

STANLEY FURNITURE COMPANY, INC.

CODE OF CONDUCT

I. BACKGROUND AND PURPOSE

The loyalty and integrity of associates is a standing tradition at Stanley Furniture Company, Inc. Their faithful adherence to the standard of conduct set forth by the Company has fostered the fair and ethical relationships which exist between the Company and its associates, distributors, dealers, shareholders, competitors and suppliers of materials and services. For the purpose of this Code, associates include all associates and officers of the Company and, when they are acting on behalf of the Company, directors of the Company.

It is a long-established policy of this Company to observe and comply with all laws, rules and regulations of Federal, state, local and foreign governments affecting the Company and its associates and to require all associates of the Company to avoid activities which could lead to involvement of the Company or themselves in any unlawful or unethical practices.

The purpose of this Code of Conduct is to restate and reaffirm the various principles and guidelines with respect to legal responsibilities and ethical business conduct. The Company expects its associates to observe the highest standards of integrity and remain free of interests and relationships which are potentially detrimental to the Company's best interests.

The Audit Committee of the Board of Directors has the overall responsibility for providing guidance in matters of conduct and business ethics and monitoring compliance with this Code and the applicable laws to assure consistency with the Company's overall objective of promoting fair and ethical actions and relationships in all activities of the Company. The Audit Committee may use the Company's independent public accountants, internal financial staff and legal counsel, together with other service providers it chooses to engage, to perform this oversight function.

II. CONFLICTS OF INTEREST AND ETHICAL CONDUCT STANDARDS

A. Supervisory - Subordinate Relationships

All relations among Company associates must be based on high standards of ethical and legal conduct, and these standards will be made evident in Stanley Furniture's policies and practices and in all aspects of the supervisor - associate relationship.

Associates shall not use their position in the Company for a purpose that is or gives the appearance of being motivated by the desire for private gain for themselves or another. In this regard, associates, regardless of their level in the Company, should specifically avoid the use or the appearance of use, of their positions to obtain the

services of any kind from another associate for themselves, their family or relatives, or any other person or entity with whom they have personal, business, or financial ties. Such services cannot be obtained from another associate, whether with or without remuneration. If at any time an associate believes that he or she may be involved in such a situation which presents, or may present a conflict of interest, such associate must promptly make full disclosure of the matter to the Corporate Human Resources Manager or a designate. The significance of the conflict will be evaluated and a course of action will be determined.

Selection, placement and advancement of associates will be solely on the basis of their qualifications for the work to be performed, without bias or favoritism, and associates will be compensated fairly according to their contribution to the Company and consistent with Stanley Furniture's policies and practices.

1. Associates in Supervisory Positions - Supervisory personnel are responsible for providing proper information and guidance to their associates with regard to acceptable conduct and for seeking necessary clarification from higher management in doubtful matters. In application of this Code, supervisors must:
 - be aware of and administer all Company policies and practices consistently and impartially with respect to all associates and ensure that these standards of objectivity are evident to all concerned; and
 - be aware of the ethical and legal responsibilities that result from their supervisory assignment and ensure that all personnel actions and decisions are consistent with such responsibilities.

2. Associates in Non-Supervisory Positions - Associates in non-supervisory positions are required to respond readily to the direction of supervisors with respect to their work assignments and to carry out such assignments to the best of their ability. In application of this Code, non-supervisory associates must:
 - know this Code and its application to their particular work assignment;
 - seek information from their supervisor in case of doubt or misunderstanding on the application of this Code; and
 - be aware of the consequences of violations of the law or unethical conduct.

3. Employment of Relatives - The Company extends equal consideration to all candidates for employment and attaches no weight to relationships with other Company associates.

Assignment or employment of associates, who are related by blood or marriage, in positions where potential supervisory or other problems may develop due to family relationships, or in situations otherwise open to associate /company conflict of interest, should be avoided.

As a general rule, associates who are related should not be assigned to or remain in positions where there is a direct control by one over the other with respect to remuneration, expense accounts, work environment and progress with the Company.

If such a relationship exists, the associates who have such a relationship are obligated to notify their supervisors of the relationship. The immediate supervisor is required to review the matter with the next level of supervision up to and including senior management level. Management, in conjunction with the Corporate Human Resources Manager, will determine what course of action should be taken.

