of tax	-	-	-	-	98	98
Actuarial adjustments to defined benefit plans, net of tax	-	-	-	-	(256)	(256)
Cumulative effect of a change in accounting principle	-	-	-	(3,785)	-	(3,785)
Regular dividends (\$0.455 per share)	-	-	-	(4,545)	-	(4,545)
Issuance of common stock	43,218	216	69	-	-	285
Purchase and retirement of common stock	(216,721)	(1,083)	(684)	(669)	-	(2,436)
Stock-based compensation	-	-	420	-	-	420
Balance, November 28, 2020	9,942,787	49,714	-	109,710	(1,394)	158,030
Comprehensive income (loss)						
Net income	-	-	-	18,042	-	18,042
Amortization of defined benefit plan costs, net of tax	-	-	-	-	138	138
Actuarial adjustments to defined benefit plans, net of tax	-	-	-	-	(567)	(567)
Regular dividends (\$0.53 per share)	-	-	-	(5,210)	-	(5,210)
Special dividend (\$0.25 per share)	-	-	-	(2,479)	-	(2,479)
Issuance of common stock	34,902	175	230	-	-	405
Purchase and retirement of common stock	(215,564)	(1,078)	(275)	(4,432)	-	(5,785)
Stock-based compensation	-	-	158	-	-	158
Balance, November 27, 2021	9,762,125	\$ 48,811	\$ 113	\$ 115,631	\$ (1,823)	\$ 162,732

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

Notes to Consolidated Financial Statements

(In thousands, except share and per share data)

1. Description of Business

Bassett Furniture Industries, Incorporated (together with its consolidated subsidiaries, “Bassett”, “we”, “our”, the “Company”) based in Bassett, Virginia, is a leading manufacturer, marketer and retailer of branded home furnishings. Bassett’s full range of furniture products and accessories, designed to provide quality, style and value, are sold through an exclusive nation-wide network of 97 retail stores known as Bassett Home Furnishings (referred to as “BHF”). Of the 97 stores, the Company owns and operates 63 stores (“Company-owned retail stores”) with the other 34 being independently owned (“licensee operated”). We also distribute our products through other multi-line furniture stores, many of which feature Bassett galleries or design centers.

We sourced approximately 24% of our wholesale products from various foreign countries, with the remaining volume produced at our five domestic manufacturing facilities.

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

On March 11, 2020, the World Health Organization declared the 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 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 had a significant adverse impact upon many sectors of the economy, including non-essential retail commerce, beginning in our second fiscal quarter of 2020.

In response to the restrictive measures imposed by governmental authorities and for the protection of our employees and customers, we temporarily closed our dedicated stores, our manufacturing locations and many of our warehouses for much of the second fiscal quarter of 2020. This extended period of suspended operations had a material adverse impact upon our results of operations during the second fiscal quarter of 2020 and resulted in a significant net loss for 2020. In addition to operating losses resulting from severely reduced sales volumes, we also recorded charges for goodwill impairment (Note 7) as well as for the impairment of certain other long-lived assets (Note 13). However, since restarting our manufacturing operations and reopening stores, we have seen a significant improvement in business conditions which allowed us to return to overall profitability for the third and fourth fiscal quarters of 2020 continuing through fiscal 2021. Tempering these improvements are the continuing logistical challenges faced by the entire home furnishings industry resulting from COVID-related labor shortages and supply chain disruptions creating significant delays in order fulfillment and increasing backlogs.

Whereas the progress in mass vaccination programs in the U.S. has prompted state and local governments to substantially lift most remaining restrictions on commercial retail activity, the recent resurgence in COVID-19 cases due to the Delta and Omicron variants, as well as any future variants of the coronavirus entering the U.S., could prompt a return to tighter restrictions in certain areas of the country. Furthermore, pandemic-related labor shortages and supply chain disruptions are ongoing and order cancellations could result if the present delays in order fulfillment continue. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 pandemic 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.

2. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Our fiscal year ends on the last Saturday in November, which periodically results in a 53-week year. Fiscal 2019 contained 53 weeks while fiscal 2021 and 2020 each contained 52 weeks. The Consolidated Financial Statements include the accounts of Bassett Furniture Industries, Incorporated and our majority-owned subsidiaries in which we have a controlling interest. All significant intercompany balances and transactions are eliminated in consolidation. Sales of logistical services from Zenith to our wholesale and retail segments have been eliminated, and Zenith’s operating costs and expenses are reported as cost of logistical services in our consolidated statements of operations. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). Unless otherwise indicated, references in the Consolidated Financial Statements to fiscal 2021, 2020 and 2019 are to Bassett’s fiscal year ended November 27, 2021, November 28, 2020 and November 30, 2019, respectively. References to the “ASC” included hereinafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board as the source of authoritative GAAP.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

We analyzed our licensees under the requirements for variable interest entities (“VIEs”). All of these licensees operate as BHF stores and are furniture retailers. We sell furniture to these licensees, and in some cases have extended credit beyond normal terms, made lease guarantees, guaranteed loans, or loaned directly to the licensees. We have recorded reserves for potential exposures related to these licensees. See Note 14 for disclosure of leases and lease guarantees. Based on financial projections and best available information, all licensees have sufficient equity to carry out their principal operating activities without subordinated financial support. Furthermore, we believe that the power to direct the activities that most significantly impact the licensees’ operating performance continues to lie with the ownership of the licensee dealers. Our rights to assume control over or otherwise influence the licensees’ significant activities only exist pursuant to our license and security agreements and are in the nature of protective rights as contemplated under ASC Topic 810. We completed our assessment for other potential VIEs, and concluded that there were none. We will continue to reassess the status of potential VIEs including when facts and circumstances surrounding each potential VIE change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates include allowances for doubtful accounts, calculation of inventory reserves, the valuation of our reporting units for the purpose of testing the carrying value of goodwill, and the valuation of our right of use assets. We also utilize estimates in determining the valuation of income tax reserves, lease guarantees, insurance reserves, and assumptions related to our post-employment benefit obligations. Actual results could differ from those estimates.

Revenue Recognition

ASC Topic 606, Revenue from Contracts with Customers, requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects 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. We offer payment terms varying from 30 to 60 days for wholesale customers. Estimates for returns and allowances have been recorded as a reduction of revenue based on our historical return patterns. The contracts with our licensee store owners do not provide for any royalty or license fee to be paid to us.

At retail, transfer occurs and revenue is recognized upon delivery of goods to the customer. We typically collect a significant portion of the purchase price as a customer deposit upon order, with the balance typically collected upon delivery. These deposits are carried on our balance sheet as a current liability until delivery is fulfilled and amounted to \$51,492 and \$39,762 as of November 27, 2021 and November 28, 2020, respectively. Substantially all of the customer deposits held at November 28, 2020 related to performance obligations satisfied during fiscal 2021 and have therefore been recognized in revenue for the year ended November 27, 2021. Estimates for returns and allowances have been recorded as a reduction of revenue based on our historical return patterns. We also sell furniture protection plans to our retail customers on behalf of a third party which is responsible for the performance obligations under the plans. Revenue from the sale of these plans is recognized upon delivery of the goods net of amounts payable to the third party service provider.

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. We recognize an asset for the amount of line-haul revenue earned but not yet billed which is included in other current assets. The balance of this asset was \$1,240 and \$783 at November 27, 2021 and November 28, 2020, respectively. 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. All invoices for logistical services are due 30 days from invoice date.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Sales commissions are expensed as part of selling, general and administrative expenses at the time revenue is recognized because the amortization period would have been one year or less. Sales commissions at wholesale are accrued upon the shipment of goods. Sales commissions at retail are accrued at the time a sale is written (i.e. – when the customer’s order is placed) and are carried as prepaid commissions in other current assets until the goods are delivered and revenue is recognized. At November 27, 2021 and November 28, 2020, our balance of prepaid commissions included in other current assets was \$6,221 and \$4,279, respectively. We do not incur sales commissions in our logistical services segment.

For our accounting and reporting under ASC 606, we apply the following policy elections and practical expedients:

- We exclude from revenue amounts collected from customers for sales tax, which is consistent with our policy prior to the adoption of ASC 606.
- We do not adjust the promised amount of consideration for the effects of a significant financing component since the period of time between transfer of our goods or services and the collection of consideration from the customer is less than one year.
- We do not disclose the value of unsatisfied performance obligations because the transfer of goods or services is made within one year of the placement of customer orders.

See Note 18 for disaggregated revenue information.

Cash Equivalents and Short-Term Investments

The Company considers cash on hand, demand deposits in banks and all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Our short-term investments consist of certificates of deposit that have original maturities of twelve months or less but greater than three months.

Accounts Receivable

Substantially all of our trade accounts receivable is due from customers located within the United States. We maintain an allowance for credit losses for estimated losses resulting from the inability of our customers to make required payments. The allowance for credit losses is based on a review of specifically identified accounts in addition to an overall aging analysis which is applied to accounts pooled on the basis of similar risk characteristics. Judgments are made with respect to the collectibility of accounts receivable within each pool based on historical experience, current payment practices and current economic trends based on our expectations over the expected life of the receivables, which is generally ninety days or less. Actual credit losses could differ from those estimates.

Concentrations of Credit Risk and Major Customers

Financial instruments that subject us to credit risk consist primarily of investments, accounts and notes receivable and financial guarantees. Investments are managed within established guidelines to mitigate risks. Accounts and notes receivable and financial guarantees subject us to credit risk partially due to the concentration of amounts due from and guaranteed on behalf of independent licensee customers. At November 27, 2021 and November 28, 2020, our aggregate exposure from receivables and guarantees related to customers consisted of the following:

	2021	2020
Accounts receivable, net of allowances (Note 4)	\$ 28,168	\$ 22,340
Contingent obligations under lease and loan guarantees, less amounts recognized (Note 14)	1,794	1,760
Other	86	376
Total credit risk exposure related to customers	<u>\$ 30,048</u>	<u>\$ 24,476</u>

At November 27, 2021 and November 28, 2020, approximately 22% and 24%, respectively, of the aggregate risk exposure, net of reserves, shown above was attributable to five customers. In fiscal 2021, 2020 and 2019, no customer accounted for more than 10% of total consolidated net sales. However, two customers accounted for approximately 23%, 29% and 44% of our consolidated revenue from logistical services during 2021, 2020 and 2019, respectively.

We have no foreign manufacturing or retail operations. We define export sales as sales to any country or territory other than the United States or its territories or possessions. Our export sales were approximately \$488, \$789, and \$1,846 in fiscal 2021, 2020, and 2019, respectively. All of our export sales are invoiced and settled in U.S. dollars.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Inventories

Inventories (retail merchandise, finished goods, work in process and raw materials) accounted for under the first-in, first out (“FIFO”) method are stated at the lower of cost or net realizable value or, in the case of inventory accounted for under the last-in, first out (“LIFO”) method, at the lower of cost or market. Cost is determined for domestic manufactured furniture inventories using the LIFO method because we believe this methodology provides better matching of revenue and expenses. The cost of imported inventories as well as Lane Venture and Bassett Outdoor product inventories are determined on a first-in, first-out (“FIFO”) basis. Inventories accounted for under the LIFO method represented 53% and 53% of total inventory before reserves at November 27, 2021 and November 28, 2020, respectively. We estimate inventory reserves for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand and market conditions. If actual demand or market conditions in the future are less favorable than those estimated, additional inventory write-downs may be required.

Property and Equipment

Property and equipment is comprised of all land, buildings and leasehold improvements and machinery and equipment used in the manufacturing and warehousing of furniture, our Company-owned retail operations, our logistical services operations, and corporate administration. This property and equipment is stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the respective assets utilizing the straight-line method. Buildings and improvements are generally depreciated over a period of 10 to 39 years. Machinery and equipment are generally depreciated over a period of 5 to 10 years. Leasehold improvements are amortized based on the underlying lease term, or the asset’s estimated useful life, whichever is shorter.

Goodwill

Goodwill represents the excess of the fair value of consideration given over the fair value of the tangible assets and liabilities and identifiable intangible assets of businesses acquired. The acquisition of assets and liabilities and the resulting goodwill is allocated to the respective reporting unit: Wood, Upholstery, Retail or Logistical Services. We review goodwill at the reporting unit level annually for impairment or more frequently if events or circumstances indicate that assets might be impaired.

In accordance with ASC Topic 350, *Intangibles – Goodwill & Other*, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative goodwill impairment test described in ASC Topic 350 (as amended by Accounting Standards Update No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which we adopted for our annual evaluation of goodwill performed as of September 1, 2019). The more likely than not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative impairment test is unnecessary and our goodwill is considered to be unimpaired. However, if based on our qualitative assessment we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we will proceed with performing the quantitative evaluation process. Based on our qualitative assessment as described above for the annual test during fiscal 2019, we concluded that, given declines in our income from operations, primarily resulting from operating losses incurred in our retail reporting unit, as well as in our stock price since the previous analysis in fiscal 2018, it was necessary to perform the quantitative evaluation. As a result of this test, we recorded an impairment charge of \$1,926 during the year ended November 30, 2019. In addition, we performed an interim test of goodwill as of May 30, 2020 due to the severe impact of the COVID-19 pandemic and resulting business interruption during the second fiscal quarter of 2020. This interim test resulted in an impairment charge of \$1,971 for the year ended November 28, 2020. For the annual tests of goodwill performed as of the beginning of the fourth fiscal quarters of 2021 and 2020, we performed the qualitative assessment as described above and concluded that there was no additional impairment of our goodwill as of November 27, 2021 or November 28, 2020.

The quantitative evaluation compares the carrying value of each reporting unit that has goodwill with the estimated fair value of the respective reporting unit. Should the carrying value of a reporting unit be in excess of the estimated fair value of that reporting unit, a goodwill impairment charge will be recognized in the amount by which the reporting unit’s carrying amount exceeds its fair value, but not to exceed the total goodwill assigned to the reporting unit. The determination of the fair value of our reporting units is based on a combination of a market approach, that considers benchmark company market multiples, an income approach, that utilizes discounted cash flows for each 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 4), and, in the case of our retail reporting unit, a cost approach that utilizes estimates of net asset value. The cash flows used to determine fair value are 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. Our estimates are subject to change given the inherent uncertainty in predicting future results. 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. As part of the goodwill impairment testing, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units. While we believe such assumptions and estimates are reasonable, the actual results may differ materially from the projected amounts. See Note 7 for additional information regarding the results of our annual goodwill impairment test performed as of September 1, 2019 and our interim test performed as of May 30, 2020.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Leases

Effective as of the beginning 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.

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.

Prior to fiscal 2020, our leases have been accounted for and reported in accordance with ASC Topic 840, Leases. Total lease payments over the non-cancellable term of a lease were recognized as rent expense on a straight-line basis over the lease term, with the excess of expense recognized over lease payments made carried as a deferred rent liability on the balance sheet. Any lease incentive payments received from lessors were recorded as a liability on the balance sheet and amortized as a reduction of rent expense over the term of the lease.

See Note 14 for additional information regarding our leases.

Other Intangible Assets

Intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or between annual tests when an impairment indicator exists. The recoverability of indefinite-lived intangible assets is assessed by comparison of the carrying value of the asset to its estimated fair value. If we determine that the carrying value of the asset exceeds its estimated fair value, an impairment loss equal to the excess would be recorded.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Definite-lived intangible assets are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We estimate the useful lives of our intangible assets and ratably amortize the value over the estimated useful lives of those assets. If the estimates of the useful lives should change, we will amortize the remaining book value over the remaining useful lives or, if an asset is deemed to be impaired, a write-down of the value of the asset may be required at such time.

Impairment of Long Lived Assets

We periodically evaluate whether events or circumstances have occurred that indicate long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use and eventual disposition of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based on discounted cash flows or appraised values depending on the nature of the assets. The long-term nature of these assets requires the estimation of cash inflows and outflows several years into the future.

When analyzing our real estate properties for potential impairment, we consider such qualitative factors as our experience in leasing and selling real estate properties as well as specific site and local market characteristics. Upon the closure of a Bassett Home Furnishings store, we generally write off all tenant improvements which are only suitable for use in such a store. ROU assets under operating leases are written down to their estimated fair value. 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).

Income Taxes

We account for income taxes under the liability method which requires that we recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. See Note 12.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Despite our belief that our liability for unrecognized tax benefits is adequate, it is often difficult to predict the final outcome or the timing of the resolution of any particular tax matters. We may adjust these liabilities as relevant circumstances evolve, such as guidance from the relevant tax authority or our tax advisors, or resolution of issues in the courts. These adjustments are recognized as a component of income tax expense in the period in which they are identified.

