

BASSETT FURNITURE INDUSTRIES INC  
Form DEF 14A  
March 11, 2011

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

**SCHEDULE 14A**

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

Filed by the Registrant       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Bassett Furniture Industries, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which the transaction applies:

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(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



**BASSETT FURNITURE INDUSTRIES, INCORPORATED**

**Bassett, Virginia**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD APRIL 13, 2011**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Bassett Furniture Industries, Incorporated (the Company), will be held at the Company's headquarters in Bassett, Virginia, on Wednesday, April 13, 2011, at 10:00 a.m., local time, for the purpose of considering and acting upon the following:

1. The election of nine Directors.
2. A proposal to ratify the selection of Ernst & Young LLP as its independent registered public accounting firm for the fiscal year ending November 26, 2011.
3. Any and all other matters that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on February 22, 2011 as the record date for determining the stockholders entitled to notice of and to vote at the meeting and any adjournment thereof, and only holders of Common Stock of the Company of record at such date will be entitled to notice of or to vote at the meeting.

**YOUR VOTE IS VERY IMPORTANT TO US. REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, PLEASE ACT PROMPTLY TO VOTE YOUR SHARES BY RETURNING THE ENCLOSED PROXY, DATED AND SIGNED. THE PROXY MAY BE REVOKED BY YOU AT ANY TIME BEFORE IT IS EXERCISED AND WILL NOT BE EXERCISED IF YOU ATTEND THE MEETING AND VOTE IN PERSON.**

By Order of the Board of Directors

Robert H. Spilman, Jr.

*Chief Executive Officer and President*

Bassett, Virginia

March 11, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR**

**THE 2011 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD APRIL 13, 2011**

The Company's Proxy Statement for the 2011 Annual Meeting of Stockholders and the Annual Report for the fiscal year ended November 27, 2010 are available at <http://investors.bassettfurniture.com/>.

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**BASSETT FURNITURE INDUSTRIES, INCORPORATED**

**3525 Fairystone Park Highway, Bassett, Virginia 24055**

**PROXY STATEMENT**

**General**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Stockholders of Bassett Furniture Industries, Incorporated (the Company or Bassett) to be held at the Company's headquarters in Bassett, Virginia, at 10:00 a.m., local time, on Wednesday, April 13, 2011. This Proxy Statement and accompanying proxy are being sent to the stockholders of the Company on or about March 11, 2010.

The Company's directors, officers and employees may solicit proxies in person or by telephone, e-mail, or other means for no additional compensation. Brokers, dealers, banks or voting trustees, or their nominees, who hold stock in their names for others or hold stock for others who have the right to give voting instructions, will be asked to forward proxy materials to their principals and request authority for the execution of the proxy. The Company will reimburse such institutions for their reasonable expenses in so doing. The total cost of soliciting proxies will be borne by the Company.

Any shareholder of record may revoke his or her proxy before it is exercised by (1) sending written notice to Jay R. Hervey, Vice President, Secretary and General Counsel, Bassett Furniture Industries, Incorporated, Post Office Box 626, Bassett, Virginia 24055, (2) timely delivering a valid, later-dated proxy or (3) by attending the meeting and electing to vote in person. Any beneficial owner of common stock may revoke his or her proxy before it is exercised by contacting his or her bank, broker or other shareholder of record and submitting revised voting instructions. Proxies received by the Company that are in proper form will be voted as set forth on the proxy at the meeting or any adjournment of the meeting. If your shares are held in street name with your broker or by a nominee and you wish to vote in person at the meeting you will need to obtain a legal proxy from the institution that holds your shares and provide that legal proxy at the meeting.

The only matters to be considered at the meeting, so far as known to the Board of Directors, are the matters set forth in the Notice of Annual Meeting of Stockholders, and routine matters incidental to the conduct of the meeting. However, if any other matters should come before the meeting or any adjournment thereof, it is the intention of the persons named in the accompanying form of proxy, or their substitutes, to vote said proxy in accordance with their judgment on such matters.

Stockholders present or represented and entitled to vote on a matter at the meeting or any adjournment thereof will be entitled to one vote on such matter for each share of Common Stock, par value \$5.00 per share, of the Company (the common stock) held by them of record at the close of business on February 22, 2011, which is the record date for determining the stockholders entitled to notice of and to vote at such meeting or any adjournment thereof. The number of shares of common stock of the Company outstanding on February 22, 2011, was 11,568,563. Voting on all matters, including the election of Directors, may be by written ballot, voice vote or show of hands.

Presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the meeting will constitute a quorum. If a quorum is present, Directors will be elected by a plurality of the votes cast. Action on other matters submitted to the stockholders, including Proposal 2, will be approved if the votes cast in favor of the action exceed the votes cast opposing the action. Shares for which the holder has elected to abstain or to withhold the proxies' authority to vote (including broker non-votes) on a matter will count toward a quorum but will have no effect on the action taken with respect to such matter.

**Principal Stockholders and Holdings of Management**

The table below presents certain information as to the only persons known to the Company to be the beneficial owners of more than 5% of the common stock of the Company as of February 22, 2011. Except as otherwise noted, each of the beneficial owners listed below has sole voting and investment power with respect to the shares listed.

| Name and address of beneficial owner  | Amount and nature of beneficial ownership | Percent of common stock outstanding |
|---|---|-------------------------------------|
| Aegis Financial Corporation<br><br>and related person<br><br>1100 North Glebe Road,<br><br>Suite 1040<br><br>Arlington, VA 2 2201 | 1,369,943 <sup>(1)</sup>                  | 11.8%                               |
| Dimensional Fund Advisors LP<br><br>Palisades West, Building One<br><br>6300 Bee Cave Road<br><br>Austin, TX 78746                | 916,893 <sup>(2)</sup>                    | 7.9%                                |
| Grace & White, Inc.<br><br>515 Madison Avenue, Suite 1700<br><br>New York, NY 10022   | 661,568 <sup>(3)</sup>                    | 5.7%                                |
| Donald Smith & Co., Inc.<br><br>152 West 57 <sup>th</sup> Street<br><br>New York, NY 10019  | 658,782 <sup>(4)</sup>                    | 5.7%                                |

<sup>(1)</sup> Aegis Financial Corporation ( Aegis ), a registered investment adviser, has investment and voting power with respect to 1,354,943 of these shares or 11.7% of the common stock outstanding. The information provided is based upon a Schedule 13G dated February 14, 2011 by Aegis. Aegis reports that of these shares, the Aegis Value Fund, a registered investment company, owns 1,031,031 or 8.9% of the common stock outstanding. The Schedule 13G filed by Aegis was a joint filing with its managing director Scott L. Barbee ( Barbee ), who reported having voting and investment power over all of the shares. Both Aegis and Barbee disclaim beneficial ownership of all such shares.

<sup>(2)</sup> Dimensional Fund Advisors LP ( Dimensional ), a registered investment adviser, may be deemed to have beneficial ownership of these shares which are held by certain investment companies, trusts and accounts for which Dimensional serves as investment adviser or manager. Dimensional has sole dispositive power with respect to all of these shares and sole voting power with respect to 897,671 shares. Dimensional disclaims beneficial ownership of all such shares. The information provided is based upon a Schedule 13G/A dated February 11, 2011 by Dimensional.

<sup>(3)</sup> Grace & White, Inc. ( Grace ), a registered investment adviser, has sole investment power with respect to all of these shares, which it holds on behalf of its clients, and sole voting power with respect to 150,166 of such shares. The information provided is based upon a Schedule

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13G/A dated January 28, 2011 by Grace.

- <sup>(4)</sup> Donald Smith & Co., Inc. ( Smith ), a registered investment adviser, has voting and investment power with respect to all of these shares, which are owned by its advisory clients. The information provided is based upon a Schedule 13G dated February 11, 2011 by Smith.