B. Prohibition on Harassment

Stanley Furniture, as your employer, must take reasonable steps to prevent discrimination and harassment from occurring. In addition to prohibiting other forms of unlawful discrimination, the Company maintains a strict policy prohibiting sexual harassment and harassment because of race, color, national origin, ancestry, religion, creed, physical or mental disability, medical condition, marital status, veteran status, military service, including service in the Reserve or National Guard, sexual orientation, age, or any other basis protected by federal, state or local law. All such harassment is prohibited. The Company's anti-harassment policy applies to **all** persons involved in the operations of the Company and prohibits harassment by any associate of Stanley Furniture Company, including managers, supervisors and coworkers as well as customers, clients, and vendors doing business with the Company or on Company property.

Sexual harassment includes, but is not limited to, unwanted sexual advances, requests for sexual favors or visual, verbal or physical conduct of a sexual nature when:

- (1) submission to such conduct is made a term or condition of employment; or
- (2) submission to or rejection of such conduct is used as a basis for employment decisions affecting the individual; or
- (3) such conduct has the purpose or effect of unreasonably interfering with an associate's work performance or creating an intimidating, hostile or offensive working environment.

Examples of sexual harassment include various forms of offensive behavior. The following is a partial list:

- Unwanted sexual advances.
- Offering employment benefits in exchange for sexual favors.
- Making or threatening reprisals after a negative response to sexual advances.
- Visual conduct: leering, making sexual gestures, displaying of sexually suggestive objects or pictures, cartoons or posters.
- Verbal conduct: making or using derogatory comments, epithets, slurs, sexually explicit jokes, comments about an associate's body or dress.
- Verbal sexual advances or propositions.
- Verbal abuse of a sexual nature, graphic verbal commentary about an individual's body, sexually degrading words to describe an individual, suggestive or obscene letters, notes or invitations.
- Physical conduct: touching, assault, impeding or blocking movements.
- Retaliation for reporting harassment or threatening to report harassment.

It is unlawful for males to sexually harass females or other males and for females to sexually harass males or other females. Sexual harassment on the job is unlawful whether it involves co-worker harassment, harassment by a supervisor or manager, or by persons doing business with or for the Company.

Prohibited harassment on the basis of race, color, national origin, ancestry, religion, physical or mental disability, marital status, sexual orientation, age, or other protected basis, includes behavior similar to sexual harassment such as:

- Verbal conduct such as threats, epithets, derogatory comments or slurs;
- Visual conduct such as derogatory posters, photographs, cartoons, drawings or gestures;
- Physical conduct such as assault, unwanted touching or physically threatening actions; or
- Retaliation for reporting harassment or threatening to report harassment.

C. Equal Employment Opportunity

The Company is an *equal opportunity employer*. The Company does not discriminate or allow discrimination on the basis of race, sex, religion, national origin, age, disability, military status, or any other classification protected by applicable law. All human resources actions, including hiring, benefits, transfers, compensation, layoffs, return from layoffs, educational, recreational, and social programs are and must be administered in a non-discriminatory manner.

The Company requires that all of its associates, supervisors, and managers understand and practice equal employment opportunity. Acts of discrimination, including illegal harassment, will not be tolerated. The Company will work with employees to

identify and make reasonable accommodations for qualified individuals with known disabilities, unless making such accommodations would result in an undue hardship on the Company.

The Company requires that all associates lend their support to achieving its objectives of equal opportunity employment and of zero tolerance for any type of illegal harassment or discrimination. Any violation of this Equal Employment Opportunity Policy, including its prohibitions on harassment, will be dealt with severely. Any associate, including any manager or supervisor, who engages in such violation will be subject to appropriate disciplinary action up to and including discharge.

D. Gifts and Entertainment

1. Giving of Gifts and Entertainment by the Company

Gifts and entertainment may only be given to customers and suppliers if all the following conditions are met:

- they are consistent with accepted business practices;
- they have approval of an appropriate corporate officer;
- they are of sufficiently limited value, and in a form that will not be construed as influencing or rewarding a particular course of action;
- they are not in violation of applicable law and generally accepted ethical standards;
- public disclosure of the facts will not embarrass the Company; and
- they will not be used to influence the customer or supplier improperly or to knowingly violate the customer's or supplier's own rules against acceptance of gifts or entertainment.