We evaluate our deferred income tax assets to determine if valuation allowances are required or should be adjusted. A valuation allowance is established against our deferred tax assets based on consideration of all available evidence, both positive and negative, using a "more likely than not" standard. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward or carryback periods, our experience with tax attributes expiring unused and tax planning alternatives. In making such judgments, significant weight is given to evidence that can be objectively verified. See Note 12.

New Store Pre-Opening Costs

Income from operations for fiscal 2021, 2020 and 2019 includes new store pre-opening costs of \$0, \$0 and \$1,117, respectively. Such costs consist of expenses incurred at the new store location during the period prior to its opening and include, among other things, facility occupancy costs such as rent and utilities and local store personnel costs related to pre-opening activities including training. New store pre-opening costs do not include costs which are capitalized in accordance with our property and equipment capitalization policies, such as leasehold improvements and store fixtures and equipment. Such capitalized costs associated with new stores are depreciated commencing with the opening of the store. There are no pre-opening costs associated with stores acquired from licensees, as such locations were already in operation at the time of their acquisition.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Shipping and Handling Costs

Costs incurred to deliver wholesale merchandise to customers are recorded in selling, general and administrative expense and totaled \$17,829, \$14,779, and \$18,402 for fiscal 2021, 2020 and 2019, respectively. Costs incurred to deliver retail merchandise to customers, including the cost of operating regional distribution warehouses, are also recorded in selling, general and administrative expense and totaled \$22,494, \$19,024, and \$23,710 for fiscal 2021, 2020 and 2019, respectively.

Advertising

Costs incurred for producing and distributing advertising and advertising materials are expensed when incurred and are included in selling, general and administrative expenses. Advertising costs totaled \$15,272, \$12,671, and \$20,674 in fiscal 2021, 2020, and 2019, respectively.

Insurance Reserves

We have self-funded insurance programs in place to cover workers' compensation and health insurance. These insurance programs are subject to various stop-loss limitations. We accrue estimated losses using historical loss experience. Although we believe that the insurance reserves are adequate, the reserve estimates are based on historical experience, which may not be indicative of current and future losses. We adjust insurance reserves, as needed, in the event that future loss experience differs from historical loss patterns.

Supplemental Cash Flow Information

Refer to the supplemental lease disclosures in Note 14 for cash flow impacts of leasing transactions during fiscal 2020. Otherwise, there were no material non-cash investing or financing activities during fiscal 2021 or 2020. During the fourth quarter of fiscal 2019, we purchased certain fixed assets and inventory with a total purchase price of \$2,225, of which \$375 was paid for with the issuance of 24,590 shares of our common stock.

Recent Accounting Pronouncements

Recently Adopted Pronouncements

Effective as of the beginning of fiscal 2021, we have adopted 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 previous GAAP. The new impairment model requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other instruments. We assessed the guidance under ASU 2016-13 as applied to our trade receivables and contract assets, and determined that there was no material impact to our financial condition or results of operations as a result of the adoption.

Effective as of the beginning of fiscal 2021, we have adopted 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 (“ASU 2018-15”). ASU 2018-15 was issued 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. We adopted ASU 2018-15 on a prospective basis and the adoption did not have a material impact upon our financial condition or results of operations.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Recent Pronouncements Not Yet Adopted

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.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation with no effect on previously reported net income or Stockholders' equity. The cost of logistical services, previously included in our statements of operations within selling, general and administrative expenses excluding new store pre-opening costs, is now presented separately.

3. Financial Instruments, Investments and Fair Value Measurements

Financial Instruments

Our financial instruments include cash and cash equivalents, short-term investments in certificates of deposit, accounts receivable, accounts payable and long-term debt. 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 \$17,715 at both November 27, 2021 and November 28, 2020 consisted of certificates of deposit (CDs) with original terms of six to twelve months, bearing interest at rates ranging from 0.01% to 0.85%. At November 27, 2021, the weighted average remaining time to maturity of the CDs was approximately three months and the weighted average yield of the CDs was approximately 0.04%. Each CD is placed with a federally insured financial institution and all deposits are within Federal deposit insurance limits. As the CDs mature, we expect to reinvest them in CDs of similar maturities of up to one year. Due to the nature of these investments and their relatively short maturities, the carrying amount of the short-term investments at November 27, 2021 and November 28, 2020 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.

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 (Note 3) which involve a combination of Level 2 and Level 3 inputs, goodwill impairment testing (Note 8), which involves Level 3 inputs, and asset impairments (Note 14) which utilize Level 3 inputs.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

4. Accounts Receivable

Accounts receivable consists of the following:

	<u>November 27, 2021</u>	<u>November 28, 2020</u>
Gross accounts receivable	\$ 28,964	\$ 23,551
Allowance for credit losses	(796)	(1,211)
Net accounts receivable	<u>\$ 28,168</u>	<u>\$ 22,340</u>

Activity in the allowance for credit losses was as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 1,211	\$ 815
Additions (recoveries) charged to expense	(156)	492
Reductions to allowance, net	(259)	(96)
Balance, end of the year	<u>\$ 796</u>	<u>\$ 1,211</u>

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 4.

5. Inventories

Inventories consist of the following:

	<u>November 27, 2021</u>	<u>November 28, 2020</u>
Wholesale finished goods	\$ 40,254	\$ 25,001
Work in process	482	516
Raw materials and supplies	21,653	14,836
Retail merchandise	30,914	27,946
Total inventories on first-in, first-out method	93,303	68,299
LIFO adjustment	(10,483)	(8,891)
Reserve for excess and obsolete inventory	(4,816)	(4,522)
	<u>\$ 78,004</u>	<u>\$ 54,886</u>

We source a significant amount of our wholesale product from other countries. During 2021, 2020 and 2019, purchases from our two largest vendors located in Vietnam and China were \$34,658, \$15,378 and \$15,221 respectively.

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 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.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

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	3,745	1,177	4,922
Write-offs	(2,378)	(384)	(2,762)
Balance at November 28, 2020	3,421	1,101	4,522
Additions charged to expense	2,057	912	2,969
Write-offs	(1,795)	(880)	(2,675)
Balance at November 27, 2021	<u>\$ 3,683</u>	<u>\$ 1,133</u>	<u>\$ 4,816</u>

6. Property and Equipment

Property and equipment consist of the following:

	November 27, 2021	November 28, 2020
Land	\$ 9,478	\$ 9,478
Buildings and leasehold improvements	117,297	114,961
Machinery and equipment	130,534	118,112
Property and equipment at cost	257,309	242,551
Less accumulated depreciation	(163,243)	(151,634)
Property and equipment, net	<u>\$ 94,066</u>	<u>\$ 90,917</u>

The net book value of our property and equipment by reportable segment is a follows:

	November 27, 2021	November 28, 2020
Wholesale	\$ 30,020	\$ 26,999
Retail - Company-owned stores	39,148	44,820
Logistical Services	24,898	19,098
Total property and equipment, net	<u>\$ 94,066</u>	<u>\$ 90,917</u>

Depreciation expense associated with the property and equipment shown above was included in income from operations in our consolidated statements of operations as follows:

	2021	2020	2019
Cost of goods sold (wholesale segment)	\$ 1,797	\$ 1,552	\$ 1,402
Selling, general and administrative expenses:			
Wholesale segment	1,532	1,516	1,672
Retail segment	6,580	6,578	7,479
Logistical services segment	4,308	3,454	3,697
Total included in selling, general and administrative expenses	12,420	11,548	12,848
Total depreciation expense included in income from operations	<u>\$ 14,217</u>	<u>\$ 13,100</u>	<u>\$ 14,250</u>

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

7. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following:

	<u>November 27, 2021</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Intangible Assets, Net</u>
Intangibles subject to amortization:			
Customer relationships	\$ 3,550	\$ (1,606)	\$ 1,944
Technology - customized applications	834	(814)	20
Total intangible assets subject to amortization	<u>\$ 4,384</u>	<u>\$ (2,420)</u>	1,964
Intangibles not subject to amortization:			
Trade names			9,338
Goodwill			12,146
Total goodwill and other intangible assets			<u>\$ 23,448</u>

	<u>November 28, 2020</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Intangible Assets, Net</u>
Intangibles subject to amortization:			
Customer relationships	\$ 3,550	\$ (1,346)	\$ 2,204
Technology - customized applications	834	(695)	139
Total intangible assets subject to amortization	<u>\$ 4,384</u>	<u>\$ (2,041)</u>	2,343
Intangibles not subject to amortization:			
Trade names			9,338
Goodwill			12,146
Total goodwill and other intangible assets			<u>\$ 23,827</u>

Due to the impact of the COVID-19 pandemic, we performed an interim impairment assessment of our remaining goodwill as of May 30, 2020, the end of our second fiscal 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 year ended November 28, 2020. Our subsequent annual goodwill impairment tests, conducted as of the beginning of our fourth fiscal quarters of 2020 and 2021, resulted in no additional impairments.

The determination of the fair value of our reporting units is based on a combination of a market approach, that considers benchmark company market multiples, and an income approach, that utilizes discounted cash flows for each 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 determine fair value based on the present value of the most recent cash flow projections for each reporting unit as of the date of the analysis and calculate a terminal value utilizing a terminal growth rate. The significant assumptions under this approach include, 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 are 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. Our estimates are subject to change given the inherent uncertainty in predicting future results. 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. As part of the goodwill impairment testing, we also consider our market capitalization in assessing the reasonableness of the combined fair values estimated for our reporting units.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Changes in the carrying amounts of goodwill by reportable segment were 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 November 28, 2020	7,217	-	4,929	12,146
No changes in fiscal 2021	-	-	-	-
Balance as of November 27, 2021	<u>\$ 7,217</u>	<u>\$ -</u>	<u>\$ 4,929</u>	<u>\$ 12,146</u>

Accumulated impairment losses were \$3,897, \$3,897 and \$1,926 at November 27, 2021, November 28, 2020 and November 30, 2019, respectively.

The weighted average useful lives of our finite-lived intangible assets and remaining amortization periods as of November 27, 2021 are as follows:

	<u>Useful Life in Years</u>	<u>Remaining Amortization Period in Years</u>
Customer relationships	14	8
Technology - customized applications	7	0

Amortization expense associated with intangible assets during fiscal 2021, 2020 and 2019 was \$379, \$379 and \$379, respectively and is included in selling, general and administrative expense in our consolidated statement of operations. All expense arising from the amortization of intangible assets is associated with our logistical services segment except for \$57, \$57 and \$57 in fiscal 2021, 2020 and 2019, respectively, associated with our wholesale segment. Estimated future amortization expense for intangible assets that exist at November 27, 2021 is as follows:

Fiscal 2022	\$ 279
Fiscal 2023	259
Fiscal 2024	259
Fiscal 2025	259
Fiscal 2026	259
Thereafter	649
Total	<u>\$ 1,964</u>

8. Bank Credit Facility

Bank Credit Facility

Our bank credit facility provides for a line of credit of up to \$25,000. At November 27, 2021, we had \$3,931 outstanding under standby letters of credit against our line, leaving availability under our credit line of \$21,069. In addition, we have outstanding standby letters of credit with another bank totaling \$325. 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. We were in compliance with all covenants under the agreement as of November 27, 2021. The credit facility matures on January 31, 2022.

On January 27, 2022, we entered into a new credit facility with our bank which also provides for a credit line of up to \$25,000. The line bears interest at the One-Month Term Secured Overnight Financing Rate (“One-Month Term SOFR”) plus 1.5% and is unsecured. Our bank will charge a fee of 0.25% on the daily unused balance of the line, payable quarterly. Under the terms of the new facility, we must maintain the following financial covenants, measured quarterly on a rolling twelve-month basis:

- Consolidated fixed charge coverage ratio of not less than 1.4 times,
- Consolidated lease-adjusted leverage ratio not to exceed 3.0 times, and
- Minimum tangible net worth ratio of \$140,000, which will change to \$120,000 if we do not complete the sale of Zenith (see Note 20, Subsequent Event, regarding our entry into an agreement to sell substantially all of the assets of Zenith).

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

We were in compliance with these covenants at November 27, 2021 and expect to remain in compliance for the foreseeable future. The new credit facility will mature on January 27, 2025, at which time any amounts outstanding under the facility will be due.

Total interest paid, including the interest component of financing lease payments, during fiscal 2021, 2020 and 2019 was \$322, \$49 and \$7, respectively.

9. Post-Employment Benefit Obligations

Management Savings Plan

On May 1, 2017, our Board of Directors, upon the recommendation of the Organization, Compensation and Nominating Committee (the “Committee”), adopted the Bassett Furniture Industries, Incorporated Management Savings Plan (the “Plan”). The Plan is an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees.

The Plan is an account-based plan under which (i) participants may defer voluntarily the payment of current compensation to future years (“participant deferrals”) and (ii) the Company may make annual awards to participants payable in future years (“Company contributions”). The Plan permits each participant to defer up to 75% of base salary and up to 100% of any incentive compensation or other bonus, which amounts would be credited to a deferral account established for the participant. Such deferrals will be fully vested at the time of the deferral. Participant deferrals will be indexed to one or more deemed investment alternatives chosen by the participant from a range of alternatives made available under the Plan. Each participant’s account will be adjusted to reflect gains and losses based on the performance of the selected investment alternatives. A participant may receive distributions from the Plan: (1) upon separation from service, in either a lump sum or annual installment payments over up to a 15 year period, as elected by the participant, (2) upon death or disability, in a lump sum, or (3) on a date or dates specified by the participant (“scheduled distributions”) with such scheduled payments made in either a lump sum or substantially equal annual installments over a period of up to five years, as elected by the participant. Participant contributions commenced during the third quarter of fiscal 2017. Company contributions will vest in full (1) on the third anniversary of the date such amounts are credited to the participant’s account, (2) the date that the participant reaches age 63 or (3) upon death or disability. Company contributions are subject to the same rules described above regarding the crediting of gains or losses from deemed investments and the timing of distributions. Expense associated with deferred compensation under the Plan was \$338, \$264 and \$196 for fiscal 2021, 2020 and 2019, respectively. Our liability for Company contributions and participant deferrals at November 27, 2021 and November 28, 2020 was \$1,789 and \$1,250, respectively, and is included in post-employment benefit obligations in our consolidated balance sheets.

On May 2, 2017, we made Long Term Cash Awards (“LTC Awards”) totaling \$2,000 under the Plan to certain management employees in the amount of \$400 each. The LTC Awards vest in full on the first anniversary of the date of the award if the participant has reached age 63 by that time, or, if later, on the date the participant reaches age 63, provided in either instance that the participant is still employed by the Company at that time. If not previously vested, the awards will also vest immediately upon the death or disability of the participant prior to the participant’s separation from service. The awards will be payable in 10 equal annual installments following the participant’s death, disability or separation from service. We are accounting for the LTC Awards as a defined benefit pension plan. During fiscal 2021, 2020 and 2019, we invested \$647, \$609 and \$627 in life insurance policies covering all participants in the Plan. At November 27, 2021, these policies have a net death benefit of \$14,998 for which the Company is the sole beneficiary. These policies are intended to provide a potential source of funds to meet the obligations arising from the deferred compensation and LTC Awards under the Plan, and serve as an economic hedge of the financial impact of changes in the liabilities. They are held in an irrevocable trust but are subject to claims of creditors in the event of the Company’s insolvency.