The following information with respect to beneficial ownership, as of February 22, 2011, of shares of common stock is furnished with respect to (i) each nominee for Director of the Company, (ii) each executive officer named in the Summary Compensation Table appearing later in this Proxy Statement and (iii) all current Directors and executive officers as a group:

| Name of beneficial owner                                 | Amount and nature of beneficial ownership | Percent of common stock outstanding |
|--|---|-------------------------------------|
| Peter W. Brown, M.D.                                     | 13,996 <sup>1</sup>                       | *                                   |
| Paul Fulton  | 24,724                                    | *                                   |
| Howard H. Haworth  | 17,996 <sup>1</sup>                       | *                                   |
| George W. Henderson, III                                 | 13,996                                    | *                                   |
| Kristina Herbig  | 10,376                                    | *                                   |
| Dale C. Pond   | 19,218 <sup>1</sup>                       | *                                   |
| Robert H. Spilman, Jr.                                   | 198,310 <sup>1,2</sup>                    | 1.7%                                |
| William C. Wampler, Jr.                                  | 13,496                                    | *                                   |
| William C. Warden, Jr.                                   | 13,996                                    | *                                   |
| Jason W. Camp  | 166,000 <sup>1</sup>                      | 1.4%                                |
| John E. Bassett III                                      | 52,900 <sup>1,3</sup>                     | *                                   |
| J. Michael Daniel  | 13,020 <sup>1</sup>                       | *                                   |
| Mark Jordan  | 44,000 <sup>1</sup>                       | *                                   |
| Directors and executive officers as a group (15 persons) | 654,007 <sup>2,3,4</sup>                  | 5.7%                                |

\* Less than 1% of the outstanding common stock.

(1) Includes shares subject to options that are currently exercisable or exercisable within 60 days as follows: Mr. Brown 1,000; Mr. Haworth 3,000; Mr. Pond 4,500; Mr. Spilman 102,000; Mr. Camp: 162,000; Mr. Bassett: 32,500; Mr. Daniel: 7,500; and Mr. Jordan: 40,000.

(2) Includes 12,171 shares held by Mr. Spilman's wife, 9,900 shares held in trust for one of his children and 13,962 shares held in trusts of which Mr. Spilman is the beneficiary.

(3) Includes 79 shares held by Mr. Bassett's wife.

(4) Includes 396,751 shares subject to options held by Directors and executive officers that are currently exercisable or that are exercisable within 60 days.

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

At the meeting, nine Directors will be elected to serve, subject to the provisions of the Bylaws, until the 2012 Annual Meeting of Stockholders and until their successors are duly elected and qualified. It is the intention of the persons named in the accompanying proxy to vote all proxies solicited by the Board of Directors FOR the nine nominees listed below unless authority to vote for the nominees or any individual nominee is withheld by a stockholder in such stockholder's proxy. If for any reason any nominee shall not become a candidate for election as a Director at the meeting, an event not now anticipated, the proxies will be voted for the nine nominees including such substitutes as shall be designated by the Board of Directors.

The nine nominees for election as Directors are listed below. All of the nominees are currently members of the Board of Directors. All were elected to their current terms, which expire in 2011, at the Annual Meeting of Stockholders held on April 14, 2010. The information set forth below includes, with respect to each nominee for election as director, his or her age, principal occupation and employment during the past five years, the year in which he or she first became a director of the Company, directorships held by each at other public companies during the past five years and the specific experience, qualifications, attributes and skills that led the Board to conclude that he or she should serve as a director. In addition, our Board believes that each individual below has demonstrated outstanding achievement in his or her professional career; broad experience; wisdom, personal and professional integrity; ability to make independent, analytical inquiries; experience with and understanding of the business environment; and willingness and ability to devote adequate time to Board duties.

**Occupation during past five years,**

| <b>Name and director since</b>   | <b>Age</b> | <b>directorships and qualifications</b>  |
|----------------------------------|------------|--|
| Peter W. Brown, M.D.<br><br>1993 | 68         | Partner, Virginia Surgical Associates (general surgery), since 1978. Director, Dominion Resources, Inc.<br><br>As an owner of a successful medical practice for many years, Dr. Brown has developed sound business acumen and provides the Board with additional perspectives on a broad range of business matters.  |
| Paul Fulton<br><br>1993          | 76         | Chairman of the Board of the Company since 1997; Chief Executive Officer of the Company from 1997 to 2000; Dean of the Kenan-Flagler Business School of the University of North Carolina at Chapel Hill from 1994 to 1997; President of Sara Lee Corporation from 1988 to 1993; Director, Carters, Inc.; former Director, Bank of America, Corp., from 1993 to 2008; former Director, Lowe's Cos., Inc., from 1996 to 2007.<br><br>Mr. Fulton is well qualified to serve as a member of the Board of Directors due to his leadership experience with the Company and other public companies and his extensive knowledge of the furniture industry. |
| Howard H. Haworth<br><br>1997    | 76         | Retired, President, Drexel Heritage Furnishings; Chief Executive Officer from 1973 to 1984 and Chairman and Chief Executive Officer from 1983 to 1985 of Drexel Heritage Home Furnishings; Chairman Emeritus, North Carolina State Board of Education since 1995; Secretary of Commerce of the State of North Carolina from 1985 to 1987.<br><br>Mr. Haworth has many years of experience in furniture manufacturing and retail, including leadership experience as a chief executive officer.   |
| George W. Henderson, III         | 62         | Private Investor, Chairman and Chief Executive Officer, Burlington Industries, Inc. (manufacturer of textile products) 1995 to 2003. Director, Lincoln National Corporation.   |

2004

Mr. Henderson's experience as the chief executive officer of a major textile manufacturer provides the Board with both leadership skills and an in depth understanding of an industry that has experienced similar challenges as the furniture industry due to increasing foreign competition and outsourcing of manufacturing operations.

Occupation during past five years,

| Name and director since         | Age | directorships and qualifications   |
|---------------------------------|-----|--|
| Kristina Herbig<br>2007         | 44  | Chief Financial Officer of Eddie V's Restaurants, Inc. since July 2006. Chief Financial Officer and Secretary of P.F. Chang's China Bistro, Inc. from 2001 to 2006; Controller of P.F. Chang's China Bistro, Inc. from 1996 to 2001.<br><br>As a chief financial officer of two restaurant chains over the last 10 years, one of which being a public company, and as an audit manager with Ernst & Young LLP prior to her employment at P.F. Chang's, Ms. Herbig brings financial and accounting experience to the Board and its Audit Committee. |
| Dale C. Pond<br>2002            | 64  | Private Investor. Senior Executive Vice President, Merchandising/ Marketing, Lowe's Companies, Inc. (home improvement retailer) from 1998 to 2005. Director, Family Dollar Stores, Inc., and Scripps Networks Interactive, Inc.<br><br>Mr. Pond's experience in retail merchandising and marketing provides valuable insights into the Company's growing retail operations. In addition, he has years of experience serving on the boards of other public companies, including service on the compensation committee.                              |
| Robert H. Spilman, Jr.<br>1997  | 54  | President and Chief Executive Officer of the Company since 2000; President and Chief Operating Officer of the Company since 1997. Director, Ruddick Corporation and Dominion Resources, Inc.<br><br>Mr. Spilman's nearly 30 year career at the Company, including 10 years as Chief Executive Officer, gives him an in depth knowledge of the Company and the furniture industry.  |
| William C. Wampler, Jr.<br>2004 | 51  | Member, Senate of the Commonwealth of Virginia since 1988; Retired Colonel, U.S. Army Reserve; Managing Member of Wampler Consulting Group, LLC since 1998; former Director, New People's Bank, from 2005 to 2009.<br><br>As a member of the Senate of Virginia and being the ranking member of his party, Mr. Wampler brings to the Board over 23 years of experience in leadership, developing consensus and balancing budgets.  |
| William C. Warden, Jr.<br>2004  | 58  | Private Investor. Executive Vice President, Lowe's Companies, Inc. from 1996 to 2003; Director, Ruddick Corporation.<br><br>Through his senior management experience at a national retail chain, Mr. Warden brings to the Board expertise in real estate, legal and administrative matters that are particularly relevant to the Company's growing retail operations.  |

**CORPORATE GOVERNANCE**

**Board and Board Committee Information**

Our Board of Directors currently consists of nine directors. The Board of Directors has determined that each of Dr. Brown, Ms. Herbig, the Hon. Wampler and Messrs. Haworth, Henderson, Pond and Warden are independent, as defined by The NASDAQ Stock Market (NASDAQ).

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The Board of Directors met five times during the 2010 fiscal year. Each Director attended at least 83% of the meetings of the Board of Directors and committees on which such Director served. It is the policy of the Company that Directors should attend annual meetings of stockholders. A regular meeting of the Board of Directors is scheduled in conjunction with the annual meeting, and all Directors attended last year's annual meeting.