2. Acceptance of Gifts and Gratuities by Associates

- a. Associates should not expect or encourage the receipt of gifts or gratuities from any organization or individual who has, or seeks to have, a business relationship with the Company. The acceptance of gifts, favors, personal discounts and similar gratuities of substance might obligate the associate or the Company to the donor, or influence or raise doubts as to the impartiality of the recipient.
- b. In keeping with the above, associates may not receive, directly or indirectly, from an organization or individual who has or seeks to

have a business relationship with the Company, any commissions, fees, bonuses, compensation, loans (other than those made on customary terms from a bank or other financial institution), advances, or anything of value except as provided herein.

- c. Also associates may not accept gifts or other gratuities which go beyond a moderate and reasonable scale or are given under circumstances that place the associate or the Company under any obligation, or which may tend to influence business relations.
- d. Any associate who receives, or whose family receives, a gift or gratuity which goes beyond a moderate and reasonable scale, either in terms of cash value or frequency, should immediately return the gift to the donor with a letter outlining Company policy and make a full report of the matter to his supervisor.
- e. Acceptance of gifts in the form of cash, or gifts immediately convertible to cash such as gold, bank account(s) in an associate's name, or equivalents, is absolutely forbidden.

3. Entertainment

- a. Associates may not accept unusual or extended hospitality in any form including entertainment at a resort or similar accommodation, or payment of personal or business expenses, from any organization or individual who has, or who seeks to have, a business relationship with the Company. Offers of any of the foregoing must be reported to the immediate supervisor. However, the normal working relationship between the Company and distributors may lead to occasions when certain authorized associates as representatives of the Company may accept offers of transportation, food, lodging and entertainment in conjunction with appropriate business activities of the distributor. In these instances only, the Company will reimburse the associate for related expenses which are not included as part of the distributor's offer.
- b. Local entertainment such as golf outings, theaters, dinners, sporting events, etc., are considered acceptable business courtesies only on special occasions providing the frequency and the cost to the donor is within reason.
- c. Certain business courtesies, such as payment for lunch or dinner in connection with a business meeting, are not discouraged. However, associates should endeavor to keep such courtesies on a reciprocal basis.

E. Associate Interests in and Relationships with Outside Business Organizations

1. Business Organizations Furnishing Goods and Services to the Company

- a. No transaction with an outside business organization that furnishes goods or service to the Company shall be influenced by an associate's personal interests or relationships. Accordingly, associates shall have no direct or indirect interests in or relationships with any such organization that might affect the objectivity and independence of their judgment or conduct in carrying out their duties and responsibilities to the Company, or embarrass the Company because its effect may reasonably be misunderstood by others.
- b. Associates should not own a significant financial interest* or have an association which might be construed as significant financial interest in any business organization that does or seeks to do business with the Company, or is a competitor of the Company, unless such interest has been fully disclosed in writing to the Corporate Human Resources Manager.

2. Other Outside Business Relationships

Associates are expected to serve the Company with their maximum skills, judgment, discretion and integrity in fulfilling their duties and to act in the best interest of the Company in all matters connected with their position. In accordance with this Code:

- a. Associates may not render professional service, consult for or engage in any outside employment which might affect the independence of their judgment and performance of their duties and responsibilities to the Company or which might embarrass the Company.
- b. Associates may not engage in any outside employment which conflicts with scheduled hours, overtime hours when required, or the performance of Company assignments.

* A "significant" financial interest is an aggregate interest for associate of more than (a) 1% of any class of the outstanding securities of a corporation listed on a major stock exchange, or whose stock is traded by brokers in the "over the counter" market, or (b) any interest in any other company. Advance approval is not required for customary banking transactions with commercial banks with whom the Company may also do business or as to a financial interest in a regulated public utility, mutual fund, or other investment company.

3. Conflict of Interest or Unethical Conduct through a Third Party

Anything which would constitute a conflict of interest or unethical conduct on the part of an associate would create such conflict when an associate knowingly engages in such activity through a third party such as a spouse, a family member or other persons or organizations.

4. Related Party Transactions

Any related party transaction must be approved by the Audit Committee. For purposes of this section, a related party transaction refers to transactions involving directors, executive officers or significant shareholders of the Company required to be disclosed pursuant to SEC Regulation S-K, Item 404.