Supplemental Retirement Income Plan

We have an unfunded Supplemental Retirement Income Plan (the “Supplemental Plan”) that covers one current and certain former executives. Upon retirement, the Supplemental Plan provides for lifetime monthly payments in an amount equal to 65% of the participant’s final average compensation as defined in the Supplemental Plan, which is reduced by certain social security benefits to be received and other benefits provided by us. The Supplemental Plan also provides a death benefit that is calculated as (a) prior to retirement death, which pays the beneficiary 50% of final average annual compensation for a period of 120 months, or (b) post-retirement death, which pays the beneficiary 200% of final average compensation in a single payment. We own life insurance policies on these executives with a current net death benefit of \$2,054 at November 27, 2021 and we expect to substantially fund this death benefit through the proceeds received upon the death of the executive. Funding for the remaining cash flows is expected to be provided through operations. There are no benefits payable as a result of a termination of employment for any reason other than death or retirement, other than a change of control provision which provides for the immediate vesting and payment of the retirement benefit under the Supplemental Plan in the event of an employment termination resulting from a change of control.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Aggregated summarized information for the Supplemental Plan and the LTC Awards, measured as of the end of each year presented, is as follows:

	2021	2020
Change in Benefit Obligation:		
Projected benefit obligation at beginning of year	\$ 10,071	\$ 10,090
Service cost	120	172
Interest cost	196	268
Actuarial (gains) and losses	762	345
Benefits paid	(409)	(804)
Projected benefit obligation at end of year	<u>\$ 10,740</u>	<u>\$ 10,071</u>
Accumulated Benefit Obligation	<u>\$ 10,740</u>	<u>\$ 10,034</u>
Discount rate used to value the ending benefit obligations:	2.25%	2.00%
Amounts recognized in the consolidated balance sheet:		
Current liabilities	\$ 913	\$ 613
Noncurrent liabilities	9,827	9,458
Total amounts recognized	<u>\$ 10,740</u>	<u>\$ 10,071</u>
Amounts recognized in accumulated other comprehensive income:		
Prior service cost	\$ 355	\$ 480
Actuarial loss	2,093	1,394
Net amount recognized	<u>\$ 2,448</u>	<u>\$ 1,874</u>
Total recognized in net periodic benefit cost and accumulated other comprehensive income:	<u>\$ 1,078</u>	<u>\$ 785</u>

	2021	2020	2019
Components of Net Periodic Pension Cost:			
Service cost	\$ 121	\$ 172	\$ 190
Interest cost	196	268	441
Amortization of prior service cost	126	126	126
Amortization of other loss	59	8	183
Net periodic pension cost	<u>\$ 502</u>	<u>\$ 574</u>	<u>\$ 940</u>

Assumptions used to determine net periodic pension cost:			
Discount rate	2.00%	2.75%	4.00%
Increase in future compensation levels	3.00%	3.00%	3.00%

Estimated Future Benefit Payments (with mortality):

Fiscal 2022	\$ 913
Fiscal 2023	870
Fiscal 2024	825
Fiscal 2025	857
Fiscal 2026	809
Fiscal 2027 through 2031	3,692

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Of the \$2,448 recognized in accumulated other comprehensive income at November 27, 2021, amounts expected to be recognized as components of net periodic pension cost during fiscal 2022 are as follows:

Prior service cost	\$	126
Other loss		51
Total expected to be amortized to net periodic pension cost in 2022	\$	<u>177</u>

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

Deferred Compensation Plan

We have an unfunded Deferred Compensation Plan that covers one current and certain former executives and provides for voluntary deferral of compensation. This plan has been frozen with no additional participants or benefits permitted. We recognized expense of \$204, \$176, and \$204 in fiscal 2021, 2020, and 2019, respectively, associated with the plan. Our liability under this plan was \$1,648 and \$1,676 as of November 27, 2021 and November 28, 2020, respectively. The non-current portion of this obligation is included in post-employment benefit obligations in our consolidated balance sheets, with the current portion included in accrued compensation and benefits.

Defined Contribution Plan

We have a qualified defined contribution plan (Employee Savings/Retirement Plan) that covers substantially all employees who elect to participate and have fulfilled the necessary service requirements. Employee contributions to the Plan are matched at the rate of 25% of up to 8% of gross pay, regardless of years of service. During fiscal 2020, the Company's matching contribution was temporarily suspended for approximately six months as part of the cash conservation measures put into place in response to the impact of the COVID-19 pandemic but was resumed during the fourth quarter. Expense for employer matching contributions was \$1,103, \$611 and \$1,157 during fiscal 2021, 2020 and 2019, respectively.

10. Accumulated Other Comprehensive Loss

The activity in accumulated other comprehensive loss for the fiscal years ended November 27, 2021 and November 28, 2020, which is comprised solely of post-retirement benefit costs related to our SERP and LTC Awards, is as follows:

Balance at November 30, 2019	\$	(1,236)
Actuarial losses		(345)
Net pension amortization reclassified from accumulated other comprehensive loss		133
Tax effects		54
Balance at November 28, 2020		<u>(1,394)</u>
Actuarial losses		(762)
Net pension amortization reclassified from accumulated other comprehensive loss		186
Tax effects		147
Balance at November 27, 2021	\$	<u>(1,823)</u>

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

11. Capital Stock and Stock Compensation

We account for our stock-based employee and director compensation plans in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 requires recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period) which we recognize on a straight-line basis. Compensation expense related to restricted stock and stock options included in selling, general and administrative expenses in our consolidated statements of operations for fiscal 2021, 2020 and 2019 was as follows:

	2021	2020	2019
Stock based compensation expense	\$ 158	\$ 420	\$ 958

Incentive Stock Compensation Plans

2021 Plan

On March 10, 2021, our shareholders approved the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan (the “2021 Plan”). All present and future non-employee directors, key employees and outside consultants for the Company are eligible to receive incentive awards under the 2021 Plan. Our Organization, Compensation and Nominating Committee (the “OCN Committee”) selects eligible key employees and outside consultants to receive awards under the 2021 Plan in its discretion. Our Board of Directors or any committee designated by the Board of Directors selects eligible non-employee directors to receive awards under the 2021 Plan in its discretion. Five hundred thousand (500,000) shares of common stock are reserved for issuance under the 2021 Plan. Participants may receive the following types of incentive awards under the 2021 Plan: stock options, stock appreciation rights, payment shares, restricted stock, restricted stock units and performance shares. Stock options may be incentive stock options or non-qualified stock options. Stock appreciation rights may be granted in tandem with stock options or as a freestanding award. Non-employee directors and outside consultants are eligible to receive restricted stock and restricted stock units only. The full terms of the 2021 Plan have been filed as an exhibit to our Schedule 14A filed with the United States Securities and Exchange Commission on February 8, 2021.

2010 Plan

On April 14, 2010, our shareholders approved the Bassett Furniture Industries, Incorporated 2010 Stock Incentive Plan which was amended and restated effective January 13, 2016 (the “2010 Plan”). All non-employee directors, key employees and outside consultants for the Company were eligible to receive incentive awards under the 2010 Plan. The 2010 Plan expired in April of 2020 and no additional grants can be awarded under the plan.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option pricing model. The risk free rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the average long-term implied volatilities of peer companies, the expected life is based on the estimated average of the life of options using the simplified method. Forfeitures are recognized as they occur. We utilized the simplified method to determine the expected life of our options due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns.

Stock Options

There were no new grants of options made in 2021, 2020 or 2019.

Changes in the outstanding options under our plans during the year ended November 27, 2021 were as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding at November 28, 2020	5,250	\$ 8.02
Granted	-	-
Exercised	(5,250)	8.02
Forfeited/Expired	-	-
Outstanding at November 27, 2021	-	-
Exercisable at November 27, 2021	-	-

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Additional information regarding activity in our stock options during fiscal 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Total intrinsic value of options exercised	\$ 93	\$ -	\$ 34
Total cash received from the exercise of options	42	-	25
Excess tax benefits recognized in income tax expense upon the exercise of options	18	-	6

Restricted Shares

Changes in the outstanding non-vested restricted shares during the year ended November 27, 2021 were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Non-vested restricted shares outstanding at November 28, 2020	34,500	\$ 33.58
Granted	7,105	24.63
Vested	(31,000)	35.75
Forfeited	-	-
Non-vested restricted shares outstanding at November 27, 2021	<u>10,605</u>	\$ 21.24

During fiscal 2021, 31,000 restricted shares were vested and released, all of which had been granted to employees. During fiscal 2021 and 2020, 10,850 shares and 14,010 shares, respectively, were withheld to cover withholding taxes of \$219 and \$228, respectively, arising from the vesting of restricted shares. During fiscal 2021, 2020 and 2019, excess tax (expense) benefits of \$(133), \$(114) and \$0, respectively, were recognized within income tax expense upon the release of vested shares.

Additional information regarding our outstanding non-vested restricted shares at November 27, 2021 is as follows:

Grant Date	Restricted Shares Outstanding	Share Value at Grant Date Per Share	Remaining Restriction Period (Years)
October 9, 2019	3,500	\$ 14.37	0.9
March 10, 2021	7,105	24.63	0.3
	<u>10,605</u>		

Unrecognized compensation cost related to these non-vested restricted shares at November 27, 2021 is \$58, all of which is expected to be recognized within fiscal 2022.

Employee Stock Purchase Plan

In March of 2017 we adopted and implemented the 2017 Employee Stock Purchase Plan (“2017 ESPP”) that allows eligible employees to purchase a limited number of shares of our stock at 85% of market value. Under the 2017 ESPP we sold 22,547, 50,217 and 23,460 shares to employees during fiscal 2021, 2020 and 2019, respectively, which resulted in an immaterial amount of compensation expense. There are 132,534 shares remaining available for sale under the 2017 ESPP at November 27, 2021.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

12. Income Taxes

The components of the income tax provision are as follows:

	2021	2020	2019
Current:			
Federal	\$ 4,437	\$ (8,486)	\$ 2,150
State	178	155	892
Deferred:			
Federal	435	2,457	(2,191)
State	1,148	(491)	(663)
Total	<u>\$ 6,198</u>	<u>\$ (6,365)</u>	<u>\$ 188</u>

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, for the year ended November 28, 2020 we were able to recognize tax benefits substantially in excess of the current federal statutory rate of 21% due to the effects of carrying back our current net operating loss to tax years in which the federal statutory rate was 35%.

A reconciliation of the statutory federal income tax rate and the effective income tax rate, as a percentage of income before income taxes, is as follows:

	2021	2020	2019
Statutory federal income tax rate	21.0%	21.0%	21.0%
CARES Act benefit	-	21.1	-
State income tax, net of federal benefit	4.2	1.7	(14.0)
Impairment of non-deductible goodwill	-	(2.5)	(23.2)
Excess tax from stock-based compensation	0.4	(0.6)	0.3
Other	-	(2.8)	5.1
Effective income tax rate	<u>25.6%</u>	<u>37.9%</u>	<u>(10.8)%</u>

Excess tax (expense) benefits in the amount of \$(115), \$(114), and \$22 were recognized as a component of income tax expense during fiscal 2021, 2020 and 2019, respectively, resulting from the exercise of stock options and the release of restricted shares. The fiscal 2020 and 2019 adjustments for impairment of non-deductible goodwill reflect the fact that there was no tax basis related to the impaired goodwill.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

The income tax effects of temporary differences and carryforwards, which give rise to significant portions of the deferred income tax assets and deferred income tax liabilities, are as follows:

	November 27, 2021	November 28, 2020
Deferred income tax assets:		
Trade accounts receivable	\$ 199	\$ 303
Inventories	3,121	3,086
Notes receivable	44	44
Post employment benefit obligations	3,562	3,260
State net operating loss carryforwards	153	1,321
Leases	5,055	5,850
Other	1,180	1,856
Gross deferred income tax assets	13,314	15,720
Valuation allowance	-	-
Total deferred income tax assets	13,314	15,720
Deferred income tax liabilities:		
Property and equipment	7,013	8,746
Intangible assets	1,712	1,404
Prepaid expenses and other	1,400	983
Total deferred income tax liabilities	10,125	11,133
Net deferred income tax assets	\$ 3,189	\$ 4,587

We have state net operating loss carryforwards available to offset future taxable state income of \$3,010, which expire in varying amounts between 2030 and 2040. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards.

Income taxes paid, net of refunds received, during fiscal 2021, 2020 and 2019 were \$3,092, \$539, and \$1,228, respectively.

We regularly evaluate, assess and adjust our accrued liabilities for unrecognized tax benefits in light of changing facts and circumstances, which could cause the effective tax rate to fluctuate from period to period. Our accrued liabilities for uncertain tax benefits at November 27, 2021 and November 28, 2020 were \$324 and \$68, respectively. Our liabilities for uncertain tax positions prior to 2021 were not material.

Significant judgment is required in evaluating the Company's federal and state tax positions and in the determination of its tax provision. Despite our belief that the liability for unrecognized tax benefits is adequate, it is often difficult to predict the final outcome or the timing of the resolution of any particular tax matter. We may adjust these liabilities as relevant circumstances evolve, such as guidance from the relevant tax authority, or resolution of issues in the courts. These adjustments are recognized as a component of income tax expense in the period in which they are identified. The Company also cannot predict when or if any other future tax payments related to these tax positions may occur.

We remain subject to examination for tax years 2018 through 2021 for all of our major tax jurisdictions.

13. Other Gains and Losses

Gains on Dispositions of Retail Store Locations

Selling, general and administrative expenses for the year ended November 28, 2020 include gains totaling \$1,313 resulting from the settlement of lease obligations due to the early termination of leases at our retail store locations in Torrance, California and Culver City, California.

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 received 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 year ended November 30, 2019. All compensation accrued under the package had been paid out prior to November 28, 2020.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Asset Impairment Charges and Lease Exit Costs

During fiscal 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. We also 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.

During fiscal 2019, the loss from operations included \$4,431 of non-cash impairment charges recognized on the assets of six underperforming retail stores. In addition, a \$149 charge was accrued for lease exit costs incurred in connection with the repositioning of a Company-owned retail store in Palm Beach, Florida to a new location within the same market.

Litigation Expense

During fiscal 2020 and 2019 we accrued \$1,050 and \$700, respectively for the estimated costs to resolve certain wage and hour violation claims that had been asserted against the Company (see Note 15).

Gains from Company-Owned Life Insurance

Other loss, net for the fiscal 2020 and 2019 includes gains of \$914 and \$629, respectively, arising from death benefits from Company-owned life insurance.

14. Leases and Lease Guarantees

Leases

Fiscal 2021 and 2020

Effective as of the beginning of fiscal 2020, we adopted ASU 2016-02, Leases (Topic 842) and all related amendments. See “Leases” under Note 2 for a discussion of our accounting policies and elections under Topic 842 as well as the impact of the adoption upon our financial statements.

Supplemental balance sheet information related to our leases as of November 27, 2021 and November 28, 2020 is as follows:

	<u>November 27, 2021</u>	<u>November 28, 2020</u>
Operating leases:		
Right of use assets	\$ 114,148	\$ 116,903
Lease liabilities, short-term	27,693	27,078
Lease liabilities, long-term	105,841	111,972
Finance leases:		
Right of use assets (1)	\$ 7,538	\$ 2,623
Lease liabilities, short-term (2)	1,759	534
Lease liabilities, long-term (3)	5,801	1,862

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

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

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

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Our right-of-use assets under operating leases by segment as of November 27, 2021 and November 28, 2020 are as follows:

	November 27, 2021	November 28, 2020
Wholesale	\$ 9,842	\$ 10,232
Retail	86,114	90,487
Logistical services	18,192	16,184
Total right of use assets	<u>\$ 114,148</u>	<u>\$ 116,903</u>

The components of our lease cost for the years ended November 27, 2021 and November 28, 2020 are as follows:

	2021	2020
Lease cost:		
Operating lease cost	\$ 32,168	\$ 33,207
Financing lease cost:		
Amortization of right-of-use assets	1,434	213
Interest on lease liabilities	304	49
Short-term lease cost	1,986	2,040
Variable lease cost (net of abatements received)	321	(605)
Sublease income	(1,670)	(1,557)
Total lease cost	<u>\$ 34,543</u>	<u>\$ 33,347</u>

Supplemental lease disclosures as of November 27, 2021 and November 28, 2020 and for the fiscal years then ended are as follows:

	Operating	Financing
For the year ended November 28, 2020:		
Cash paid for amounts included in the measurements of lease liabilities	\$ 35,310	\$ 260
Lease liabilities arising from new right-of-use assets	10,804	2,623
For the year ended November 27, 2021:		
Cash paid for amounts included in the measurements of lease liabilities	35,432	1,668
Lease liabilities arising from new right-of-use assets	24,518	6,511
As of November 28, 2020:		
Weighted average remaining lease terms (years)	6.2	4.3
Weighted average discount rates	4.98%	4.43%
As of November 27, 2021:		
Weighted average remaining lease terms (years)	6.0	4.8
Weighted average discount rates	5.04%	4.72%

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Future payments under our leases and the present value of the obligations as of November 27, 2021 are as follows:

	<u>Operating Leases</u>	<u>Financing Leases</u>
Fiscal 2022	\$ 33,493	\$ 2,076
Fiscal 2023	30,579	1,949
Fiscal 2024	23,219	1,669
Fiscal 2025	19,106	1,171
Fiscal 2026	15,482	818
Thereafter	33,947	766
Total lease payments	<u>155,826</u>	<u>8,449</u>
Less: interest	22,292	889
Total lease obligations	<u>\$ 133,534</u>	<u>\$ 7,560</u>

As of November 27, 2021, we had a commitment to acquire twenty-three trucks under leases for use in our logistical services segment that are expected to commence at various times during fiscal 2022 and replace older units that will be coming off lease. Five of these leases are expected to have annual payments totaling approximately \$267 per year over three years, and eighteen are expected to have annual payments totaling approximately \$167 per year over five years. We also have a commitment to lease showroom space for use by our wholesale segment with payments averaging approximately \$229 per year over eight years. This lease is expected to commence in the fourth quarter of fiscal 2022.