The Board of Directors currently has two standing committees: an Audit Committee and an Organization, Compensation and Nominating Committee. The charters for each of these committees are available on the Company's website at [www.bassettfurniture.com](http://www.bassettfurniture.com).

Audit Committee: The Audit Committee is composed of Messrs. Warden, Haworth, Henderson and Ms. Herbig. Among other things, the Audit Committee engages or dismisses independent auditors; approves all audit, audit-related and other auditor fees and services; reviews, evaluates and monitors the performance of audit activities; reviews periodic financial filings; and reviews internal

audit activities. The Board of Directors has determined that each member of the Audit Committee meets the current independence and experience requirements contained in the listing standards of NASDAQ. The Board of Directors has also determined that Mr. Henderson is an audit committee financial expert as defined in the regulations promulgated by the Securities and Exchange Commission (the SEC) under the Sarbanes-Oxley Act of 2002. The Audit Committee met seven times during the 2010 fiscal year.

Organization, Compensation and Nominating Committee: The Organization, Compensation and Nominating Committee is composed of Dr. Brown, Mr. Pond and the Hon. Wampler. The Committee reviews and makes recommendations to the Board of Directors with respect to executive compensation; establishes, reviews and recommends changes to the organizational structure of the Company so as to utilize the management resources to best respond to the changing demands of the marketplace; reviews the individual performance of each Director in terms of overall contribution to the betterment of the Company, including meeting attendance and participation; reviews the composition of the Board; and recommends a slate of Directors for nomination to the Board. The Organization, Compensation and Nominating Committee met four times during the 2010 fiscal year.

Board Leadership Structure and Board's Role in Risk Oversight. Our Chairman of the Board, Paul Fulton, retired as our Chief Executive Officer in 2000. As a former CEO of the Company, Mr. Fulton brings to the chairmanship extensive experience in the industry generally and the Company's business in particular. We believe this background enhances the role of the Chairman of the Board in the development of long-term strategic plans and oversight of senior management in the implementation of such plans. For the above reasons, we believe the current leadership structure of the Board is appropriate for our Company.

Our Board of Directors believes that full and open communication between management and the Board of Directors is essential for effective risk management and oversight. Our Board meets with our Chief Executive Officer and other senior management at regular Board meetings to discuss strategy and risks facing the Company. Periodically, senior management delivers presentations to our Board or a Board committee regarding strategic matters and matters involving material risk.

While our Board of Directors is ultimately responsible for risk oversight, our Board committees assist the Board in fulfilling its oversight responsibilities in certain areas of risk. The Audit Committee assists our Board in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting, disclosure controls and procedures and legal and regulatory compliance. The Audit Committee discusses with management and the independent auditor significant business, financial and legal risk exposures and the steps management has taken to monitor and control such exposure. The Organization, Compensation and Nominating Committee assists our Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs, board organization, membership and structure, corporate governance and succession planning for our directors and senior management. While Board committees are responsible for assisting the Board in evaluating certain risks and overseeing the management of such risks, our entire Board of Directors is regularly informed through management and committee reports about such risks and steps taken to manage and mitigate them.

### **Director Compensation**

The Organization, Compensation and Nominating Committee is responsible for recommending director compensation to the Board of Directors. The following compensation arrangements have been recommended by the Organization, Compensation and Nominating Committee and approved by the Board of Directors.

Directors who are also employees of the Company receive no additional compensation for serving as Directors. Directors who are not employees of the Company receive an annual retainer fee of \$20,000 and a fee of \$1,000 per committee or board meeting attended in person (\$500 if attended by telephone). Chairpersons of the Board of Directors standing committees receive an additional fee of \$1,000 per Board meeting. The chairperson of the Audit Committee receives an additional annual retainer fee of \$10,000 and the chairperson of the Organization, Compensation and Nominating Committee receives an additional annual retainer fee of \$5,000. Under the 2005 Non-Employee Directors Stock Incentive Plan (the Non-Employee Directors Plan), each non-employee director receives an annual grant of restricted stock on the first day of the month following the Annual Meeting of Stockholders equal to \$15,000 divided by the fair market value of the common stock.

**NON-EMPLOYEE DIRECTOR COMPENSATION**

| <b>Name</b>              | <b>Fees earned<br/>or paid in<br/>cash<sup>(1)</sup><br/>(\$)</b> | <b>Stock<br/>awards<sup>(2)</sup><br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|--------------------------|---|--|-----------------------|
| Peter W. Brown, M.D.     | 28,000  | 15,000   | 43,000                |
| Howard H. Haworth        | 29,500  | 15,000   | 44,500                |
| George W. Henderson, III | 28,000  | 15,000   | 43,000                |
| Kristina Herbig          | 29,000  | 15,000   | 44,000                |
| Dale C. Pond             | 37,000  | 15,000   | 52,000                |
| William C. Wampler, Jr.  | 27,000  | 15,000   | 42,000                |
| William C. Warden, Jr.   | 44,000  | 15,000   | 59,000                |

(1) Includes annual retainer fee, committee chairman fees and Board/committee meeting fees.

(2) Pursuant to the Non-Employee Directors Plan, each of the Company's outside Directors received an award of 2,504 shares of restricted stock on May 1, 2010. These shares had a grant date fair value of \$5.99 per share and will vest on May 1, 2011, with restrictions on sales until 90 days after the grantee ceases to be a Director.

**Policies and Procedures Governing Director Nominations**

The Organization, Compensation and Nominating Committee evaluates candidates taking into account their individual skills and characteristics relative to the skills and characteristics of the current Board as a whole. Factors considered include diversity, age and such skills (e.g., an understanding of appropriate technologies, work experience relevant to the Company's businesses, and decision-making ability) as are suited to the Company's and the Board's needs at the time. Although the Company has no diversity policy, the Board believes that diversity with respect to factors such as background, experience, skills, race, gender and national origin is an important consideration in board composition.

Two members of the Organization, Compensation and Nominating Committee are selected each year to identify, screen, interview and submit Director candidates to the Organization, Compensation and Nominating Committee. Prospective candidates are typically identified by current non-management or former members of the Board. This process begins after an annual assessment and report by the Organization, Compensation and Nominating Committee to the full Board.

The Organization, Compensation and Nominating Committee will consider Director candidates recommended by stockholders. A stockholder requesting that a recommendation be reviewed by the Organization, Compensation and Nominating Committee should submit such information as the stockholder deems pertinent for service on the Board, such as age, experience and skills, and any other information required to be disclosed in a proxy statement regarding the prospect. This information must be accompanied by the prospective candidate's written consent to serve on the Board of Directors if nominated and elected. This information should be received by the Secretary of the Company at P.O. Box 626, Bassett, Virginia 24055, by January 14, 2012.

**Interested Party Communications with the Board of Directors**

Interested parties, including security holders, may send communications to the Board of Directors by mailing the same addressed to the Board of Directors (or addressed to a specific individual Director), Bassett Furniture Industries, Incorporated, P.O. Box 626, Bassett, Virginia 24055. The Board of Directors, including a majority of the independent directors, has adopted a procedure for receiving and addressing such communications.

**Code of Business Conduct**

Bassett maintains a Code of Business Conduct (the "Code") applicable to all of its employees, officers and Directors. The purpose of the Code is to convey the Company's policies and practices for conducting business in accordance with its commitment to applying high ethical standards to its business practice. Any waiver of the Code for executive officers or Directors will be made only by the Board of Directors or its Audit Committee and will be promptly disclosed. In support of the Code, the Company has provided employees with a number of avenues for the reporting of ethics violations or similar concerns, including a process for making such reports anonymously.

The Code was adopted by the Board of Directors and is reviewed periodically by the Board of Directors. The Code is available for review on the Company's website, [www.bassettfurniture.com](http://www.bassettfurniture.com), and the Company will post any amendments to, or waivers for





executive officers from, the Code on that website. A copy of the Code may be obtained, without charge, upon written request to Jay R. Hervey, Secretary, Bassett Furniture Industries, Incorporated, P.O. Box 626, Bassett, Virginia 24055.