F. Improper Use of Company Position, Information or Resource

1. Unauthorized Disclosure

a. Associates are not permitted to make disclosures of proprietary information which could in any manner adversely affect the interests of the Company. For example, information concerning research, development, new products and features obviously is of value to competitors, and data pertaining to manufacturing processing, plans, facilities, sales, costs, financial data and procedures may also involve elements of significant competitive value and must be kept confidential.

b. Associates are not permitted to make disclosures to outside organizations or individuals of confidential employment information pertaining to other associates such as job level, job duties, title, salary, medical records or insurance claims without specific advance written approval of the Corporate Human Resources Manager.

c. Valuable proprietary information could also be disclosed by permitting visitors to inspect the manufacturing, design or engineering areas of the Company's facilities. Therefore, permission must be obtained from the Executive Vice President – Operations (or designee) and notification will be given to the Security Department which maintains records of movement.

2. Insider Trading; Using Private Information or Company Position for Personal Gain

Associates may not trade in the Company's securities or the securities of other companies, including customers, suppliers, and others, on the basis of material non-public information. Information is material if it may

affect an investor's decision to buy, sell or hold securities of a company. The use of material non-public information, regardless of how the information was obtained, to buy or sell the Company's stock, or to advise others to do so, could have serious legal consequences.

Associates may not use for their own personal gain information gained through their employment or position with the Company.

For example, such activity would include but is not limited to:

- Selling of Company private information,
- Acquiring real estate or any other property which the associate knows the Company is interested in buying, or using, or
- Using proprietary information in connection with employment outside the Company.

3. Misuse of Company Property, Records and Funds

Preventing the loss, damage, misuse or theft of Company property, records and funds is a matter of personal responsibility which associates must accept as part of their job. Company property is to be used exclusively for conducting business and should not be used personally, sold or given away without proper authorization. The Company's internet, intranet, e-mail and voicemail systems are also Company property subject to this Code and any additional Company policies with respect to the use of those systems. Company procedures for disbursing, receiving and reporting funds are designed to protect the associate as well as safeguard the Company's assets and must be adhered to.

G. Associate Participation in Civic and Political Activities

The Company, as a socially responsive corporation, actively supports worthwhile civic, social and community projects and organizations. Similarly, the Company encourages its associates to actively participate in community affairs, including political activities and social welfare efforts. Such service can appropriately include both volunteer work in the private sector or, in public affairs, the holding of elective or appointive office, unless such service unreasonably interferes with the performance of the associate's duties.

H. Compliance with Applicable Laws; Prohibition of Illegal and Improper Political and Government Payments

It has been a policy of the Company to transact business in accordance with the laws of every country in which the Company does or seeks to do

business. Similarly, all Company associates shall at all times comply with all applicable laws and high standards of business ethics and conduct in every country in which the Company does business to assure that their actions or conduct do not result in discredit to the corporation or the United States.

- a. Consistent with the laws of the United States, Stanley Furniture prohibits the use of corporate funds or assets for political contributions not only in the United States, but also abroad, even where such contributions are legally permitted by national, state or local law. This prohibition covers not only direct contributions but indirect support of candidates or political parties; for example, a loan or donation to an associate for purposes of making a political contribution, the purchase of tickets for special dinners or other fund-raising events, the loan of associates to political parties or committees, or the furnishing of transportation, special duplicating services, etc.
- b. The use of Company or subsidiary funds, assets or gifts for any unlawful or improper purpose made directly or indirectly to any officer of any government or of any government agency or any person or organization with which the Company conducts business in the United States or abroad is strictly prohibited.

Because of the complexities, ambiguities, and rapid changes in content and interpretation of the various laws and regulations which may be applicable in countries where the Company operates, it is normally not possible to provide detailed directions for associates to follow in the course of their daily operations. In all questionable areas, associates are expected and required to seek guidance and advice from their supervisor and from the Corporate Human Resources Manager.

- I. Soliciting for Political Contributions
Solicitation for contributions to political parties or candidates on Company premises by associates or outside organizations is prohibited without the prior written approval of the Chief Executive Officer.
- J. Accurate Books, Records, and Public Reports.