We sublease a small number of our leased locations to certain of our licensees for operation as BHF 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:

Fiscal 2022	\$ 1,979
Fiscal 2023	1,662
Fiscal 2024	1,027
Fiscal 2025	599
Fiscal 2026	156
Thereafter	-
Total minimum future rental income	<u>\$ 5,423</u>

We negotiated with a number of our landlords to obtain relief in the form of rent deferrals or abatements of rent as a result of the effects of COVID-19 on our business. At November 28, 2020, the unpaid rent was \$990 which primarily represented rent deferred to fiscal 2021 and is included in other current liabilities and accrued expenses in our accompanying condensed consolidated balance sheet. The remaining balance of deferred rent at November 27, 2021 was not material. 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 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 account for those as variable rent in the period in which the abatement is granted. For the year ended November 28, 2020, we were granted abatements against rent totaling \$775.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

Fiscal 2019

Prior to the adoption of Topic 842, we accounted for and reported our leases in accordance with Topic 840, Leases. In accordance with Topic 840 leases classified as operating leases were not included in our balance sheet as right of use assets or lease obligations as of November 30, 2019. During fiscal 2019 we had no leases which were classified as capital leases.

Lease expense was \$41,809 for 2019. Real estate rental net loss (rental income less lease costs, depreciation, insurance, and taxes), related to licensee stores and other investment real estate, was \$156 in 2019 and is reflected in other loss, net in the accompanying consolidated statements of operations.

Guarantees

As part of the strategy for our store program, we have guaranteed certain lease obligations of licensee operators. Lease guarantees range from one to three years. We were contingently liable under licensee lease obligation guarantees in the amount of \$1,845 and \$1,811 at November 27, 2021 and November 28, 2020, 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, liquidating the collateral, and pursuing payment under the personal guarantees of the independent dealer. The proceeds of the above options are estimated to cover the maximum amount of our future payments under the guarantee obligations, net of reserves. The fair value of lease guarantees (an estimate of the cost to the Company to perform on these guarantees) at November 27, 2021 and November 28, 2020, were not material.

15. Contingencies

We are involved in various claims and actions 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. We carried reserves for pending litigation claims in the amount of \$100 and \$1,050 as of November 27, 2021 and November 28, 2020, respectively, which are included in other current liabilities and accrued expenses in our accompanying balance sheets.

16. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	2021	2020	2019
Numerator:			
Net income (loss)	\$ 18,042	\$ (10,421)	\$ (1,928)
Denominator:			
Denominator for basic income per share - weighted average shares	9,835,829	9,969,616	10,285,511
Effect of dilutive securities*	7,945	-	-
Denominator for diluted income per share — weighted average shares and assumed conversions	9,843,774	9,969,616	10,285,511
Basic income (loss) per share:			
Net income (loss) per share — basic	\$ 1.83	\$ (1.05)	\$ (0.19)
Diluted income (loss) per share:			
Net income (loss) per share — diluted	\$ 1.83	\$ (1.05)	\$ (0.19)

*Due to the net losses in 2020 and 2019, the potentially dilutive securities would have been anti-dilutive and are therefore excluded.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

For fiscal 2021, 2020 and 2019, the following potentially dilutive shares were excluded from the computations as their effect was anti-dilutive:

	2021	2020	2019
Unvested restricted shares	-	90,153	45,036
Stock options	-	5,250	-

17. 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 stores retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations 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 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.** With our acquisition of Zenith in 2015, we created the logistical services operating segment which 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 logistics revenue in our consolidated statement of operations. See Note 20, Subsequent Event, regarding our entry into an agreement to sell substantially all of the assets of Zenith.

Inter-company sales elimination represents the elimination of wholesale sales to our Company-owned stores and the elimination of Zenith logistics revenue from our wholesale segment. 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 operations.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

The following table presents segment information for each of the last three fiscal years:

	2021	2020	2019
Sales Revenue			
Wholesale sales of furniture and accessories	\$ 295,329	\$ 221,075	\$ 261,105
Less: Sales to retail segment	(112,270)	(95,347)	(125,933)
Wholesale sales to external customers	183,059	125,728	135,172
Retail sales of furniture and accessories	247,827	211,944	268,693
Consolidated net sales of furniture and accessories	430,886	337,672	403,865
Logistical services revenue	86,977	75,158	80,074
Less: Services to wholesale segment	(31,329)	(26,967)	(31,852)
Logistical services to external customers	55,648	48,191	48,222
Total sales revenue	<u>\$ 486,534</u>	<u>\$ 385,863</u>	<u>\$ 452,087</u>
Income (loss) from Operations			
Wholesale	\$ 17,490	\$ 4,587	\$ 11,456
Retail	7,044	(9,497)	(7,009)
Logistical services	1,743	1,245	1,855
Inter-company elimination	(278)	2,647	1,144
Asset impairment charges	-	(12,184)	(4,431)
Goodwill impairment charge	-	(1,971)	(1,926)
Early retirement program	-	-	(835)
Litigation expense	-	(1,050)	(700)
Lease exit costs	-	-	(149)
Consolidated income from operations	<u>\$ 25,999</u>	<u>\$ (16,223)</u>	<u>\$ (595)</u>
Depreciation and Amortization			
Wholesale	\$ 3,386	\$ 3,125	\$ 3,178
Retail	6,580	6,578	6,303
Logistical services	4,631	3,777	4,019
Consolidated	<u>\$ 14,597</u>	<u>\$ 13,480</u>	<u>\$ 13,500</u>
Capital Expenditures			
Wholesale	\$ 5,943	\$ 2,434	\$ 5,650
Retail	299	695	8,473
Logistical services	4,508	2,900	3,627
Consolidated	<u>\$ 10,750</u>	<u>\$ 6,029</u>	<u>\$ 17,750</u>
Identifiable Assets			
Wholesale	\$ 197,543	\$ 176,243	\$ 144,392
Retail	160,929	169,105	91,997
Logistical services	63,188	57,201	39,377
Consolidated	<u>\$ 421,660</u>	<u>\$ 402,549</u>	<u>\$ 275,766</u>

See Note 18 for disaggregated revenue information regarding sales of furniture and accessories by product type for the wholesale and retail segments.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

18. Revenue Recognition

Disaggregated revenue information for sales of furniture and accessories by product category for fiscal years 2021, 2020 and 2019, excluding intercompany transactions between our segments, is as follows:

	2021			2020			2019		
	Wholesale	Retail	Total	Wholesale	Retail	Total	Wholesale	Retail	Total
Bassett Custom Upholstery	\$ 105,445	\$ 139,527	\$ 244,972	\$ 71,840	\$ 112,888	\$ 184,728	\$ 78,856	\$ 142,865	\$ 221,721
Bassett Leather	36,157	226	36,383	20,487	2,326	22,813	17,083	3,782	20,865
Bassett Custom Wood	24,079	30,931	55,010	19,682	28,942	48,624	21,264	35,092	56,356
Bassett Casegoods	17,378	42,658	60,036	13,719	35,728	49,447	17,221	44,827	62,048
Accessories, mattresses and other (1) (2)	-	34,485	34,485	-	32,060	32,060	748	42,127	42,875
Consolidated Furniture and Accessories revenue	<u>\$ 183,059</u>	<u>\$ 247,827</u>	<u>\$ 430,886</u>	<u>\$ 125,728</u>	<u>\$ 211,944</u>	<u>\$ 337,672</u>	<u>\$ 135,172</u>	<u>\$ 268,693</u>	<u>\$ 403,865</u>

(1) Includes the sale of goods other than Bassett-branded products, such as accessories and bedding, and also includes the sale of furniture protection plans.

(2) Beginning with the third quarter of fiscal 2019, our wholesale segment no longer purchases accessory items for resale to third party customers such as licensees or independent furniture dealers. These customers now source their accessory items from the accessory vendors.

Notes to Consolidated Financial Statements – Continued

(In thousands, except share and per share data)

19. Quarterly Results of Operations

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales revenue:				
Furniture and accessories	\$ 101,655	\$ 109,997	\$ 104,870	\$ 114,364
Logistics	12,018	14,062	14,036	15,532
Total sales revenue	113,673	124,059	118,906	129,896
Cost of furniture and accessories sold	48,252	52,911	52,263	56,373
Income from operations	6,021	8,379	4,490	7,109
Net income	4,011	5,974	3,016	5,041
Basic earnings per share	0.40	0.60	0.31	0.52
Diluted earnings per share	0.40	0.60	0.31	0.52

	2020			
	First Quarter	Second Quarter (1)	Third Quarter (2)	Fourth Quarter (3)
Sales revenue:				
Furniture and accessories	\$ 98,942	\$ 53,000	\$ 80,341	\$ 105,389
Logistics	13,178	10,801	11,218	12,994
Total sales revenue	112,120	63,801	91,559	118,383
Cost of furniture and accessories sold	45,270	29,452	38,418	50,427
Income (loss) from operations	2,210	(31,229)	2,747	10,049
Net income (loss)	1,210	(20,352)	2,178	6,543
Basic earnings (loss) per share	0.12	(2.04)	0.22	0.65
Diluted earnings (loss) per share	0.12	(2.04)	0.22	0.65

All quarters shown above for fiscal 2021 and 2020 consisted of 13-week fiscal periods.

- (1) Loss from operations reflects the severe impact of the COVID-19 pandemic on our operations due to the temporary closure of substantially all of our operations during the quarter (see Note 1) and includes a goodwill impairment charge of \$1,971 (see Note 7), asset impairment charges of \$12,184 and a litigation expense accrual of \$1,050 (see Note 13). Net loss includes the benefit of carrying back the loss to tax years with 35% federal statutory rate as provided for in the CARES Act (see Note 12).
- (2) Net income includes a non-taxable gain of \$914 arising from the recognition of a death benefit from Company-owned life insurance (see Note 13).
- (3) Income from operations includes a gain of \$1,161 arising from the settlement of a lease obligation (see Note 13).

20. Subsequent Event

On January 31, 2022, we entered into a definitive agreement to sell substantially all of the assets of Zenith Freight Lines, LLC to J.B. Hunt Transport Services, Inc. for approximately \$87,000 in cash. We expect the transaction to close by February 28, 2022 subject to customary closing conditions.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have evaluated the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our management, including the CEO and CFO, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon their controls evaluation, our CEO and CFO have concluded that our Disclosure Controls are effective at a reasonable assurance level.

We are responsible for establishing and maintaining adequate internal control over financial reporting in accordance with Exchange Act Rule 13a-15. With the participation of our CEO and CFO, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of November 27, 2021 based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of November 27, 2021, based on those criteria. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Ernst & Young LLP, the Company’s independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company’s internal control over financial reporting.

Changes in internal control over financial reporting.

There have been no changes in our internal controls over financial reporting during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Bassett Furniture Industries, Incorporated and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Bassett Furniture Industries, Incorporated and Subsidiaries' internal control over financial reporting as of November 27, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Bassett Furniture Industries, Incorporated and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of November 27, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of November 27, 2021 and November 28, 2020, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended November 27, 2021, and the related notes and schedule and our report dated January 31, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Richmond, Virginia
January 31, 2022

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information to be contained in the Proxy Statement under the captions “Election of Directors,” “Board and Board Committee Information,” and “Delinquent Section 16(a) Reports” is incorporated herein by reference thereto. Please see section entitled “Information about our Executive Officers” in Item 4B of Part I of this report for information concerning executive officers.

The Registrant has a code of ethics that applies to all of its employees, officers and directors. The code of ethics is available on the Registrant’s website at www.bassettfurniture.com and the Registrant will post any amendments to, or waivers, from, the code of ethics on that website.

ITEM 11. EXECUTIVE COMPENSATION

The information to be contained in the Proxy Statement under the captions “Organization, Compensation and Nominating Committee Report,” “Compensation Discussion and Analysis,” “Executive Compensation,” and “Director Compensation” is incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information to be contained in the Proxy Statement under the headings “Principal Stockholders and Holdings of Management” and “Equity Compensation Plan Information” is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information to be contained in the Proxy Statement under the captions “Board and Board Committee Information” and “Other Transactions” is incorporated herein by reference thereto.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information to be contained in the Proxy Statement under the caption “Audit and Other Fees” is incorporated herein by reference thereto.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) (1) Bassett Furniture Industries, Incorporated and Subsidiaries Audited Consolidated Financial Statements for the years ended November 27, 2021, November 28, 2020 and November 30, 2019.

(2) Financial Statement Schedule:

Schedule II- Analysis of Valuation and Qualifying Accounts for the years ended November 27, 2021, November 28, 2020 and November 30, 2019

(3) Listing of Exhibits

- 3A. Articles of Incorporation as amended are incorporated herein by reference to Form 10-Q for the fiscal quarter ended February 28, 1994.
- 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 19, 2020.](#)
- 4A. [Seventh Amended and Restated Credit Agreement with Truist Bank dated January 27, 2022. Registrant hereby agrees to furnish the SEC, upon request, other instruments defining the rights of holders of long-term debt of the Registrant.](#)
- 4B. [Description of Capital Stock is incorporated herein by reference to Form 10-K for the fiscal year ended November 30, 2019, filed January 23, 2020.](#)
- *10B. [Bassett Executive Deferred Compensation Plan is incorporated herein by reference to Form 10-K for the fiscal year ended November 30, 1997.](#)
- *10C. [Bassett Supplemental Retirement Income Plan is incorporated herein by reference to Form 10-K for the fiscal year ended November 30, 1997.](#)
- *10K. [Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan incorporated by reference to Schedule 14A filed on February 8, 2021](#)
- *10L. [Form of Performance Share Award Agreement, Restricted Stock Award Agreement and Stock Option Award Agreement under the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan.](#)
- *10M. [Schedule of Terms for Employment Continuity Agreements with Certain Executive Officers.](#)
- *10N. [Restated Supplemental Retirement Income Plan, effective May 1, 2014, is incorporated herein by reference to Form 10-Q for the quarterly period ended May 31, 2014.](#)
- *10O. [Bassett Furniture Industries, Incorporated Management Savings Plan incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on May 5, 2017.](#)
- *10P. [Form of Long Term Cash Award under Bassett Furniture Industries, Incorporated Management Savings Plan incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on May 5, 2017.](#)
- 21. [List of subsidiaries of the Registrant](#)
- 23A. [Consent of Independent Registered Public Accounting Firm](#)
- 31A. [Certification of Robert H. Spilman, Jr., President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31B. [Certification of J. Michael Daniel, Senior Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

32A. [Certification of Robert H. Spilman, Jr., President and Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32B. [Certification of J. Michael Daniel, Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS Inline XBRL Instance

101.SCH Inline XBRL Taxonomy Extension Schema

101.CAL Inline XBRL Taxonomy Extension Calculation

101.DEF Inline XBRL Taxonomy Extension Definition

101.LAB Inline XBRL Taxonomy Extension Labels

101.PRE Inline XBRL Taxonomy Extension Presentation

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

* Management contract or compensatory plan or arrangement of the Company.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

BASSETT FURNITURE INDUSTRIES, INCORPORATED (Registrant)

By: /s/ Robert H. Spilman, Jr. Date: January 31, 2022
Robert H. Spilman, Jr.
President and Chief Executive Officer
Chairman of the Board of Directors

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

By: /s/ Emma S. Battle Date: January 31, 2022
Emma S. Battle
Director

By: /s/ John R. Belk Date: January 31, 2022
John R. Belk
Director

By: /s/ Kristina K. Cashman Date: January 31, 2022
Kristina K. Cashman
Director

By: /s/ Virginia W. Hamlet Date: January 31, 2022
Virginia W. Hamlet
Director

By: /s/ J. Walter McDowell Date: January 31, 2022
J. Walter McDowell
Director

By: /s/ William C. Wampler, Jr. Date: January 31, 2022
William C. Wampler, Jr.
Director

By: /s/ William C. Warden, Jr. Date: January 31, 2022
William C. Warden, Jr.
Director, Lead Independent Director

By: /s/ J. Michael Daniel Date: January 31, 2022
J. Michael Daniel
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Bassett Furniture Industries, Incorporated

Schedule II

Analysis of Valuation and Qualifying Accounts
For the Years Ended November 27, 2021, November 28, 2020 and November 30, 2019
(amounts in thousands)

	Balance Beginning of Period	Additions Charged to Cost and Expenses	Deductions (1)	Other	Balance End of Period
For the Year Ended November 30, 2019:					
Reserve deducted from assets to which it applies					
Allowance for doubtful accounts	\$ 754	\$ 61	\$ -	\$ -(2)	\$ 815
Notes receivable valuation reserves	\$ 377	\$ -	\$ (18)	\$ -	\$ 359
For the Year Ended November 28, 2020:					
Reserve deducted from assets to which it applies					
Allowance for doubtful accounts	\$ 815	\$ 492	\$ (96)	\$ -	\$ 1,211
Notes receivable valuation reserves	\$ 359	\$ -	\$ -	\$ -	\$ 359
For the Year Ended November 27, 2021:					
Reserve deducted from assets to which it applies					
Allowance for doubtful accounts	\$ 1,211	\$ (156)	\$ (259)	\$ -	\$ 796
Notes receivable valuation reserves	\$ 359	\$ -	\$ -	\$ -	\$ 359

- (1) Deductions are for the purpose for which the reserve was created.
(2) Represents reserves of acquired business at date of acquisition.