#### **Other Transactions**

The Company recognizes that transactions between Bassett and related persons present a potential for actual or perceived conflicts of interest. The Company's general policies with respect to such transactions are included in its Code of Business Conduct (the "Code"), the administration of which is overseen by the Audit Committee. As a supplement to the Code, the Audit Committee has adopted a written policy setting out the procedures and standards to be followed for the identification and evaluation of related party transactions. For purposes of the policy, a related party transaction is any transaction or series of related transactions in excess of \$120,000 in which the Company is a party and in which a related person has a material interest. Related persons include Directors, Director nominees, executive officers, 5% beneficial owners and members of their immediate families. The Audit Committee has determined that certain transactions are deemed to be pre-approved under this policy. These include (i) transactions with another company in which the related person's only interest is as a director or a beneficial owner of less than 10% of that company's outstanding stock or limited partnership interests and (ii) certain compensation arrangements that have either been disclosed in our proxy statement or approved by our Organization, Compensation and Nominating Committee.

The Company collects information about potential related party transactions in its annual questionnaires completed by directors and officers. Potential related party transactions are first reviewed and assessed by our General Counsel to consider the materiality of the transactions and then reported to the Audit Committee. The Audit Committee reviews and considers all relevant information available to it about each related party transaction. A related party transaction is approved or ratified only if the Audit Committee determines that it is in, or is not inconsistent with, the best interests of the Company and its shareholders and in compliance with the Code. The Company did not have any of these transactions during fiscal 2010.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's Directors and executive officers and persons who own more than 10% of the common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of the common stock and other equity securities. Executive officers, Directors and greater than 10% stockholders are required to furnish the Company with copies of all such reports they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended November 27, 2010, all Section 16(a) filing requirements applicable to its executive officers, Directors and greater than 10% beneficial stockholders were complied with.

#### **Audit Committee Report**

The Audit Committee of the Board of Directors (the "Audit Committee") is composed of four Directors and operates under a written charter adopted by the Board of Directors and annually reassessed and updated, as needed, in accordance with applicable rules of the SEC and NASDAQ. Each of the members of the Audit Committee is independent, as defined by NASDAQ.

Management is responsible for the Company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's financial statements and issuing their report thereon. The Audit Committee's primary responsibility is to monitor and oversee these processes. The Audit Committee also selects the Company's independent registered public accounting firm.

In this context, the Audit Committee has reviewed and discussed the Company's financial statements with both management and the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm matters required of auditors to be discussed by auditing standards generally accepted in the United States, including the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU §380). The Company's independent registered public accounting firm also provided to the Audit Committee the written disclosures and the letter required pursuant to Rule 3526 of the Public Company Accounting Oversight Board, *Communication with Audit Committees Concerning Independence*, and the Audit Committee discussed with the independent registered public accounting firm their independence.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended November 27, 2010 filed with the Securities and Exchange Commission on February 13, 2011. The Audit Committee also recommends that the shareholders ratify the retention of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending November 26, 2011.

Audit Committee:

William C. Warden, Jr., *Chairman*

Howard H. Haworth

George W. Henderson, III

Kristina Herbig

## Organization, Compensation and Nominating Committee Report

As detailed in its charter, the Organization, Compensation and Nominating Committee of the Board oversees the Company's executive compensation program on behalf of the Board. In the performance of this function, the Organization, Compensation and Nominating Committee, among other things, reviewed and discussed with management the Compensation Discussion and Analysis set forth below in this proxy statement. Based on this review and discussion, the Organization, Compensation and Nominating Committee recommended to the Company's Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the fiscal year ended November 27, 2010 and this proxy statement.

Organization, Compensation and

Nominating Committee:

Dale C. Pond, *Chairman*

William C. Wampler, Jr.

Peter W. Brown

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis (CD&A) describes the material elements of compensation paid to our executive officers as well as the objectives and material factors underlying our compensation policies and decisions. The information in this CD&A provides context for the compensation disclosures in the tables and related discussions that follow in this proxy statement. The Organization, Compensation and Nominating Committee of the Board, which oversees our executive compensation program, is referred to as the *Committee* in this CD&A. The terms *we* and *our* refer to Bassett Furniture Industries, Incorporated. When we refer to the *named executives* we are referring to the five individuals listed in the Summary Compensation Table appearing later in this proxy statement.

The Committee has assisted the Company in developing and implementing compensation policies and programs which seek to improve the profitability of the Company and to maximize stockholder value over time. To accomplish this, the Directors who comprise the Committee have developed executive compensation policies that are consistent with, and directly linked to, the Company's business objectives. These business objectives represent a composite of factors that are considered important for the future success of the Company. These factors attempt to balance long and short-term performance, including the continued maintenance of a strong balance sheet, growth of pre-tax profitability and earnings per share, control of costs, market growth and diversification and other criteria which may be introduced over time as a result of changes in the household furniture environment.

### Compensation Philosophy and Objectives

The primary goal of our executive compensation program is the same as our goal for operating the company—to maximize corporate performance and thereby create value for our shareholders. To achieve this goal we have designed our executive compensation program to achieve the following objectives:

Attract and retain talented and experienced executives in our industry;

Motivate and reward executives whose knowledge, skills and performance are critical to our success;

Align the interests of our executives and stockholders, by encouraging executives to increase stockholder value and rewarding executives when stockholder value increases; and

Motivate our executives to manage our business to meet our short-term and long-term corporate goals and business objectives, and reward them for meeting these objectives.

We use a mix of short-term compensation in the form of base salaries and cash incentive bonuses and long-term compensation in the form of equity incentives to provide a total compensation structure that is designed to encourage our executives to achieve these objectives. All of our executive employees are employed at-will.

#### **Determining Executive Compensation**

The Committee is responsible for developing, administering and interpreting the compensation program for executive officers and other key employees. The Committee was appointed by our Board of Directors, and consists entirely of Directors who are outside directors for purposes of Section 162(m) of the Internal Revenue Code, and non-employee directors for purposes of Rule 16b-3 under the Securities Exchange Act of 1934. The Committee may delegate some or all of its responsibilities to one or more subcommittees whenever necessary to comply with any statutory or regulatory requirements or otherwise deemed appropriate by the

Committee. The Committee has the authority to retain consultants and other advisors to assist with its duties and has sole authority to approve the fees and other retention terms of such consultants and advisors.

Our chief executive officer makes recommendations to the Committee regarding the salaries, bonus arrangements and equity grants, if any, for key employees, including all executive officers, except himself. In the case of discretionary bonuses for executive officers, which are based on individual performance, the CEO's evaluation of such performance is provided to and reviewed by the Committee. Based on the foregoing, the Committee uses its judgment in making compensation decisions that will best carry out our philosophy and objectives for executive compensation. The decisions are reviewed by the full Board, with the exception of decisions on stock or option awards which are made by the Committee to satisfy tax law requirements.

Within the context of the overall objectives of our compensation programs, we determined the specific amounts of compensation to be paid to each of our executives in 2010 based on a number of factors including:

The roles and responsibilities of our executives;

The individual experience and skills of our executives;

The amounts of compensation being paid to our other executives;

Our executives' historical compensation at our company; and

Our understanding of the amount of compensation generally paid by similarly situated companies to their executives with similar roles and responsibilities.

In evaluating the compensation generally paid by similarly situated companies, we have historically taken into account available data relating to the compensation practices of other companies within and outside our industry. In fall 2007, the Committee engaged Hay Group, a human resource and compensation consulting firm, to conduct an analysis of our fiscal 2007 executive compensation relative to a group of 11 comparable companies comprised of the following: Chromcraft Revington, Furniture Brands International, La-Z-Boy, Design Within Reach, Haverty Furniture, Restoration Hardware, Ethan Allen Interiors, Hooker Furniture, Stanley Furniture, Flexsteel Industries and Jennifer Convertibles. The Hay Group analysis found that, in general, our base salaries and cash compensation (i.e., salaries and annual bonus) were below the 25<sup>th</sup> percentile of that group, while total direct compensation (i.e., salaries and annual bonus and equity incentives combined) was between the 25<sup>th</sup> percentile and median of that group.

During fiscal 2008, the Committee engaged Hay Group to review practices at the same peer group with regard to severance and change in control benefits. The Committee believes that the severance program and change in control agreements ultimately approved by the Committee in fiscal 2009 are similar in scope to those adopted by several of the companies in the peer group. These arrangements are discussed further below and elsewhere in this proxy statement.

### **Elements of our Executive Compensation Program**

Our executive compensation primarily consists of base salary, the potential for cash bonuses, equity-based incentives and benefit programs. We discuss each of the primary elements of our executive compensation in detail below. While we have identified particular compensation objectives that each element of executive compensation serves, our compensation programs are designed to complement each other and collectively serve all of our executive compensation objectives described above.