Stanley Furniture's integrity is based on maintaining accurate and honest records and accounts to reflect all business transactions. The Company expects associates to keep accurate records and reports to safeguard the Company's reputation and ensure its ability to meet legal and regulatory obligations. All Company books, records, and accounts must be maintained in accordance with all applicable regulations and standards and accurately reflect the transactions they record. The Company's financial

statements must conform to generally accepted accounting principles and the Company's accounting policies. The Company does not permit any undisclosed or unrecorded accounts or funds for any purpose. The Company also prohibits making any false or misleading entries in the Company's books or records for any reason. Finally, the Company will not allow the disbursement of corporate funds or other corporate property without adequate supporting documentation.

It is the policy of Stanley Furniture to provide full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to, the Securities and Exchange Commission and in other public communications.

III. IMPLEMENTATION

1. Current Associates

After issuance of this Code, all associates will be given this Code of Conduct and all salaried associates will be required to acknowledge in writing their understanding of and compliance with this Code. All directors and executive officers of the Company, and such other salaried associates as may be determined from time to time by the Audit Committee, will acknowledge in writing their understanding of and compliance with this Code on an annual basis thereafter.

2. Newly Hired Associates

All newly hired associates will be given this Code of Conduct and, as a condition of employment, newly hired salaried associates will be required to certify their understanding of and willingness to comply with this Code.

IV. RESPONSIBILITIES

All associates are expected to adhere to this Code of Conduct and to carry them out in their day-to-day business activities.

The guidelines will not provide an answer to every problem that arises. The absence of a Company guideline covering a particular situation does not relieve an associate from the responsibility to exercise high ethical standards.

The responsibility for administering and complying with this Code is delegated to operating heads of the various plants and departments with respect to the associates within their jurisdiction. They should be fully aware of the practices and procedures being followed by subordinate associates and take steps to ensure that associates measure up to expected standards of behavior as they carry out their duties.

The Company's Corporate Human Resources Manager will provide any guidance and interpretations required concerning this Code. Questions regarding the application of Company policy to particular situations should be submitted to the Company's Corporate Human Resources Manager.

V. COMPLIANCE

Associates who violate the provisions set forth in this Code may be subject to disciplinary action including, where appropriate, suspension, or termination of employment. Any disciplinary action taken by the Company does not waive the Company's right to take appropriate legal action. Nothing in this Code is intended to alter the employment-at-will relationship between the Company and its associates.

VI. REPORTING VIOLATIONS OF THE CODE

Any associate who becomes aware of any situations in which the associate believes there has been a legal or ethical violation, including perceived harassment of any kind, the associate has a personal responsibility to communicate this concern to the Company immediately. Associates may report any concerns or violations of this Code openly or anonymously by using any of the following resources:

- your supervisor;
- your human resources representative;
- Corporate Human Resources Manager; or
- [a toll-free number, which is given to all associates].

The Company will not tolerate retaliation against anyone who in good faith reports a violation or potential violation of this Code. This means that associates will not be disciplined, fired or discriminated against in any way for voicing ethical or legal concerns or reporting violations so long as the associate acts honestly and in good faith.

The Company will handle all reported violations of the Code promptly, professionally, and with as much confidentiality as possible. The Company will evaluate all complaints to determine whether it is necessary to conduct an informal inquiry or a formal investigation, and forward them to appropriate members of management for follow-up. Certain violations may also require the Company to refer the matter to the appropriate criminal or civil authorities for investigation or prosecution.

VII. COMPLAINTS AND CONCERNS REGARDING ACCOUNTING OR AUDIT MATTERS

Associates with concerns about questionable accounting, internal accounting controls or auditing matters may confidentially and anonymously report such concerns or complaints by contacting [a toll-free number, which is given to all associates]. Associates may also write to:

Audit Committee
Board of Directors
Stanley Furniture Company, Inc.
1641 Fairystone Park Highway
Stanleytown, VA 24168

The Company will not discipline, discriminate against, or retaliate against any associate who reports a complaint or concern in good faith.

VIII. WAIVERS OF THE CODE OF CONDUCT; AMENDMENTS

Any waiver of this Code for executive officers or directors may be made only by the Board of Directors. Any such waiver made by the Board of Directors, along with the reasons for the waiver, will be promptly disclosed to shareholders in accordance with applicable rules and regulations. Waivers of this Code for any other associates may be made by the Executive Vice President – Finance and Administration. This Code may be amended only by the Board of Directors.