\$25,000,000.00

SEVENTH AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of

January 27, 2022

among

BASSETT FURNITURE INDUSTRIES, INCORPORATED,

The Initial Guarantors Listed Herein,

and

TRUIST BANK

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SEVENTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS SEVENTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of January 27, 2022, 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. 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:

“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 Term SOFR” means, for purposes of any calculation, the rate per annum equal to (a) Term SOFR for such calculation plus (b) the Term SOFR Adjustment; provided that if Adjusted Term SOFR as so determined shall ever be less than the Floor, then Adjusted Term SOFR shall be deemed to be the Floor.

“Advance” means an advance made to the Borrower under this Agreement pursuant to Article II. An Advance is a “Base Rate Advance” if such Advance is part of a Base Rate Loan or a “SOFR Advance” if such Advance is part of a SOFR 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” means, as of any date, with respect to all Loans outstanding on such date, 0.50% per annum with respect to Base Rate Loans and 1.50% per annum with respect to SOFR Loans.

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of an interest period pursuant to this Agreement or (y) otherwise, any payment period for interest calculated with reference to such Benchmark (or component thereof) that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 2.07(e).

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

“Base Rate” means for any day a rate per annum equal to the highest of (i) the rate of interest which the Bank announces from time to time as its prime lending rate, as in effect from time to time (the “Prime Rate”), (ii) the Federal Funds Rate, as in effect from time to time, plus 0.50%, (iii) Adjusted Term SOFR for a one-month tenor in effect on such day plus 1.00% and (iv) zero percent (0%). The Bank’s prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Bank may make commercial loans or other loans at rates of interest at, above, or below the Bank’s prime lending rate. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate, or Adjusted Term SOFR will be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Rate, or Adjusted Term SOFR, respectively.

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

“Benchmark” means, initially, the Term SOFR Reference Rate; provided that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.07(b).

“Benchmark Replacement” means with respect to any Benchmark Transition Event, the first alternative set forth in the order below that can be determined by the Bank for the applicable Benchmark Replacement Date:

(a) Daily Simple SOFR; or

(b) the sum of: (i) the alternate benchmark rate that has been selected by the Bank and the Borrower giving due consideration to (A) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (B) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the then-current Benchmark for Dollar-denominated syndicated credit facilities and (ii) the related Benchmark Replacement Adjustment.

If the Benchmark Replacement as determined pursuant to clause (a) or (b) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, 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 and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) 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 such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated syndicated credit facilities.

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event”, the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event”, the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by or on behalf of the administrator of such Benchmark (or such component thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative or non-compliant with or non-aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks; provided that such non-representativeness, non-compliance or non-alignment will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (a) or (b) above with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(c) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Unavailability Period” means, the period (if any) (a) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.07 and (b) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.07.

“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 in Law” means the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty, (ii) any change in any law, rule, regulation or treaty, or in the administration, interpretation, implementation or application thereof by any Governmental Authority, or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) of any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“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.

“Commitment” means \$25,000,000.00.

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

“Conforming Changes” means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Domestic Business Day”, the definition of “U.S. Government Securities Business Day”, the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Section 7.02 and other technical, administrative or operational matters) that the Bank decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and 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 any such rate exists, in such other manner of administration as the Bank decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“Consolidated EBITDA” means, for any four-quarter period ending on the date of measurement, (a) the sum of (i) Consolidated Net Income for such four-quarter period, (ii) Depreciation and Amortization for such four-quarter period, (iii) interest expense net of interest income for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis determined in accordance with GAAP, (iv) federal and state income taxes for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis determined in accordance with GAAP, and (v) expenses or losses that are of an unusual nature or infrequently occurring for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis determined in accordance with GAAP, minus (b) income or gains that are of an unusual nature or infrequently occurring for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis determined in accordance with GAAP (including, for avoidance of doubt, those associated with the Zenith Divestiture).

“Consolidated EBITDAR” means, for any four-quarter period ending on the date of measurement, Consolidated EBITDA plus Rent Expense for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis.

“Consolidated Fixed Charge Coverage Ratio” means, for any four-quarter period ending on the date of measurement, the ratio of (i) Consolidated EBITDAR 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) declared 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’ interest expense for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis plus Rent Expense for such four-quarter period on a consolidated basis plus Current Maturities of Long Term Debt for such four-quarter period on a consolidated basis, all as prepared in accordance with GAAP.

“Consolidated Lease Adjusted Leverage to EBITDAR” means, for any four-quarter period ending on the date of measurement, the ratio of (i) Consolidated Total Debt to (ii) Consolidated EBITDAR for such four-quarter period of the Borrower and its Consolidated Subsidiaries on a consolidated basis.

“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 under any other letter of credit or similar instrument, and (3) all Lease Obligations, all as reflected in the Borrower’s financial statements or as otherwise 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.

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Bank in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for syndicated business loans; provided, that if the Bank decides that any such convention is not administratively feasible for the Bank, then the Bank may establish another convention in its reasonable discretion.

“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.

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

“Domestic Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York are authorized or required by law to close.

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

“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.

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

“Federal Funds Rate” means, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the next succeeding Domestic Business Day or, if such rate is not so published for any Domestic Business Day, the Federal Funds Rate for such day shall be the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank. For purposes of this Agreement the Federal Funds Rate shall not be less than zero percent (0%).

“Financing” means (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.

“Floor” means a rate of interest equal to 0.00%.

“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.

“Governmental Authority” means the government of the United States or any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“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” means 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” means 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 Period” means, with respect to any SOFR Borrowing, a period of one (1) month (in each case, subject to the availability thereof); provided that:

(i) the initial Interest Period for such Borrowing shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of another Type), and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise end on a day other than a Domestic Business Day, such Interest Period shall be extended to the next succeeding Domestic Business Day, unless such Domestic Business Day falls in another calendar month, in which case such Interest Period would end on the immediately preceding Domestic Business Day;

(iii) any Interest Period which begins on the last Domestic Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Domestic Business Day of such calendar month;

(iv) [intentionally omitted];

(v) no Interest Period may extend beyond the Termination Date; and

(vi) no tenor that has been removed from this definition pursuant to Section 2.07(e) shall be available for specification in such Notice of Borrowing or Notice of Conversion/Continuation.

“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.

“Letters 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 SOFR Loan, unless such Loan is to be a Base Rate Loan pursuant to Section 2.07(f).

“Loan Documents” means this Agreement, the Note, the Letter of Credit Agreements, the Letters of Credit, 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 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.

“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 Sixth Amended and Restated Credit Agreement, dated as of June 15, 2020, between the Borrower, the Guarantors and the Bank. This Agreement amends, restates and replaces the Original Credit Agreement.

“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.

“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.

“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.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the managers, administrators, trustees, partners, directors, officers, employees, agents, advisors or other representatives of such Person and such Person’s Affiliates.

“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.

“Rent Expense” means, for any period, (i) operating lease expense of the Borrower and its Consolidated Subsidiaries on a consolidated basis as determined in accordance with GAAP minus (ii) income from subleases of the Borrower and its Consolidated Subsidiaries on a consolidated basis determined in accordance with GAAP.

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

“SOFR” means a rate per annum equal to the secured overnight financing rate as administered by the SOFR Administrator.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Borrowing” means a Loan or a Borrowing the interest rate on which is determined by reference to Term SOFR.

“SOFR Loan” means an Advance that bears interest at a rate based on Adjusted Term SOFR, other than pursuant to clause (iii) of the definition of “Base Rate”.

“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.

“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 2.13(c).

“Termination Date” means January 27, 2025.

“Term SOFR” means,

(a) for any calculation with respect to a SOFR Loan, the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the “Periodic Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, that if as of 5:00 p.m. on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day;

(b) for any calculation with respect to a Base Rate Loan on any day, the Term SOFR Reference Rate for a tenor of one month on the day (such day, the “Base Rate Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to such day, as such rate is published by the Term SOFR Administrator; provided that if as of 5:00 p.m. on any Base Rate Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Base Rate Term SOFR Determination Day;

provided, that if Term SOFR determined as provided above (including pursuant to the proviso under clause (a) or (b) above) shall ever be less than the Floor, then Term SOFR shall be deemed to be the Floor.

“Term SOFR Adjustment” means, for any calculation for a SOFR Loan based on Term SOFR, a percentage equal to 0.10% per annum.

“Term SOFR Administrator” means the CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Bank in its reasonable discretion).

“Term SOFR Reference Rate” means the rate per annum determined by the Bank as the forward-looking term rate based on SOFR.

“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.

“Type”, when used in reference to a Loan or a Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to Adjusted Term SOFR or the Base Rate.

“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.

“U.S. Government Securities Business Day” means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

“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.

“Zenith Divestiture” means the sale by the Borrower of all or substantially all of the assets of the Borrower’s Logistics Division during the period January 1, 2022 to and including March 31, 2022 for a purchase price not less than \$75,000,000, which sale shall be on such terms and subject to such conditions as are acceptable to the Bank in its reasonable discretion.

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.

SECTION 1.06. Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

SECTION 1.07. Rates. The Bank does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Base Rate, the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any component definition thereof or rates referred to in the definition thereof, or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Bank and its affiliates or other related entities may engage in transactions that affect the calculation of the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower. The Bank may select information sources or services in its reasonable discretion to ascertain the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, or any other Benchmark, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

SECTION 1.08. Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

SECTION 1.09. Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the amount of such Letter of Credit available to be drawn at such time; provided that with respect to any Letter of Credit that, by its terms, provides for one or more automatic increases in the available amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum amount is available to be drawn at such time.

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. The aggregate principal amount of each SOFR Borrowing shall not be less than \$1,000,000 or a larger multiple of \$500,000, and, except as otherwise provided in an ACL Agreement, the aggregate principal amount of each Base Rate Borrowing shall not be less than \$1,000,000 or a larger multiple of \$100,000 (except that any such Borrowing may be in the aggregate amount of the Unused Commitment). Each Advance under an ACL Agreement shall be deemed to be a Base Rate Advance. Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.11, prepay Advances and reborrow under this Section at any time before the Termination Date.

SECTION 2.02. Method of Borrowing Advances. Except as otherwise provided in an ACL Agreement, the Borrower shall give the Bank notice in the form attached hereto as Exhibit B-1 (a "Notice of Borrowing") (x) prior to 11:00 A.M. (Charlotte, North Carolina time) one (1) Domestic Business Day prior to the requested date of each Base Rate Borrowing and (y) prior to 11:00 A.M. (Charlotte, North Carolina time) three (3) U.S. Securities Business Days prior to the requested date of each SOFR Borrowing. Each Notice of Borrowing shall be irrevocable and shall specify (i) the aggregate principal amount of such Borrowing, (ii) the date of such Borrowing (which shall be a Domestic Business Day) the Type of such Loan comprising such Borrowing and (iv) in the case of a SOFR Borrowing, the duration of the initial Interest Period applicable thereto (which shall be one (1) month and otherwise subject to the provisions of the definition of Interest Period). At no time shall the total number of SOFR Borrowings outstanding at any time exceed one (1).

(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 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. 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. Except with respect to any Advance made pursuant to an ACL Agreement (which Advance shall be repaid in accordance with such ACL Agreement), 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 Elections and Rates. Except with respect to any Advance made pursuant to an ACL Agreement (which Advance shall be deemed to be a Base Rate Advance), each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing. Thereafter, the Borrower may elect to convert such Borrowing into a different Type or to continue such Borrowing, all as provided in this Section.

(b) To make an election pursuant to this Section, the Borrower shall give the Bank written notice (or telephonic notice promptly confirmed in writing) of each Borrowing that is to be converted or continued, as the case may be, substantially in the form of Exhibit B-2 (a "Notice of Conversion/Continuation") (x) prior to 10:00 a.m. one (1) Business Day prior to the requested date of a conversion into a Base Rate Borrowing and (y) prior to 11:00 a.m. three (3) U.S. Government Securities Business Days prior to a continuation of or conversion into a SOFR Borrowing. Each such Notice of Conversion/Continuation shall be irrevocable and shall specify (i) the Borrowing to which such Notice of Conversion/Continuation applies and, if different options are being elected with respect to different portions thereof, the portions thereof that are to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing), (ii) the effective date of the election made pursuant to such Notice of Conversion/Continuation, which shall be a Domestic Business Day, (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a SOFR Borrowing, and (iv) if the resulting Borrowing is to be a SOFR Borrowing, the Interest Period applicable thereto after giving effect to such election, which shall be for a period of one (1) month and otherwise as contemplated by the definition of "Interest Period". If any such Notice of Conversion/Continuation requests a SOFR Borrowing but does not specify an Interest Period, the Borrower shall be deemed to have selected a SOFR Borrowing based on Adjusted Term SOFR for an Interest Period of one (1) month. The principal amount of any resulting Borrowing shall satisfy the minimum borrowing amount for SOFR Borrowings and Base Rate Borrowings set forth in Section 2.02.

(c) If, on the expiration of any Interest Period in respect of any SOFR Borrowing, the Borrower shall have failed to deliver a Notice of Conversion/Continuation, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Borrowing to a SOFR Borrowing based on Adjusted Term SOFR for an Interest Period of one (1) month. No Borrowing may be converted into, or continued as, a SOFR Borrowing if a Default or an Event of Default exists, unless the Bank shall have otherwise consented in writing. No conversion of any SOFR Loan shall be permitted except on the last day of the Interest Period in respect thereof.

(d) During each Interest Period in which the Loan is a Base Rate Loan, such Base 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 Base Rate for such day plus the Applicable Margin. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Base 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.

(e) During each Interest Period in which the Loan is a SOFR Loan, such SOFR 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) Adjusted Term SOFR for such Interest Period. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any SOFR Loan shall bear interest, payable on demand, for each day until paid in full at a rate per annum equal to the Default Rate.

(f) Interest on the principal amount of all Loans shall accrue from and including the date such Loans are made to but excluding the date of any repayment thereof. Interest on all outstanding Base Rate Loans shall be payable monthly in arrears on the last day of each calendar month and on the Termination Date. Interest on all outstanding SOFR Loans shall be payable on the last day of each Interest Period applicable thereto and on the Termination Date. Interest on any Loan which is converted into a Loan of another Type or which is repaid or prepaid shall be payable on the date of such conversion or on the date of any such repayment or prepayment (on the amount repaid or prepaid) thereof. Interest on all Loans bearing interest at the Default Rate shall be payable on demand.

(g) 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.

(h) 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.

(i) 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.

(j) In connection with the use or administration of Term SOFR, the Bank will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. The Bank will promptly notify the Borrower of the effectiveness of any Conforming Changes in connection with the use or administration of Term SOFR.

SECTION 2.07. Inability to Determine Interest Rates; Benchmark Replacement Setting.

(a) Inability to Determine SOFR. Subject to paragraphs (b) through and (f) below, if, prior to the commencement of any Interest Period for any SOFR Borrowing:

(i) the Bank shall have determined (which determination shall be conclusive absent manifest error) that “Adjusted Term SOFR” cannot be determined pursuant to the definition thereof, or

(ii) the Bank shall have determined that Adjusted Term SOFR for such Interest Period will not adequately and fairly reflect the cost to the Bank of making, funding or maintaining the SOFR Loans for such Interest Period,

then the Bank shall give written notice thereof (or telephonic notice, promptly confirmed in writing) to the Borrower as soon as practicable thereafter.