#### *Base Salary*

Base salaries are intended to provide a level of compensation sufficient to attract and retain an effective management team when considered in combination with other components of our compensation program. The base salary of each executive officer is reviewed annually to determine if it is equitably aligned with our other executive officers and at a sufficient level to attract and retain top talent. In recognition of the depressed economic conditions of the industry and to keep fixed costs under control, the base salaries of our executive officers in fiscal 2008 and 2009 did not change since the 2007 compensation analysis by Hay Group, except to reflect promotions or other changes in an executive's responsibilities.

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In fiscal 2010, the base salaries of several of our named executives (not including our chief executive officer) were increased by relatively modest amounts based on promotions, merit and additional responsibilities.

### *Discretionary Bonuses*

Historically, cash bonuses for executives were primarily earned through performance-based incentive bonus awards and, to a lesser extent, discretionary bonus awards. However, in fiscal 2008, the Company switched to primarily a discretionary bonus program and in fiscal 2009 the Company's bonus program was entirely discretionary. In determining to switch from a fixed bonus award program to a discretionary bonus program, the Committee considered the fact that due to difficult conditions in the industry and, more recently, in the economy as a whole, no performance bonuses had been earned by the named executives in the last three years. Accordingly, the Committee decided to retain flexibility to grant rewards based on its evaluation of the executives' performance in meeting key company goals, e.g., generating positive operating cash flow. Although the Company continued to incur losses in fiscal 2009, management was successful in helping the Company achieve its goal of generating positive operating cash flow. In light of this achievement, the Committee decided to reward certain key members of management with modest bonuses in the amount of \$3,000 to \$5,000 each. In fiscal 2010, the Committee relied primarily upon performance-based, bonus awards to provide the executives with short-term incentives; however, one executive received a modest discretionary bonus.

### *Performance-based Bonus Awards*

The primary objectives of our performance-based bonus awards are to provide incentive for superior work, to motivate our executives toward higher achievement and business results, to tie our executives' goals and interests to ours and our stockholders' and to enable us to attract and retain highly qualified individuals. Annual incentives are established for each executive based on our attainment of performance targets set by the Committee. These targets are typically set in the first three months of the fiscal year. Bonus targets are based primarily on corporate performance criteria, such as operating income and cash flow. However, for executives whose responsibilities relate primarily to a division of our business, a portion of the bonus may be tied to the operating performance of that division, thus ensuring a direct link between the executive's performance and the amount of bonus earned. For fiscal 2010, the performance targets for the named executives were based on net operating cash flow and corporate operating income except that for two of the named executives, 25% of the total bonus potential was based on the operating income of their respective divisions rather than that of the Company as a whole. The selection of operating income and net operating cash flow as the performance criteria for bonuses is consistent with the Company's business emphasis in recent years on improving cash flow and managing the balance sheet, which is a reflection of our response to adverse market conditions and our efforts to position the Company for earnings growth when the overall market improves. The performance level required to earn the target level of bonus is based on the internal financial goals set in connection with our Board of Directors' consideration and approval of our annual operating plan. Consistent with our emphasis on tying compensation to performance, bonus opportunities for executives are set at a significant percentage of base salary, between 26% and 44% in fiscal 2010. The performance targets are set at levels that we believe will make it difficult for the executive to earn bonuses at the target or maximum levels, as applicable, particularly in view of the difficult economic conditions in our industry. However, in light of those conditions, the Committee deemed it appropriate to structure a portion of the bonuses so that executives can begin to earn a prorated portion of the target bonus so long as there is positive operating income.

### *Equity Incentive Compensation*

We grant equity incentive awards from time to time in the form of stock options and restricted stock to align the interests of our executives with our stockholders by providing our executives with strong incentives to increase stockholder value. For our fiscal 2010 awards, stock options vest at the rate of one-fourth of the total option shares on each of the first four anniversaries of the date of grant, and our restricted stock awards vest in full on the third anniversary of the date of grant. The vesting schedules for these awards thus provide added incentive for the executive to continue his or her employment with us. The chief executive officer recommends to the Committee the recipients and sizes of equity awards. In evaluating these recommendations, the Committee considers a number of factors including the Committee's subjective evaluation of the executive officer's potential contribution to the Company's future success and the level of incentive already provided by the number and terms of the executive officer's existing stock incentive holdings. The grant date of any such equity award is the same date the Board of Directors or the Committee approves the award. The exercise price of the stock options is the fair market value of the common stock on the date the award is approved by the Board of Directors or the Committee. Fair market value is calculated according to the closing price of our common stock on NASDAQ on that date.

We do not have any program, plan or practice to time stock option grants in coordination with the release of material non-public information.

### *Retirement Plans*

Our chief executive officer participates in the Company's Supplemental Retirement Income Plan, which was established in 1984. The plan was intended to promote the long term service of its participants and provide an additional retirement benefit that would supplement the benefits under a defined benefit plan that was terminated in 1977. However, it is currently projected that the plan will result in no benefits payable to our chief executive officer upon his retirement. Therefore, the Committee generally has disregarded the plan in determining the compensation of the chief executive officer. None of the other named executives participates in this plan.

### *Change in Control Arrangements*

The 1997 Employee Stock Plan under which options previously were awarded to executives provides that the vesting of all options granted under the plan will accelerate upon a change in control, as defined in the plan. The award agreements for options and restricted stock granted in fiscal 2010 under the 2010 Stock Incentive Plan similarly provide for accelerated vesting of such equity awards upon a change in control, as defined in that plan. In addition, in January 2009, the Company entered into employment continuity agreements with certain executive officers, including each of the named executives other than Mr. Daniel. The terms of the agreements, which are described in greater detail elsewhere in this proxy statement, generally provide for certain lump sum payments and continued benefits in the event that an executive is terminated without cause or resigns with good reason within specified periods following a change in control. The Committee believes that the foregoing arrangements will help the Company retain continuity of management during the uncertain period leading up to an actual or potential change in control by giving the executives certain assurances of financial security. Such assurances should result in the executives being less distracted by personal risks and better able to devote their full time and best efforts to the performance of their duties.





#### *Severance Arrangements*

In January 2009, the Committee recommended, and the Board of Directors adopted, the Severance Program for Officers and Management Employees. This program, which is described in greater detail elsewhere in this proxy statement, is designed to provide management with some assurances of financial security during difficult economic times. The Committee believes that these assurances will result in management being less distracted by the personal risks of being laid off and more focused on carrying out their duties to the best of their ability.

#### *Other Components of Executive Compensation*

Most benefits offered to executive officers are similar to those offered to all employees, with certain variations to promote tax efficiency and the replacement of benefits lost due to regulatory limitations. These programs are designed to provide protection against financial catastrophe that can result from illness, disability or death. In addition, the Company provides a limited number of perquisites to its executive officers. The Committee believes that its perquisites are reasonable and consistent with the overall executive compensation program. These perquisites may include such personal benefits as executive physicals and supplemental health insurance.

#### **Effect of Accounting and Tax Treatment on Compensation Decisions**

In the review and establishment of our compensation programs, we consider the anticipated accounting and tax implications to us and our executives. However, these factors alone are not dispositive, and we also consider the cash and non-cash impact of the programs and whether a program is consistent with our overall compensation philosophy and objectives.

One of the tax implications that the Committee considers is the deductibility of executive compensation. Section 162(m) of the Internal Revenue Code (the Code) imposes a \$1 million limit on the amount of annual compensation that can be deducted by the Company with respect to each of the chief executive officer and the four other most highly compensated executive officers. Performance-based compensation that meets certain requirements will not be subject to this deductibility limit. It is generally the Company's policy to seek to qualify the performance-based components of its compensation program for this exclusion from the Section 162(m) limitation as necessary to maximize the deductibility of executive compensation so long as doing so is consistent with the Committee's objectives for executive compensation.

#### **Compensation-Related Risk**

The Company regularly assesses the risks related to our compensation programs, including our executive compensation programs and does not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company. Incentive award targets and bonus opportunities are reviewed annually allowing the Committee to maintain an appropriate balance between rewarding high performance without encouraging excessive risk.

## EXECUTIVE COMPENSATION

The following table presents information with respect to total compensation of Bassett's Chief Executive Officer, its principal financial officer and its three other most highly compensated executive officers (the Named Executive Officers) for the fiscal years ended November 27, 2010, November 28, 2009 and November 29, 2008. The compensation information for Mr. Daniel is limited to fiscal years 2010 and 2009 because he was not an executive officer until April 7, 2009.