Upon notice thereof by the Bank to the Borrower, any obligation of the Bank to make SOFR Loans, and any right of the Borrower to continue SOFR Loans or to convert Base Rate Loans to SOFR Loans, shall be suspended (to the extent of the affected SOFR Loans or affected Interest Periods) until the Bank revokes such notice. Upon receipt of such notice, (i) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans (to the extent of the affected SOFR Loans or affected Interest Periods) or, failing that, the Borrower will be deemed to have converted any such request into a request for a Borrowing of or conversion to Base Rate Loans in the amount specified therein and (ii) any outstanding affected SOFR Loans will be deemed to have been converted into Base Rate Loans at the end of the applicable Interest Period. Upon any such conversion, the Borrower shall also pay accrued interest on the amount so converted, together with any additional amounts required pursuant to Section 7.02.

(b) Benchmark Replacement.

(i) Notwithstanding anything to the contrary herein or in any other Loan Document, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (a) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (b) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of any Benchmark setting at or after 5:00 p.m. on the fifth (5th) Domestic Business Day after the date notice of such Benchmark Replacement is provided to the Bank without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document.

(ii) [Intentionally Omitted].

(c) Benchmark Replacement Conforming Changes. In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Bank will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(d) Notices; Standards for Decisions and Determinations. The Bank will promptly notify the Borrower of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Bank will promptly notify the Borrower of the removal or reinstatement of any tenor of a Benchmark pursuant to Section 2.07(e). Any determination, decision or election that may be made by the Bank pursuant to this Section 2.07, 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 or any selection, will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 2.07.

(e) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including the Term SOFR Reference Rate) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Bank in its reasonable discretion or (B) the administrator of such Benchmark or the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will be not be representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks, then the Bank may modify the definition of “Interest Period” (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is not or will not be representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks for a Benchmark (including a Benchmark Replacement), then the Bank may modify the definition of “Interest Period” (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(f) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any pending request for a SOFR Borrowing of, conversion to or continuation of SOFR Loans 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 a Borrowing of or conversion to Base Rate Loans. During a Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

SECTION 2.08. Fees. [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 January 1, 2022 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 2.09. Late Charge. In the event that the Borrower fails to pay any installment of interest or the principal of the Loan within ten (10) 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 2.10. 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 2.11. 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 2.12. Mandatory Prepayments. On the date on which the Commitment is terminated pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Advances (together with interest accrued thereon and any amounts due under Article VII) 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 2.13. General Provisions as to Payments. 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 8.01.

(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 2.13, 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 2.14. 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 2.15. [Intentionally Omitted].

SECTION 2.16. [Intentionally Omitted].

SECTION 2.17. [Intentionally Omitted]

SECTION 2.18. [Intentionally Omitted]

SECTION 2.19. Illegality. If any Change in Law shall make it unlawful or impossible for the Bank to perform any of its obligations hereunder, to make, maintain or fund any SOFR Loan or to or to determine or charge interest rates based upon SOFR, the Term SOFR Reference Rate or Term SOFR, the Bank shall promptly give notice thereof to the Borrower, whereupon until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of the Bank to make SOFR Loans, or to continue or convert outstanding Loans as or into SOFR Loans, shall be suspended. In the case of the making of a SOFR Borrowing, the Loan shall be made as a Base Rate Loan as part of the same Borrowing for the same Interest Period and, if the affected SOFR Loan is then outstanding, such Loan shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such SOFR Loan if the Bank may lawfully continue to maintain such Loan to such date or (ii) immediately if the Bank shall determine that it may not lawfully continue to maintain such SOFR Loan to such date. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 7.02.

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) Receipt by the Bank of (i) the consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as of November 27, 2021 and November 28, 2020, (ii) the consolidated statements of operations of the Borrower and its Consolidated Subsidiaries for the years ended November 27, 2021, November 28, 2020 and November 30, 2019, (iii) the consolidated statements of comprehensive income (loss) of the Borrower and its Consolidated Subsidiaries for the years ended November 27, 2021, November 28, 2020 and November 30, 2019, (iv) the consolidated statements of cash flow of the Borrower and its Consolidated Subsidiaries for the years ended November 27, 2021, November 28, 2020 and November 30, 2019 and (v) the consolidated statements of stockholders' equity of the Borrower and its Consolidated Subsidiaries for the years ended November 27, 2021, November 28, 2020 and November 30, 2019, which fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such period stated;

(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 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) [Intentionally Omitted];

(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 the Borrower's or any Guarantor's personal property assets, 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 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 8.04 hereof.

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 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. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of November 27, 2021 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, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such period stated.

(b) Since November 27, 2021, 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 or any of the other Loan Documents.

SECTION 4.06. Compliance with ERISA. 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. 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. [Intentionally Omitted].

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, 5.37, 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;

(k) [Intentionally Omitted];

(l) [Intentionally Omitted];

(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 and the Guarantors; 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 Uniform Commercial Code as adopted in Virginia), any of its inventory (as such term is defined in the Uniform Commercial Code as adopted in Virginia), 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 (i) 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 or (ii) prohibit the Zenith Divesture.

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. 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 their properties and other 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, and shall be payable on demand by the Bank.

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

2. 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: (a) 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 (b) 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 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; and (c) 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. Consolidated Lease Adjusted Leverage to EBITDAR Ratio. The Borrower and its Consolidated Subsidiaries shall not permit the Consolidated Lease Adjusted Leverage to EBITDAR Ratio to exceed 3.00 to 1 as of the Fiscal Quarter ending on February 28, 2022 or as of each Fiscal Quarter ending thereafter.

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 1.40 to 1 as of the end of each Fiscal Quarter ending on February 28, 2022 or as of each Fiscal Quarter ending thereafter.

SECTION 5.39. Minimum Consolidated Tangible Net Worth. Prior to the consummation of the Zenith Divestiture, Consolidated Tangible Net Worth shall at no time be less than \$120,000,000. On and after the consummation of the Zenith Divestiture, Consolidated Tangible Net Worth shall at no time be less than \$140,000,000.

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, 5.37, 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) [Intentionally Omitted]; or

(n) a default or event of default shall occur and be continuing under any of the Letter of Credit Agreements 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 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 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 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

COMPENSATION

SECTION 7.01. Increased Costs. If after the Restatement Effective Date, any Change in Law shall:

(i) impose, modify or deem applicable any reserve (including pursuant to regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, special, supplemental or other marginal reserve requirement) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D)), special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Bank;

(ii) subject the Bank to any tax, duty or other charge; or

(iii) impose on the Bank any other condition, cost or expense affecting this Agreement, the Loans or any Letter of Credit;

and the result of any of the foregoing is to increase the cost to the Bank of making, converting into, continuing or maintaining a SOFR Loan or to increase the cost to the Bank of issuing any Letter of Credit or to reduce the amount received or receivable by the Bank hereunder (whether of principal, interest or any other amount),

then, from time to time, the Bank may provide the Borrower with written notice and demand with respect to such increased costs or reduced amounts, and within five (5) Domestic Business Days after receipt of such notice and demand, the Borrower shall pay to the Bank such additional amounts as will compensate the Bank for any such increased costs incurred or reduction suffered.

(b) If the Bank shall have determined that on or after the Restatement Effective Date any Change in Law regarding capital or liquidity ratios or requirements has or would have the effect of reducing the rate of return on the Bank's capital (or on the capital of the Bank's parent company) as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which the Bank or the Bank's parent company could have achieved but for such Change in Law (taking into consideration the Bank's policies or the policies of the Bank's parent company with respect to capital adequacy and liquidity), then, from time to time, the Bank may provide the Borrower with written notice and demand with respect to such reduced amounts, and within five (5) Domestic Business Days after receipt of such notice and demand the Borrower shall pay to the Bank such additional amounts as will compensate the Bank or the Bank's parent company for any such reduction suffered.

(c) A certificate of the Bank setting forth the amount or amounts necessary to compensate the Bank or the Bank's parent company, as the case may be, specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive, absent manifest error.

(d) Failure or delay on the part of the Bank to demand compensation pursuant to this Section shall not constitute a waiver of the Bank's right to demand such compensation.

SECTION 7.02. Funding Indemnity. In the event of (a) the payment of any principal of a SOFR Loan other than on the last day of the Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion or continuation of a SOFR Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure by the Borrower to borrow, prepay, convert or continue any SOFR Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such event, the Borrower shall compensate the Bank, within five (5) Domestic Business Days after written demand from the Bank, for any loss, cost or expense attributable to such event. In the case of a SOFR Loan, such loss, cost or expense shall be deemed to include an amount determined by the Bank to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such SOFR Loan if such event had not occurred at Term SOFR applicable to such SOFR Loan for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such SOFR Loan) over (B) the amount of interest that would accrue on the principal amount of such SOFR Loan for the same period if Term SOFR were set on the date such SOFR Loan was prepaid or converted or the date on which the Borrower failed to borrow, convert or continue such SOFR Loan. A certificate as to any additional amount payable under this Section submitted to the Borrower by the Bank shall be conclusive, absent manifest error.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. 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 teletype number set forth on the signature pages hereof or such other address or teletype 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 teletypewriter, when such teletype is transmitted to the teletype number specified in this Section and the teletype machine used by the sender provides a written confirmation that such teletype has been so transmitted or receipt of such teletype 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 shall not be effective until received.

SECTION 8.02. 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 8.03. Expenses; Documentary Taxes; Indemnification.

(a) The Loan Parties shall, jointly and severally, pay (i) all reasonable, out-of-pocket costs and expenses of the Bank and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Bank and its Affiliates, in connection with the preparation and administration of the Loan Documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated in this Agreement or any other Loan Document shall be consummated), including the reasonable fees, charges and disbursements of counsel for the Bank and its Affiliates and (ii) all out-of-pocket costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel) incurred by the Bank in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or any Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Bank, and each Related Party of the Bank (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from (1) the gross negligence or willful misconduct of such Indemnitee or (2) a claim brought by the Borrower or any other Loan Party against an Indemnitee for a material breach of such Indemnitee's obligations hereunder or under any other Loan Document or (y) result from any claim not involving an act or omission of the Borrower and that is brought by an Indemnitee against another Indemnitee.

(c) The Borrower shall pay, and hold the Bank harmless from and against, any and all present and future stamp, documentary, and other similar taxes with respect to this Agreement and any other Loan Documents, any collateral described therein or any payments due thereunder, and save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

(d) [Intentionally Omitted].

(e) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated therein, any Loan or any Letter of Credit or the use of proceeds thereof; provided that nothing in this paragraph (e) shall relieve the Borrower of any obligation it may have to indemnify any Indemnitee against special, indirect, consequential or punitive damages asserted against such Indemnitee by a third party.

(f) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 8.04. 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 8.05. Amendments and Waivers. Any provision of this Agreement, the Note 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 8.06. [Intentionally Omitted].

SECTION 8.07. 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 8.07 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 8.08. 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 8.09. [Intentionally Omitted].

SECTION 8.10. [Intentionally Omitted].

SECTION 8.11. Survival of Certain Obligations. Article VII and Section 8.03, 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 8.12. 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 8.13. 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 8.14. 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 8.15. 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 8.16. 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 8.01 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 8.17. 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. Delivery of an executed counterpart to this Agreement or any other Loan Document by facsimile transmission or by electronic mail in pdf format shall be as effective as delivery of a manually executed counterpart hereof

SECTION 8.18. [Intentionally Omitted].

ARTICLE IX

GUARANTY

SECTION 9.01. [Intentionally Omitted].

SECTION 9.02. 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 9.03. 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 9.04. Continuing Obligations; Reinstatement. The obligations of the Guarantors under this Article IX 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 IX 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 IX 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 9.05. 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 9.06. 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 9.07. 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 9.08. 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 9.09. Enforcement. In the event that the Guarantors shall fail forthwith to pay upon demand of the Bank any amounts due pursuant to this Article IX 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 9.10. Miscellaneous. Except as may otherwise be expressly agreed upon in writing, the liability of the Guarantors under this Article IX 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 IX 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 IX, 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 9.11. 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: /s/ J. MICHAEL DANIEL (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial and
Administrative Officer

By: /s/ JAY R. HERVEY (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: /s/ J. MICHAEL DANIEL (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial and
Administrative Officer

By: /s/ JAY R. HERVEY (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

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

[Corporate Seal]

By: /s/ J. MICHAEL DANIEL (SEAL)
Name: J. Michael Daniel
Title: Senior Vice President, Chief Financial and
Administrative Officer

By: /s/ JAY R. HERVEY (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: /s/ J. MICHAEL DANIEL (SEAL)

Name: J. Michael Daniel

Title: Senior Vice President, Chief Financial and
Administrative Officer

By: /s/ JAY R. HERVEY (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: /s/ J. MICHAEL DANIEL (SEAL)

Name: J. Michael Daniel

Title: Senior Vice President, Chief Financial and
Administrative Officer

By: /s/ JAY R. HERVEY (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: /s/ PATRICIA J. NONEMAN (SEAL)
Patricia J. Noneman, Director

Truist Securities
214 N. Tryon Street
Charlotte, North Carolina 28202
Attention: Patricia J. Noneman
Telephone number: (704) 362-8528

SEVENTH AMENDED AND RESTATED
REVOLVING CREDIT NOTE

\$25,000,000.00

Roanoke, Virginia
January 27, 2022

FOR VALUE RECEIVED, the undersigned, BASSETT FURNITURE INDUSTRIES, INCORPORATED, a Virginia corporation (the "Borrower"), hereby promises to pay to TRUIST BANK (the "Bank") the principal amount of all Loans made by the Bank to the Borrower pursuant to that certain Seventh Amended and Restated Credit Agreement dated as of January 27, 2022 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used in this Revolving Credit Note and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement) by and among the Borrower, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank, payable at such times and in such amounts as are specified in the Credit Agreement.

In addition, should legal action or an attorney-at-law be utilized to collect any amount due hereunder, the Borrower further promises to pay all costs of collection in accordance with the terms of Section 8.03 of the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of the Loans from the date made until such principal amount is paid in full, payable at such times and at such interest rates as are specified in the Credit Agreement. Demand, diligence, presentment, protest and notice of non-payment and protest are hereby waived by the Borrower.

Both principal and interest are payable in Dollars to the Bank, at the Bank's Office, in immediately available funds.

This Revolving Credit Note is referred to in, and is entitled to the benefits of, the Credit Agreement.

The Credit Agreement, among other things, (a) provides for the making of Loans by the Bank to the Borrower in an aggregate amount not to exceed at any time outstanding the amount set forth above, the indebtedness of the Borrower resulting from such Loans being evidenced by this Revolving Credit Note and (b) contains provisions for acceleration of the maturity of the unpaid principal amount of this Revolving Credit Note upon the happening of certain stated events and also for prepayments on account of the principal hereof prior to the maturity hereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Revolving Credit Note is secured by and is also entitled to the benefits of the Loan Documents to the extent provided therein and any other agreement or instrument providing collateral for the Loans, whether not or hereafter in existence and any filings, instruments, agreements and documents relating thereto and providing collateral for the Loans.

This Revolving Credit Note is a Loan Document and is entitled to the benefits of the Loan Documents.

THIS REVOLVING CREDIT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower has caused this Revolving Credit Note to be executed and delivered by its duly authorized officer as of the day and year and at the place set forth above.

BASSETT FURNITURE INDUSTRIES,
INCORPORATED

[Corporate Seal]

By: _____ (SEAL)

Name: J. Michael Daniel

Title: Senior Vice President, Chief Financial and
Administrative Officer

By: _____ (SEAL)

Name: Jay R. Hervey

Title: Vice President, General Counsel and Secretary

NOTICE OF BORROWING

[Date]

Email – capitalmarkets-w-s@truist.com; Telecopy – 888-707-4162

Truist Bank
150 S. Stratford Road
Winston-Salem, North Carolina 27104
Attention: Loan Services

Ladies and Gentlemen:

Reference is made to the Seventh Amended and Restated Credit Agreement, dated as of January 27, 2022 (as amended and in effect on the date hereof, the "Credit Agreement"), among the undersigned, as the Borrower, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank. Terms defined in the Credit Agreement are used herein with the same meanings. This notice constitutes a Notice of Borrowing and is delivered pursuant to Section 2.02 of the Credit Agreement. The Borrower hereby requests a Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Revolving Borrowing requested hereby:

- (A) Aggregate principal amount of such Borrowing¹: _____
- (B) Date of such Revolving Borrowing²: _____
- (C) Interest rate basis³: _____
- (D) Interest Period⁴: _____
- (E) Location and number of the Borrower’s account to which proceeds of such Borrowing are to be disbursed: _____

The Borrower hereby represents and warrants that the conditions specified in clauses (b), (c) and (d) of Section 3.02 of the Credit Agreement are satisfied.