## SUMMARY COMPENSATION TABLE

| Name and principal position   | Year | Salary<br>(\$) | Bonus<br>(\$) | Stock<br>awards<br>(\$) <sup>(1)</sup> | Option<br>awards<br>(\$) <sup>(1)</sup> | Non-equity<br>incentive plan<br>compensation<br>(\$) | Change<br>in<br>pension<br>value<br>and<br>non-qualified<br>deferred | All other<br>compensation<br>(\$) <sup>(2)</sup> | Total<br>(\$) |
|---|------|----------------|---------------|--|---|--|--|--|---------------|
|   |      |                |               |  |   |  | Non-equity<br>compensation<br>earnings<br>(\$)                       |  |               |
| Robert H. Spilman, Jr.,<br>Chief Executive Officer<br>and President                 | 2010 | 335,000        | 0             | 26,280                                 | 61,142                                  | 37,500   | 0  | 0  | 459,922       |
|   | 2009 | 335,000        | 0             | 0                                      | 0                                       | 0  | 0  | 10,750   | 345,750       |
|   | 2008 | 335,000        | 0             | 0                                      | 0                                       | 0  | 0  | 20,797   | 355,797       |
| Jason W. Camp,<br>Senior Vice President, Retail                                     | 2010 | 300,000        | 0             | 17,520                                 | 40,762                                  | 22,500   | 0  | 0  | 380,782       |
|   | 2009 | 300,000        | 5,000         | 0                                      | 0                                       | 0  | 0  | 1,875  | 306,875       |
|   | 2008 | 300,000        | 50,000        | 0                                      | 0                                       | 0  | 0  | 5,750  | 355,758       |
| John E. Bassett III,<br>Senior Vice President, Wood                                 | 2010 | 148,334        | 0             | 17,520                                 | 40,762                                  | 45,000   | 0  | 0  | 251,616       |
|   | 2009 | 140,000        | 5,000         | 0                                      | 0                                       | 0  | 0  | 933  | 145,933       |
|   | 2008 | 140,000        | 0             | 0                                      | 0                                       | 0  | 0  | 5,600  | 145,600       |
| Mark S. Jordan,<br>Senior Vice President, Upholstery                                | 2010 | 148,167        | 0             | 17,520                                 | 40,762                                  | 45,000   | 0  | 0  | 251,449       |
|   | 2009 | 139,000        | 5,000         | 0                                      | 0                                       | 0  | 0  | 348  | 144,348       |
|   | 2008 | 139,000        | 0             | 0                                      | 0                                       | 0  | 0  | 2,085  | 141,085       |
| J. Michael Daniel, <sup>(3)</sup><br>Vice President and Chief Accounting<br>Officer | 2010 | 147,500        | 5,000         | 17,520                                 | 40,762                                  | 10,000   | 0  | 0  | 220,782       |
|   | 2009 | 130,833        | 5,000         | 0                                      | 0                                       | 0  | 0  | 833  | 136,666       |

<sup>(1)</sup> Represents the aggregate grant date fair value of the awards made in each fiscal year as computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that may be recognized by each named executive officer. Additional information regarding outstanding awards, including corresponding exercise prices and expiration dates, can be found in the Outstanding Equity Awards at Fiscal Year-End table on page 15. The assumptions used in determining the grant date fair values of the stock and option awards are set forth in Note 15 to our Consolidated Financial Statements, included in our Annual Report on Form 10-K for the fiscal year ended November 27, 2010.

<sup>(2)</sup> No Named Executive Officer received personal benefits in excess of \$10,000 during fiscal 2010.

<sup>(3)</sup> Mr. Daniel was appointed Vice President and Chief Accounting Officer in January 2010. Prior to that he served as the Corporate Controller since March 2007 and Interim Chief Financial Officer since April 2009. The compensation disclosed includes amounts paid to Mr. Daniel in fiscal 2009 for his services in all capacities.

## GRANTS OF PLAN-BASED AWARDS

The following table sets forth information concerning individual grants of plan-based awards.

| Name                   | Grant date | Estimated future payouts under non-equity incentive plan awards |             |              | All other stock awards: number of shares of stock or units (#) | All other option awards: number of securities underlying options (#) | Exercise of base price of option awards (\$/sh) | Grant date value of stock and option awards (\$) |
|------------------------|------------|---|-------------|--------------|--|--|---|--|
|                        |            | Threshold (\$)  | Target (\$) | Maximum (\$) |  |  |   |  |
| Robert H. Spilman, Jr. |            |   |             |              |  |  |   |  |
| Annual Cash Incentive  |            | 37,500  | 75,000      | 75,000       |  |  |   |  |
| Annual Cash Incentive  |            | 0   | N/A         | 75,000       |  |  |   |  |
| Stock Options          | 7/14/10    |   |             |              |  | 24,000   | 61,142  |  |
| Restricted Stock       | 7/14/10    |   |             |              | 6,000  |  | 26,280  |  |
| Jason Camp             |            |   |             |              |  |  |   |  |
| Annual Cash Incentive  |            | 22,500  | 45,000      | 45,000       |  |  |   |  |
| Annual Cash Incentive  |            | 0   | N/A         | 45,000       |  |  |   |  |
| Stock Options          | 7/14/10    |   |             |              |  | 16,000   | 40,762  |  |
| Restricted Stock       | 7/14/10    |   |             |              | 4,000  |  | 17,520  |  |
| John E. Bassett, III   |            |   |             |              |  |  |   |  |
| Annual Cash Incentive  |            | 22,500  | 45,000      | 45,000       |  |  |   |  |
| Annual Cash Incentive  |            | 0   | N/A         | 45,000       |  |  |   |  |
| Stock Options          | 7/14/10    |   |             |              |  | 16,000   | 40,762  |  |
| Restricted Stock       | 7/14/10    |   |             |              | 4,000  |  | 17,520  |  |
| Mark S. Jordan         |            |   |             |              |  |  |   |  |
| Annual Cash Incentive  |            | 22,500  | 45,000      | 45,000       |  |  |   |  |
| Annual Cash Incentive  |            | 0   | N/A         | 45,000       |  |  |   |  |
| Stock Options          | 7/14/10    |   |             |              |  | 16,000   | 40,762  |  |
| Restricted Stock       | 7/14/10    |   |             |              | 4,000  |  | 17,520  |  |
| J. Michael Daniel      |            |   |             |              |  |  |   |  |
| Annual Cash Incentive  |            | 10,000  | 20,000      | 20,000       |  |  |   |  |
| Annual Cash Incentive  |            | 0   | N/A         | 20,000       |  |  |   |  |
| Stock Options          | 7/14/10    |   |             |              |  | 16,000   | 40,762  |  |
| Restricted Stock       | 7/14/10    |   |             |              | 4,000  |  | 17,520  |  |

## Discussion for Summary Compensation Table and Grants of Plan-Based Awards Table

*Performance-Based Cash Bonuses*

For each of the named executives, cash bonuses could be earned in fiscal 2010 under awards utilizing formulas and performance criteria and targets set by the Organization, Compensation and Nominating Committee. The cash incentive opportunities for each of the named executives in fiscal 2010 consisted of two awards. One award entitled the executive to receive 50% of his target bonus amount if the Company achieved either of two performance goals, one based on net operating cash flow and the other based on operating income of either the Company (in the case of Messrs. Spilman, Camp and Daniel) or a division (in the case of Messrs. Bassett and Jordan). If both performance goals were achieved, the executive would receive 100% of his target bonus. The net operating cash flow and the division operating income goals were met while the Company operating income goal was not met. This resulted in the executives receiving either 50% or 100% of their target bonuses depending upon the terms of their respective awards. The other cash incentive award would have paid to the executives a portion of the Company's operating income but not to exceed the amount of their respective target bonus amounts under the first award. The portion of operating income would have equaled 25% of the first \$2 million of operating income. No amounts were paid to the executives under these second awards because the Company did not have positive operating income for fiscal 2010. For purposes of these awards, operating income is defined in the same manner as for financial reporting purposes.