¹ Not less than \$1,000,000 and an integral multiple of \$500,000 for a SOFR Borrowing or less than \$1,000,000 and an integral multiple of \$100,000 for Base Rate Borrowing.

² Which is a Domestic Business Day.

³ SOFR Borrowing or Base Rate Borrowing.

⁴ Which must be one (1) month, otherwise comply with the definition of "Interest Period" and end not later than the Termination Date.



Very truly yours,

BASSETT FURNITURE INDUSTRIES,
INCORPORATED

By: _____
Name:
Title:

cc:

Truist Bank
150 S. Stratford Road
Winston-Salem, North Carolina 27104
Attention: Shana Pask
Shana.pask@truist.com

NOTICE OF CONTINUATION/CONVERSION

[Date]

Email – capitalmarkets-w-s@truist.com; Telecopy – 888-707-4162

Truist Bank
150 S. Stratford Road
Winston-Salem, North Carolina 27104
Attention: Loan Services

Ladies and Gentlemen:

Reference is made to the Seventh Amended and Restated Credit Agreement, dated as of January 27, 2022 (as amended and in effect on the date hereof, the "Credit Agreement"), among the undersigned, as the Borrower, Bassett Furniture Industries of North Carolina, LLC, Bassett Direct Stores, LLC, Bassett Direct NC, LLC, Bassett Direct SC, LLC, and Truist Bank. Terms defined in the Credit Agreement are used herein with the same meanings.

This notice constitutes a Notice of Continuation/Conversion, and the Borrower hereby requests the conversion or continuation of Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Borrowing to be converted or continued as requested hereby:

- (A) Borrowing to which this request applies: _____
- (B) Principal amount of Borrowing to be converted/continued: _____
- (C) Effective date of election⁵: _____
- (D) Interest rate basis⁶: _____
- (E) Interest Period⁷: _____

⁵ Which is a Domestic Business Day.

⁶ SOFR Borrowing or Base Rate Borrowing.

⁷ Which must be one (1) month and otherwise comply with the definition of "Interest Period".



Very truly yours,
BASSETT FURNITURE INDUSTRIES,
INCORPORATED

By: _____
Name:
Title:

cc:

Truist Bank
150 S. Stratford Road
Winston-Salem, North Carolina 27104
Attention: Shana Pask
Shana.pask@truist.com

CLOSING CERTIFICATE

Reference is made to the Seventh Amended and Restated Credit Agreement (the "Credit Agreement") dated as of January 27, 2022 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 27th day of January, 2022.

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, Jay R. Hervey, Secretary of Bassett Furniture Industries, Incorporated, a Virginia corporation (the "Company"), and its subsidiaries, Bassett Furniture Industries of North Carolina, LLC (a North Carolina limited liability company), Bassett Direct Stores, LLC (a Virginia limited liability company), Bassett Direct NC, LLC (a Virginia limited liability company), and Bassett Direct SC, LLC (a Virginia limited liability company) (the "LLCs"), 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 Seventh Amended and Restated Credit Agreement dated as of January 27, 2022, 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 of the Company as in full force and effect on the date hereof, and complete and correct copies of the Certificates of Organization of the LLCs as in full force and effect on the date hereof.
 2. Attached hereto as Exhibit B is a complete and correct copy of the Bylaws of the Company as in full force and effect on the date hereof, and complete and correct copies of the Operating Agreements of the LLCs 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 January 12, 2022, 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 and the LLCs are parties. 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. Attached hereto as Exhibit D are complete and correct copies as of a recent date of the certificate of good standing for the Company, the certificate of existence for Bassett Furniture Industries of North Carolina, LLC and the certificates of fact for each of Bassett Direct Stores, LLC, Bassett Direct NC, LLC and Bassett Direct SC, LLC.
 5. J. Michael Daniel, who as Senior Vice President, Chief Financial and Administrative Officer, and Jay R. Hervey, who as Secretary of the Company and the LLCs signed the Credit Agreement, the Note and the other Loan Documents to which the Company and the LLCs are parties, 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 and the LLCs are parties, and their respective signatures appearing on the Credit Agreement, the Note and the other Loan Documents to which the Company and the LLCs are parties are their genuine signatures.
-

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 27th day of January, 2022.

Name: Jay R. Hervey
Title: Secretary

COMPLIANCE CERTIFICATE

Reference is made to the Seventh Amended and Restated Credit Agreement dated as of January 27, 2022 (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 CHECKLIST⁸

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 Lease Adjusted Leverage to EBITDAR Ratio** (Section 5.37 – Commencing February 28, 2022)
 - a. Consolidated Total Debt for such four-quarter period _____

 - b. (i) Consolidated EBITDA for such four-quarter period _____
(ii) Rent Expense for such four-quarter period _____
Consolidated EBITDAR (2.b.(i) plus 2.b.(ii)) _____
(Ratio shall not exceed 3.00 to 1 as of the end of such Fiscal Quarter) _____

3. **Consolidated Fixed Charge Coverage Ratio** (Section 5.38 – Commencing February 28, 2022)
 - a. (i) Consolidated EBITDA for such four-quarter period _____
(ii) Rent Expense for such four-quarter period _____
Consolidated EBITDAR ((3.a.(i) plus 3.a.(ii)) _____
(iii) Distributions to shareholders or other distributions or payments or advances to shareholders (other than _____
for stock repurchases) declared for such four-quarter period _____
Consolidated EBITDAR minus distributions to shareholders ((3.a.(i) plus 3.a.(ii)) minus 3.a.(iii)) _____

 - b. (i) Borrower’s and its Consolidated Subsidiaries interest expense for such four-quarter period _____
(ii) Rent Expense for such four-quarter period _____
(iii) Current Maturities of Long Term Debt for such four-quarter period _____
Interest expense plus Rent Expenses plus Current Maturities of Long Term Debt (3.b.(i) plus 3.b.
(ii) plus 3.b.(iii)) _____
(Ratio shall not be less than 1.40 to 1 as of the end of such Fiscal Quarter) _____

4. **Minimum Consolidated Tangible Net Worth** (Section 5.39)
(Shall at no time be less than \$120,000,000 or \$140,000,000, as applicable) _____

⁸ 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 # 90020
Face Amount: \$100,000
Beneficiary: Comptroller of Public Accounts
8. Obligation # 90022
Face Amount: \$100,000
Beneficiary: Comptroller of Public Accounts
9. Obligation # 90024
Face Amount: \$300,000
Beneficiary: Avalon Risk Management Insurance
10. Obligation # 90026
Face Amount: \$750,000
Beneficiary: Liberty Mutual Insurance Company

SCHEDULE 4.08

Subsidiaries

The E.B. Malone Corporation (Delaware corporation)

LRG Furniture, LLC (Virginia 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.

ASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

GRANTED TO:
GRANT DATE:
TARGET NUMBER OF SHARES:

This Performance Share Award Agreement (this "Agreement") is made between Bassett Furniture Industries, Incorporated, a Virginia corporation ("Bassett"), and you, an employee of Bassett or one of its Subsidiaries, pursuant to the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan (the "Plan"). A Prospectus describing the Plan is attached as Exhibit A. When used herein, the terms which are defined in the Plan shall have the meanings given to them in the Plan.

In recognition of the value of your contributions to Bassett, you and Bassett mutually covenant and agree as follows:

1. Subject to the terms and conditions of the Plan and this Agreement, Bassett grants to you the right to receive shares of Common Stock subject to the terms of this Agreement (the "Performance Shares"). The Performance Shares, if any, will be issued after the end of the Performance Period based on the achievement of the performance goals in Paragraph 2 below and, after issuance, shall be subject to additional time-based vesting conditions as set forth in Paragraph 3 below. Until such time as the Performance Shares may vest pursuant to Paragraph 3 below, the Performance Shares are forfeitable and nontransferable.
2. The achievement of the Performance Goal during the period commencing on _____ and ending on _____ (the "Performance Period") will determine the percentage of the Target Number of Performance Shares that will be issued, subject to vesting and the other terms and conditions of this award. The percentage of the Target Number that will be issued, if any, is based on the following table:

<u>Performance</u>	<u>Percentage of Target Number to be Issued</u>
--------------------	---

Any unearned Performance Shares will be forfeited as of the end of the Performance Period. If your employment with Bassett or its subsidiaries terminates for any reason (or no reason) prior to when the Performance Shares have been issued, no Performance Shares will be issued to you and you will forfeit your right to receive any Performance Shares hereunder.

3. Subject to the terms described below, after issuance pursuant to Paragraph 2 above, the Performance Shares shall vest and become transferable as described in the following schedule (the period commencing from the date on which the Performance Shares are issued to you and the last Vesting Date shown below is hereinafter referred to as the "Vesting Period"):

Vesting Date	Cumulative Percentage Vested

Except as provided below, (i) you must remain continuously employed with Bassett or a Subsidiary through each Vesting Date for the applicable portion of the Performance Shares to vest, and (ii) to the extent you terminate employment for any reason during the Vesting Period, any portion of the Performance Shares that have not yet vested on the date you terminate employment shall be immediately forfeited on such date.

In the case of your termination of employment during the Vesting Period due to your death or Disability, any Performance Shares that have been issued to you shall become fully vested and transferable on the date of such event.

In the case your employment with Bassett or a Subsidiary is terminated for Cause, all of the Performance Shares (including both any vested and unvested portions) shall be immediately forfeited on the date you terminate employment.

Subject to and in accordance with Article 15 of the Plan, if you experience a Qualifying Termination during the Vesting Period and on or within two years after the date of a Change in Control, any Performance Shares that have been issued to you shall become fully vested and transferable on the occurrence of the Qualifying Termination.

For purposes of this Agreement, "termination of employment" (and variations thereof) shall mean your ceasing to serve as a full time employee of Bassett or a Subsidiary in good standing, except that an approved leave of absence or approved employment on a less than full time basis may constitute employment with Bassett's consent.

4. You do not have any rights as a shareholder of Bassett with respect to his Award prior to the date on which Performance Shares have been issued to you following the end of the Performance Period. Once issued, you shall have all of the rights as a shareholder of Bassett with respect to the Performance Shares (both the vested and unvested portions) from and after their issuance under Paragraph 2 above, including the right to vote such shares and to receive any dividends or other distributions paid thereon. Any dividends otherwise payable on unvested Performance Shares will be accrued and subject to the same vesting requirements as the underlying shares. Such dividends will be paid to you if and when the underlying Performance Shares vest, and will be forfeited if and when the underlying Performance Shares are forfeited pursuant to the terms of this Agreement.
 5. The right to receive Performance Shares hereunder is nontransferable. Once issued, until such time as the Performance Shares may vest pursuant to Paragraph 3 above, the Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. You agree as a condition to receiving this award to comply with the ownership requirements and other conditions of the Company's Stock Ownership Guidelines (the "Guidelines") with respect to the Performance Shares. This award is further subject to the terms and conditions of the Company's Policy for the Recovery of Incentive Compensation or any other recoupment or clawback policy that may be adopted by the Company from time to time.
 6. As a condition of accepting this award, you hereby assign and transfer any Performance Shares issued pursuant to this Agreement to Bassett, and hereby irrevocably appoint the Corporate Secretary of Bassett as your attorney-in-fact to transfer said shares on its books with full power of substitution. Bassett will retain custody of the Performance Shares. As soon as practicable following the date on which the Performance Shares become vested and transferable pursuant to Paragraph 3 above, Bassett will transfer the Performance Shares to you. Fractional shares of Common Stock will not be issued and any fractional share resulting from a change in capital structure pursuant to Paragraph 9 below or otherwise shall be eliminated. Bassett shall not be obligated to issue or deliver any Performance Shares or release any Performance Shares from the restrictions described herein during any period when Bassett determines that such action would violate any federal, state or other applicable laws.
 7. You agree to make arrangements satisfactory to Bassett for the payment of applicable withholding taxes in connection with the issuance or vesting of the Performance Shares, or the payment of any dividends thereon, in any manner permitted under the Plan. Bassett shall not be obligated to issue or deliver any Performance Shares or release any Performance Shares from the restrictions described herein until such arrangements have been made. You hereby agree to give Bassett prompt notice of any election you make under Section 83(b) of the Code with respect to the Performance Shares. If you fail to give Bassett prompt notice, you will be liable to Bassett for any loss of deduction, any penalty imposed, and any other financial loss incurred by Bassett as a result of your failure to give prompt notice.
-

8. You agree that, upon request, you will furnish a letter agreement providing (i) that you will not distribute or resell in violation of the Securities Act of 1933, as amended, any of the Performance Shares if and when they become transferable pursuant hereto, (ii) that you indemnify and hold Bassett harmless against all liability for any such violation and (iii) that you will accept all liability for any such violation.
9. The number of Performance Shares issuable under this Agreement is subject to adjustment in the event of a stock split or other similar change in capital structure of Bassett as provided in the Plan. The existence of these Performance Shares shall not affect in any way the right or power of Bassett or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Bassett's capital structure or its business, or any merger or consolidation of Bassett, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of Bassett, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
10. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax or by mail, postage prepaid, to such address and directed to such person as Bassett may notify you from time to time; and to you at your address as shown on the records of Bassett from time to time, or at such other address as you, by notice to Bassett, may designate in writing from time to time.
11. The terms and provisions of the Plan are incorporated into this Agreement by reference. In the case of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.
12. Neither the Performance Shares nor this Agreement constitutes an employment contract between you and Bassett or any Subsidiary, nor do either the Performance Shares or this Agreement guarantee you employment with Bassett or any Subsidiary for any length of time.
13. This Agreement shall be governed by the laws of the Commonwealth of Virginia without regard to the conflict of law principles of any jurisdiction.
14. This Agreement shall be binding upon and inure to the benefit of your legatees, distributees, and personal representatives and any successors of Bassett.
15. By signing this Agreement you acknowledge having received a copy of the Prospectus and the Plan and agree to be bound by all of the terms and conditions thereof.

IN WITNESS WHEREOF, Bassett has caused this Performance Share Award Agreement to be executed by its duly authorized officer, and you have hereunto set your hand and seal, all effective as of the Grant Date stated above.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

By:
Name:
Title:

BASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN – Exhibit A

PROSPECTUS

BASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN

FORM RESTRICTED STOCK AWARD AGREEMENT

GRANTED TO:
GRANT DATE:
NUMBER OF SHARES:

This Restricted Stock Award Agreement (this "Agreement") is made between Bassett Furniture Industries, Incorporated, a Virginia corporation ("Bassett"), and you, an employee of Bassett or one of its Subsidiaries, pursuant to the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan (the "Plan"). A Prospectus describing the Plan is attached as Exhibit A. When used herein, the terms which are defined in the Plan shall have the meanings given to them in the Plan.

In recognition of the value of your contributions to Bassett, you and Bassett mutually covenant and agree as follows:

1. Subject to the terms and conditions of the Plan and this Agreement, Bassett grants to you the number of shares of Common Stock stated above (the "Restricted Shares"). Until such time as the Restricted Shares may vest pursuant to Paragraph 2 below, the Restricted Shares are forfeitable and nontransferable.
2. Subject to the terms described below, the Restricted Shares shall vest and become transferable as described in the following schedule:

Vesting Date	Cumulative Percentage Vested

Except as provided below, (i) you must remain continuously employed with Bassett or a Subsidiary through each Vesting Date for the applicable portion of the Restricted Shares to vest, and (ii) to the extent you terminate employment for any reason prior to a Vesting Date, any portion of the Restricted Shares that have not yet vested on the date you terminate employment shall be immediately forfeited on such date.

In the case of your termination of employment prior to a Vesting Date due to your death or Disability, the Restricted Shares shall become fully vested and transferable on the date of such event.

In the case your employment with Bassett or a Subsidiary is terminated for Cause, all of the Restricted Shares (including both any vested and unvested portions) shall be immediately forfeited on the date you terminate employment.

Subject to and in accordance with Article 15 of the Plan, if you experience a Qualifying Termination prior to a Vesting Date and on or within two years after the date of a Change in Control, the Restricted Shares shall become fully vested and transferable on the occurrence of the Qualifying Termination.

For purposes of this Agreement, “termination of employment” (and variations thereof) shall mean your ceasing to serve as a full time employee of Bassett or a Subsidiary in good standing, except that an approved leave of absence or approved employment on a less than full time basis may constitute employment with Bassett’s consent.

3. You shall have all of the rights as a shareholder of Bassett with respect to the Restricted Shares (both the vested and unvested portions) from and after the Grant Date, including the right to vote such shares and to receive any dividends or other distributions paid thereon. Any dividends otherwise payable on unvested Restricted Shares will be accrued and subject to the same vesting requirements as the underlying shares. Such dividends will be paid to you if and when the underlying Restricted Shares vest, and will be forfeited if and when the underlying Restricted Shares are forfeited pursuant to the terms of this Agreement.
 4. Until such time as the Restricted Shares may vest pursuant to Paragraph 2 above, the Restricted Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. You agree as a condition to receiving this award to comply with the ownership requirements and other conditions of the Company’s Stock Ownership Guidelines (the “Guidelines”) with respect to the total number of shares of Common Stock you receive in payment upon vesting of this award. This award is further subject to the terms and conditions of the Company’s Policy for the Recovery of Incentive Compensation or any other recoupment or clawback policy that may be adopted by the Company from time to time.
 5. As a condition of accepting this award, you hereby assign and transfer the Restricted Shares granted pursuant to this Agreement to Bassett, and hereby irrevocably appoint the Corporate Secretary of Bassett as your attorney-in-fact to transfer said shares on its books with full power of substitution.
 6. Bassett shall, as soon as administratively practicable after the Grant Date, direct Bassett’s transfer agent for Common Stock to make a book entry record showing ownership for the Restricted Shares in your name (or, in accordance with your instructions and subject to the consent of Bassett with shall not be unreasonably withheld, in your and your spouse’s names as community property or as joint tenants with right of survivorship). As soon as practicable following the date on which the Restricted Shares become vested and transferable pursuant to Paragraph 2 above, Bassett will issue appropriate instructions to that effect to the transfer agent for Common Stock. Fractional shares of Common Stock will not be issued and any fractional share resulting from a change in capital structure pursuant to Paragraph 9 below or otherwise shall be eliminated. Bassett shall not be obligated to issue or deliver any Restricted Shares or release any Restricted Shares from the restrictions described herein during any period when Bassett determines that such action would violate any federal, state or other applicable laws.
 7. You agree to make arrangements satisfactory to Bassett for the payment of applicable withholding taxes in connection with the grant or vesting of the Restricted Shares, or the payment of any dividends thereon, in any manner permitted under the Plan. Bassett shall not be obligated to issue or deliver any Restricted Shares or release any Restricted Shares from the restrictions described herein until such arrangements have been made. You hereby agree to give Bassett prompt notice of any election you make under Section 83(b) of the Code with respect to the Restricted Shares. If you fail to give Bassett prompt notice, you will be liable to Bassett for any loss of deduction, any penalty imposed, and any other financial loss incurred by Bassett as a result of your failure to give prompt notice.
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8. You agree that, upon request, you will furnish a letter agreement providing (i) that you will not distribute or resell in violation of the Securities Act of 1933, as amended, any of the Restricted Shares if and when they become transferable pursuant hereto, (ii) that you indemnify and hold Bassett harmless against all liability for any such violation and (iii) that you will accept all liability for any such violation.
9. The number of Restricted Shares is subject to adjustment in the event of a stock split or other similar change in capital structure of Bassett as provided in the Plan. The existence of these Restricted Shares shall not affect in any way the right or power of Bassett or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Bassett's capital structure or its business, or any merger or consolidation of Bassett, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of Bassett, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
10. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax or by mail, postage prepaid, to such address and directed to such person as Bassett may notify you from time to time; and to you at your address as shown on the records of Bassett from time to time, or at such other address as you, by notice to Bassett, may designate in writing from time to time.
11. The terms and provisions of the Plan are incorporated into this Agreement by reference. In the case of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.
12. Neither the Restricted Shares nor this Agreement constitutes an employment contract between you and Bassett or any Subsidiary, nor do either the Restricted Shares or this Agreement guarantee you employment with Bassett or any Subsidiary for any length of time.
13. This Agreement shall be governed by the laws of the Commonwealth of Virginia without regard to the conflict of law principles of any jurisdiction.
14. This Agreement shall be binding upon and inure to the benefit of your legatees, distributees, and personal representatives and any successors of Bassett.
15. By signing this Agreement you acknowledge having received a copy of the Prospectus and the Plan and agree to be bound by all of the terms and conditions thereof.

IN WITNESS WHEREOF, Bassett has caused this Restricted Stock Award Agreement to be executed by its duly authorized officer, and you have hereunto set your hand and seal, all effective as of the Grant Date stated above.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

EMPLOYEE

[SEAL]

By: _____
Name: _____
Title: _____

BASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN – Exhibit A

PROSPECTUS

BASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN

FORM STOCK OPTION AWARD AGREEMENT

GRANTED TO:
GRANT DATE:
NUMBER OF SHARES:
OPTION PRICE PER SHARE:
EXPIRATION DATE:

This Stock Option Award Agreement (this “Agreement”) is made between Bassett Furniture Industries, Incorporated, a Virginia corporation (“Bassett”), and you, an employee of Bassett or one of its Subsidiaries, pursuant to the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan (the “Plan”). A Prospectus describing the Plan is attached as Exhibit A. When used herein, the terms which are defined in the Plan shall have the meanings given to them in the Plan.

In recognition of the value of your contributions to Bassett, you and Bassett mutually covenant and agree as follows:

1. Subject to the terms and conditions of the Plan and this Agreement, Bassett grants to you the Option to purchase from Bassett the above-stated number of shares of Common Stock (the “Shares”) at the Option Price per Share stated above. This Option is not intended to be an Incentive Stock Option.
2. Subject to the terms described below, this Option shall vest and become exercisable as described in the following schedule:

Vesting Date	Cumulative Percentage Vested

Except as provided below, (i) you must remain continuously employed with Bassett or a Subsidiary through each Vesting Date for the applicable portion of the Option to vest, and (ii) to the extent you terminate employment for any reason prior to a Vesting Date, any portion of the Option that is not yet vested on the date you terminate employment shall be immediately terminated and forfeited on such date.

In the case of your termination of employment prior to a Vesting Date due to your death, Disability or Retirement, the Option shall become fully vested and exercisable on the date of such event, and shall remain exercisable for the applicable period set forth in Paragraph 3 below. For purposes of this Agreement, “Retirement” means termination of your employment (other than due to death or Disability) after you attain age sixty-five (65), or earlier if you retire early with Bassett’s consent.

In the case your employment with Bassett or a Subsidiary is terminated for Cause, the entire Option (including both any vested and unvested portions) shall be immediately terminated and forfeited on the date you terminate employment.

Subject to and in accordance with Article 15 of the Plan, if you experience a Qualifying Termination prior to a Vesting Date and on or within two years after the date of a Change in Control, the Option shall become fully vested and exercisable on the occurrence of the Qualifying Termination.

For purposes of this Agreement, “termination of employment” (and variations thereof) shall mean your ceasing to serve as a full time employee of Bassett or a Subsidiary in good standing, except that an approved leave of absence or approved employment on a less than full time basis may constitute employment with Bassett’s consent.

3. Except as otherwise provided below, the Option is exercisable only during your employment with Bassett or a Subsidiary. The Option shall expire on the earlier of the Expiration Date stated above or the following Cancellation Date depending on the reason for your termination of employment with Bassett and its Subsidiaries:

Reason for Termination of Employment	Cancellation Date
Death or Disability	12 months after termination date
Retirement	36 months after Retirement date
Voluntary termination by you (other than Retirement) with written consent of Bassett	90 days after termination date
Any other termination	Termination date

If you terminate employment due to Retirement and die within three years thereafter, or if you terminate employment due to Disability and die within one year thereafter, or if you voluntarily terminate (other than Retirement) with the consent of Bassett and die within 90 days thereafter, your beneficiary or estate (as provided below) may exercise the Option until the earliest of (i) the third anniversary of your Retirement date or the first anniversary of the date on which you terminated employment due to Disability or the 90th day following your voluntary termination with the consent of Bassett (whichever is applicable), or (ii) the Expiration Date.

Any portion of the Option that has not been exercised as of the earlier of the Expiration Date or the applicable Cancellation Date above shall be immediately terminated and forfeited on such date.

If the event of your death, the Option shall be exercisable for the applicable period set forth above by such person empowered to do so under your will, or if you fail to make a testamentary disposition of the Option or shall have died intestate, by your executor or other legal representative.

4. Any person entitled to exercise the Option may do so by delivering to Bassett a written notice signed by such person stating such person's intention of thereby exercising the Option and the number of Shares as to which the Option is being exercised, together with payment in full of the Option Price. Such written notice must be substantially the same in content as the form letter attached hereto as Exhibit B, or in such other form as Bassett may prescribe. The Option may not be exercisable for less than 100 Shares at any time unless such lesser number is the total number of Shares for which the Option is exercisable at such time. The full aggregate Option Price of the Shares covered by the exercise of this Option shall be paid in cash or equivalent or, subject to Bassett's consent, in any other manner permitted under the Plan. Arrangements satisfactory to Bassett for the payment of applicable withholding taxes upon exercise of the Option must also be made at the time of exercise in any manner that is permitted under the Plan. The Option may not be exercised for fractional Shares and no fractional Share shall be issued.
5. No person entitled to exercise the Option shall have any rights as a shareholder of Bassett with respect to the Shares covered by the Option except to the extent that Shares are issued to such person upon the due exercise of the Option and all conditions (including compliance with all applicable securities laws) with respect to the issuance of such Shares have been met.
6. The Option may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, and may be exercised during your lifetime only by you. You agree as a condition to receiving this award to comply with the ownership requirements and other conditions of the Company's Stock Ownership Guidelines (the "Guidelines") with respect to the total number of shares of Common Stock you acquire upon exercising this Option after vesting of this award. This award is further subject to the terms and conditions of the Company's Policy for the Recovery of Incentive Compensation or any other recoupment or clawback policy that may be adopted by the Company from time to time
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7. You agree that, upon request, you will furnish a letter agreement providing (i) that you will not distribute or resell in violation of the Securities Act of 1933, as amended, any of the Shares acquired upon your exercise of the Option, (ii) that you indemnify and hold Bassett harmless against all liability for any such violation and (iii) that you will accept all liability for any such violation.
8. The Option (including the Option Price and number of Shares covered by the Option) is subject to adjustment in the event of a stock split or other similar change in capital structure of Bassett as provided in the Plan. The existence of this Option shall not affect in any way the right or power of Bassett or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Bassett's capital structure or its business, or any merger or consolidation of Bassett, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of Bassett, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
9. Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax or by mail, postage prepaid, to such address and directed to such person as Bassett may notify you from time to time; and to you at your address as shown on the records of Bassett from time to time, or at such other address as you, by notice to Bassett, may designate in writing from time to time.
10. The terms and provisions of the Plan are incorporated into this Agreement by reference. In the case of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.
11. Neither the Option nor this Agreement constitutes an employment contract between you and Bassett or any Subsidiary, nor does either the Option or this Agreement guarantee you employment with Bassett or any Subsidiary for any length of time.
12. This Agreement shall be governed by the laws of the Commonwealth of Virginia without regard to the conflict of law principles of any jurisdiction.
13. This Agreement shall be binding upon and inure to the benefit of your legatees, distributees, and personal representatives and any successors of Bassett.
14. By signing this Agreement you acknowledge having received a copy of the Prospectus and the Plan and agree to be bound by all of the terms and conditions thereof.

IN WITNESS WHEREOF, Bassett has caused this Stock Option Award Agreement to be executed by its duly authorized officer, and you have hereunto set your hand and seal, all effective as of the Grant Date stated above.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

By:
Name:
Its:

BASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN – Exhibit A

PROSPECTUS

BASSETT FURNITURE INDUSTRIES, INCORPORATED
2021 STOCK INCENTIVE PLAN – Exhibit B

Bassett Furniture Industries, Inc.
Post Office Box 626
Bassett, Virginia 24055
Attention: Corporate Secretary

Re: Notice of Exercise of Stock Option

Dear Sir or Madam:

Pursuant to the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan and the Stock Option Award Agreement dated _____, I hereby elect to exercise my option to the extent required to purchase _____ shares of \$5.00 par value Common Stock of Bassett Furniture Industries, Incorporated, at and for the price of \$_____ per share.

I enclose herewith a check in the sum of \$_____ which is payment in full for the shares of Common Stock and for the applicable withholding taxes associated with the exercise. You are requested to direct your transfer agent for Common Stock to make a book entry record showing ownership of the shares in my name or in the name of me and my spouse in accordance with the following instructions:

I hereby represent that I have received a copy of the Annual Report of the Company for its most recent fiscal year.

Very truly yours,

Dated:

Optionee's signature

BASSETT FURNITURE INDUSTRIES, INCORPORATED
 SCHEDULE OF TERMS FOR
 EMPLOYMENT CONTINUITY AGREEMENTS
 WITH CERTAIN EXECUTIVE OFFICERS

Executive	Date of Agreement	Change in Control Severance Multiplier	Severance Period	Outplacement Services Period and Cost Limit
Robert H. Spilman, Jr.	January 22, 2009	2	18 mos.	6 mos. \$15,000
John E. Bassett III	January 22, 2009	1	12 mos.	3 mos. \$7,500
J. Michael Daniel	January 24, 2014	1	12 mos.	3 mos. \$7,500
Bruce R. Cohenour	January 24, 2014	1	12 mos.	3 mos. \$7,500

EXHIBIT 21 - LIST OF SUBSIDIARIES*

- (a) Bassett Furniture Industries of North Carolina, LLC (North Carolina limited liability company)
- (b) The E.B. Malone Corporation (Delaware corporation)
- (c) Bassett Direct Stores, LLC (Virginia limited liability company)
- (d) Bassett Direct NC, LLC (Virginia limited liability company)
- (e) Bassett Direct SC, LLC (Virginia limited liability company)
- (f) LRG Furniture, LLC (Virginia limited liability company)
- (g) BDP, LC (Texas limited liability company)
- (h) BFD-Atlanta, LLC (Virginia limited liability company)
- (i) BD Boston, LLC (Virginia limited liability company)
- (j) BDU NY, LLC (Virginia limited liability company)
- (k) Zenith Freight Lines, LLC (North Carolina limited liability company)
- (l) Zenith, Inc. (North Carolina corporation)
- (m) Western States Distribution, LLC (California limited liability company)

*All subsidiaries are wholly-owned unless otherwise noted.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No 333-217072) pertaining to the Bassett Furniture Industries, Incorporated 2017 Employee Stock Purchase Plan , and
- (2) Registration Statement (Form S-8 No 333-254104) pertaining to the Bassett Furniture Industries, Incorporated 2021 Stock Incentive Plan

of our reports dated January 31, 2022 with respect to the consolidated financial statements and schedule of Bassett Furniture Industries, Incorporated and Subsidiaries and the effectiveness of internal control over financial reporting of Bassett Furniture Industries, Incorporated and Subsidiaries included in this Annual Report (Form 10-K) of Bassett Furniture Industries, Incorporated and Subsidiaries for the year ended November 27, 2021.

/s/ Ernst & Young LLP
Richmond, Virginia
January 31, 2022

CERTIFICATIONS

I, Robert H. Spilman, Jr., certify that:

1. I have reviewed this annual report on Form 10-K 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.

January 31, 2022

/s/ Robert H. Spilman, Jr.

Robert H. Spilman, Jr.

President and Chief Executive Officer

CERTIFICATIONS

I, J. Michael Daniel, certify that:

1. I have reviewed this annual report on Form 10-K 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.

January 31, 2022

/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 Annual Report of Bassett Furniture Industries, Incorporated (the "Company") on Form 10-K for the period ended November 27, 2021, 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 Sections 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.

January 31, 2022

/s/ Robert H. Spilman, Jr.

Robert H. Spilman, Jr.
President 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 Annual Report of Bassett Furniture Industries, Incorporated (the "Company") on Form 10-K for the period ended November 27, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Michael Daniel, Senior Vice President and Chief Financial 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 Sections 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.

January 31, 2022

/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.