*Stock Incentive Awards*

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Each of the named executives received awards of options and restricted stock in fiscal 2010 under the 2010 Stock Incentive Plan (the "Stock Incentive Plan"). All of the options were granted at the fair market value of our common stock as such term is defined under the Stock Incentive Plan. The options will vest in equal installments on each of the first four anniversaries of the date of grant. The restricted stock awards will vest on the third anniversary of the date of grant. All such equity awards will also vest, if earlier, upon the occurrence of certain change in control events (as defined in the Stock Incentive Plan), which includes generally (i)

the acquisition by an individual, an entity or a group of beneficial ownership or voting power of 30% or more of the Company's outstanding common stock, (ii) certain changes in the constitution of the Company's Board of Directors that have not been approved by the current Board, (iii) the occurrence of a reorganization, merger or consolidation approved by the stockholders of the Company in which the then-current stockholders cease to own at least 75% of the then outstanding shares of common stock, (v) the occurrence of a complete liquidation or dissolution of the Company approved by the stockholders of the Company and (v) the sale or other disposition of all or substantially all of the assets of the Company approved by the stockholders of the Company.

*Components of Total Compensation*

In fiscal 2010, salary and bonus for the Named Executive Officers (including both performance-based bonus awards and discretionary bonuses) averaged approximately 80% of their total compensation and constituted all of their total cash compensation. The non-cash compensation in fiscal 2010 represents the aggregate grant date fair value of the option and restricted stock awards as computed in accordance with FASB ASC Topic 718. Consistent with Bassett's policy that a substantial portion of each named executive's potential cash compensation be based on performance, the performance-based bonus potential for such officers in fiscal 2010 ranged from 21% to 38% of total potential cash compensation. Approximately 35% of the performance-based bonus potential under the annual incentive awards was paid in fiscal 2010, as the Company achieved some but not all of the performance goals. Mr. Daniel also received a modest bonus at the discretion of the Board.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table sets forth information concerning the fiscal year-end number and terms of unexercised options and unvested restricted stock held by each of the Named Executive Officers.

| Name                   | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable <sup>(1)</sup> | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have not vested (#) <sup>(2)</sup> | Market value of shares or units of stock that have not vested (\$) |
|------------------------|---|--|----------------------------|------------------------|--|--|
| Robert H. Spilman, Jr. | 30,000  | 0  | 14.70                      | 01/14/2012             |  |  |
|                        | 50,000  | 0  | 21.12                      | 02/23/2014             |  |  |
|                        | 22,000  | 0  | 10.60                      | 10/16/2017             |  |  |
|                        | 0   | 24,000   | 4.38                       | 07/13/2020             | 6,000  | 24,540   |
| Jason W. Camp          | 150,000   | 0  | 16.96                      | 07/09/2016             |  |  |
|                        | 12,000  | 0  | 10.60                      | 10/16/2017             |  |  |
|                        | 0   | 16,000   | 4.38                       | 07/13/2020             | 4,000  | 16,360   |
| John E. Bassett III    | 8,000   | 0  | 14.70                      | 01/14/2012             |  |  |
|                        | 12,500  | 0  | 21.12                      | 02/23/2014             |  |  |
|                        | 12,000  | 0  | 10.60                      | 10/16/2017             |  |  |
|                        | 0   | 16,000   | 4.38                       | 07/13/2020             | 4,000  | 16,360   |
| Mark S. Jordan         | 10,000  | 0  | 14.70                      | 01/14/2012             | 4,000  | 16,360   |
|                        | 12,500  | 0  | 21.12                      | 02/23/2014             |  |  |

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|                   |        |        |       |            |       |        |
|-------------------|--------|--------|-------|------------|-------|--------|
|                   | 12,000 | 0      | 10.60 | 10/16/2017 |       |        |
|                   | 0      | 16,000 | 4.38  | 07/13/2020 |       |        |
| J. Michael Daniel | 7,500  | 0      | 14.73 | 04/18/2017 |       |        |
|                   | 0      | 16,000 | 4.38  | 07/13/2020 | 4,000 | 16,360 |

(1) These options vest ratably on the first four anniversaries of the date of grant.

(2) These shares of restricted stock vest on the third anniversary of the date of grant.

There were no exercises of stock options by the Named Executive Officers during the fiscal year ended November 27, 2010

### PENSION BENEFITS

The following table sets forth information as of November 27, 2010 concerning pension benefits under the Supplemental Retirement Income Plan for Mr. Spilman, who is the only Named Executive Officer participating in a defined benefit pension plan.

| Name                   | Plan name                           | Number of years<br>credited service<br>(#) | Present value of<br>accumulated benefit<br>(\$) | Payments during<br>last fiscal<br>year<br>(\$) |
|------------------------|-------------------------------------|--|---|--|
| Robert H. Spilman, Jr. | Supplemental Retirement Income Plan | N/A  | 0   | 0  |

**Supplemental Retirement Income Plan**

The Company has a Supplemental Retirement Income Plan (the Supplemental Plan) that covers one current and certain former senior executives to promote their long service and dedication and to provide an additional retirement benefit. 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 amount is reduced by (i) 50% of old age social security benefits, (ii) the benefit that would be payable on a life annuity basis from Company contributions to the Employee Savings/Retirement Plan based on a formula using maximum employee contributions, and (iii) the benefit that would be payable on a life annuity basis from funds the Company contributed to a defined benefit plan that was terminated in 1977. There is no provision under the Supplemental Plan for a disability benefit if a participant's employment is terminated prior to age 65 due to disability; however, the participant, notwithstanding the termination of employment, will continue to be covered by the Supplemental Plan. The death benefit is divided into (a) prior-to-retirement death, which pays the beneficiary 50% of final average annual compensation for a period of 120 months, and (b) post-retirement death, which pays the beneficiary 200% of final 12 months' compensation in a single payment. There are no benefits payable as a result of a termination of employment for any reason other than death or retirement, except there is 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. The executive officer covered under this Supplemental Plan has waived participation in the Company's group life insurance program.

Assuming no change in the rate of compensation for Robert H. Spilman, Jr. after November 27, 2010, it is projected that the benefit that would otherwise have been payable on retirement at age 65 to Mr. Spilman will be fully offset by the benefits calculated (using the aforementioned formula) to be payable from Company contributions to the Employee Savings/Retirement Plan. Mr. Spilman is the only Named Executive Officer participating in the Supplemental Plan.

#### Deferred Compensation Agreement

Robert H. Spilman, Jr. has entered into a Deferred Compensation Agreement with the Company pursuant to the Executive Deferred Compensation Plan. Under that agreement, Mr. Spilman deferred a portion of his compensation over the four-year period from 1985 to 1989. The following table provides details for Mr. Spilman's deferred compensation account as of November 27, 2010.

### NONQUALIFIED DEFERRED COMPENSATION

| Name                   | Executive<br>contributions in<br>last FY<br>(\$) | Registrant<br>contributions in<br>last FY<br>(\$) | Aggregate<br>earnings in<br>last FY<br>(\$) | Aggregate<br>withdrawals/<br>distributions<br>(\$) | Aggregate<br>balance at<br>last FYE<br>(\$) <sup>(1)</sup> |
|------------------------|--|---|---|--|--|
| Robert H. Spilman, Jr. | 0  | 0   | 26,853                                      | 0  | 247,092  |

<sup>(1)</sup> Upon Mr. Spilman's retirement at age 65, death or disability, he would be entitled to the following annual payments for a fifteen year period: upon his retirement, \$108,125; upon his death, \$27,749; and upon his disability, \$8,200.

**Equity Compensation Plan Information**

The following table provides information as of November 27, 2010 with respect to shares of common stock that may be issued under existing equity compensation plans, including the 1993 Long Term Incentive Stock Option Plan, the 1997 Employee Stock Plan, the 1993 Stock Plan for Non-Employee Directors, the 2000 Employee Stock Purchase Plan, the 2005 Non-Employee Directors Incentive Plan and the 2010 Stock Incentive Plan. All equity compensation plans currently in place have been approved by the stockholders.

| Plan  | Number of securities<br>to be issued upon<br>exercise of<br>outstanding options | Weighted average<br>exercise price<br>of<br>outstanding options | Number of securities<br>remaining available for<br>future issuance<br>under<br>equity<br>compensation<br>plans (excluding<br>securities<br>reflected in<br>column (a)) |
|---|---|---|--|
| Equity Compensation Plans Approved by Stockholders <sup>(1)</sup>     | 1,009,514   | 14.28   | 495,501 <sup>(2)</sup>   |
| Equity Compensation Plans Not Approved by Stockholders <sup>(3)</sup> | N/A   | N/A   | N/A  |
| <b>Total</b>  | <b>1,009,514</b>  | <b>14.28</b>  | <b>495,501<sup>(2)</sup></b>   |

<sup>(1)</sup> Includes the following plans: 1993 Long Term Incentive Stock Option Plan, 1997 Employee Stock Plan ( Employee Stock Plan ), 1993 Stock Plan for Non-Employee Directors, 2000 Employee Stock Purchase Plan ( 2000 ESPP ), the 2005 Non-Employee Directors Stock Incentive Plan ( 2005 Directors Plan ) and the 2010 Stock Incentive Plan.

<sup>(2)</sup> Includes shares available under the 2000 ESPP (188,914), the 2005 Directors Plan (10,087) and the 2010 Stock Incentive Plan (296,500).

<sup>(3)</sup> There are no equity compensation plans in place not approved by stockholders.

**Potential Payments Upon Termination of Employment**

In January 2009, the Board of Directors adopted the Bassett Furniture Industries, Inc. Severance Program for Officers and Management Employees (the Severance Program ). All executive officers and other management employees participate in the Severance Program. Also in January 2009, the Company entered into Employment Continuity Agreements with certain executive officers, including each of the Named Executive Officers (other than Mr. Daniel). The Severance Program and Employment Continuity Agreements are described below.

*Severance Program*

Under the terms of the Severance Program, in the event that the participant's employment is terminated by the Company for reasons other than cause or the participant's death or disability, the participant will be entitled to receive:

a monthly cash payment equal to (A) the product of (i) the participant's base salary, (ii) a severance multiplier and (iii) the participant's years of service (less any other cash severance or pay in lieu of notice under any other severance program, including the Employment Continuity Agreements, or applicable law) divided by (B) the number of months in the participant's severance period;

if the participant is an executive officer, a lump sum cash payment equal to the participant's average annual performance bonus for the three fiscal years preceding the date of termination;



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if the participant is an executive officer, the prorated portion of the participant's actual annual performance bonus for the fiscal year in which the participant's employment is terminated, payable in cash concurrently with the payment to other participants in the Company's annual bonus plan;

continued health insurance coverage for the duration of the severance period; and

outplacement services for the period and up to the limits specified in the program.

The term "cause" means (i) the willful and repeated failure of the executive to perform substantially his or her duties (other than failure resulting from incapacity due to physical or mental illness), (ii) conviction of, or plea of guilty or *nolo contendere* to, a felony which is materially and demonstrably injurious to the Company, or (iii) the willful engagement in gross misconduct in violation of Company policy.

A participant's total cash severance benefits may not exceed the maximum payout specified in the program for such participant.

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The following chart sets out the severance multiplier, maximum payout, severance period and outplacement period and cost limit for each category of participants:

| Job classification         | Multiplier | Maximum payout   | Severance period | Outplacement period and cost limit |
|----------------------------|------------|--|------------------|------------------------------------|
| President/CEO              | .25        | 2 times Base Salary + Average Bonus + Prorated Bonus   | 18 months        | 6 months<br>\$ 15,000 limit        |
| Senior Vice President      | .125       | 1 times Base Salary + Average Bonus + Prorated Bonus   | 12 months        | 3 months<br>\$ 7,500 limit         |
| Other Executive Officers   | .125       | .75 times Base Salary + Average Bonus + Prorated Bonus | 9 months         | 3 months<br>\$ 7,500 limit         |
| Non-Executive Officer      | .0833      | .50 times Base Salary                                  | 6 months         | None                               |
| Other Management Employees | .0833      | .25 times Base Salary                                  | 3 months         | None                               |

A participant's entitlement to benefits under the Severance Program ceases upon the participant's employment by a competitor.

### *Employment Continuity Agreements*

Under the terms of the Employment Continuity Agreements, in the event that a change in control has occurred and the executive's employment is terminated by the Company before the second anniversary thereof for reasons other than cause, death or disability or by the participant for good reason within the 90 day period following the change in control, the participant will be entitled to receive:

a lump sum cash payment equal to the product of the executive's required base salary and a change in control severance multiplier (which is equal to two for the President and Chief Executive Officer and one for the other executives);

a lump sum cash payment equal to the executive's most recently established target annual performance bonus plus the executive's average annual performance bonus for the three fiscal years preceding the date of termination;

continued health insurance coverage for the duration of the severance period (which is 18 months for the President and Chief Executive Officer and 12 months for the other executives);

a lump sum cash payment equal to the present value of continued life insurance and long-term disability coverage for the duration of the severance period; and

outplacement services (for a period of six months and three months for the President and Chief Executive Officer and the other executives, respectively, with a cost limit of \$15,000 and \$7,500 for the President and Chief Executive Officer and the other executives, respectively).

The term change in control is defined for purposes of the Employment Continuity Agreements the same as it is under the Company's Employee Stock Plan. Under the Employee Stock Plan, a change in control includes generally (i) the acquisition by an individual, an entity or a group of beneficial ownership or voting power of 30% or more of the Company's outstanding common stock, (ii) certain changes in the constitution of the Company's Board of Directors that have not been approved by the current Board, (iii) shareholder approval of a reorganization, merger or consolidation in which the then-current shareholders cease to own at least 75% of the then outstanding shares of common stock, (iv) shareholder approval of a complete liquidation or dissolution of the Company and (v) the sale or other disposition of all or substantially all of the assets of

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the Company. An executive's required base salary means the higher of (i) his base salary in effect immediately prior to the change in control and (ii) his highest base salary at any point in time after the change in control. The term "good reason" means (i) a material reduction in the executive's base salary below the required base salary, (ii) a material diminution in the executive's authority, duties or responsibilities, (iii) a material diminution in the authority, duties or responsibilities of the supervisor to whom the executive is required to report, including a requirement that the executive report to a corporate officer or other employee if the executive reported to the Board of Directors prior to the change in control; (iv) a material diminution in the budget over which the executive retains authority; or (v) a change at the request of the employer in the executive's principal work location of more than 50 miles; in each case provided the executive gives notice to the employer of the existence of such condition within 30 days of its initial existence and the employer has not remedied the condition within 30 days of such notice. The term "cause" has the same meaning as under the Severance Program.

The Employment Continuity Agreements may be amended or terminated by the Board of Directors at any time, provided that the agreements cannot be terminated or amended after the occurrence of a change in control, and provided further that the agreements cannot be terminated or amended in a manner that would adversely affect the rights of participants after the Board of Directors has knowledge of a potential change in control unless and until the Board of Directors has determined that such potential change in control will not be consummated and the Board of Directors does not have knowledge of any other potential change in control.

*General*

Each of the Severance Program and the Employment Continuity Agreements provides for severance benefits to be paid in a manner intended to comply with, or be exempt from, Section 409A of the Internal Revenue Code, including delaying certain benefits for a period of six months following termination if necessary. In addition, severance benefits are subject to reduction to avoid any excise tax on excess parachute payments under Section 280G of the Internal Revenue Code. All employees who accept benefits under the Severance Program or the Employment Continuity Agreements will be required to sign a release of claims and will be subject to certain covenants, including a one-year non-solicitation agreement.

*Potential Payments Table*

The table below shows the estimated amount of payments and benefits that the Company would provide to the Named Executive Officers under the Severance Program assuming that their employment was terminated as of November 27, 2010 for reasons other than cause, death or disability. The table also shows the estimated amount of payments and benefits that the Company would provide those Named Executive Officers who have entered into Employment Continuity Agreements assuming that their employment was terminated as of November 27, 2010 by the Company without cause or by the executives with good reason, in each case within the period specified in the agreements following a change in control.

|  | Salary continuation (\$) | Lump sum cash payment (\$) | Continuation of health insurance coverage (\$) | Outplacement services cost limit (\$) | Accelerated vesting of stock options (\$) <sup>(1)</sup> | Accelerated vesting of restricted stock (\$) <sup>(2)</sup> | Total benefits (\$) |
|--|--------------------------|----------------------------|--|---------------------------------------|--|---|---------------------|
| <b>Robert H. Spilman, Jr.</b>                            |                          |                            |  |                                       |  |   |                     |
| Termination without cause                                | 670,000                  | 37,500                     | 19,572   | 15,000                                | 0  | 0   | 742,072             |
| Termination following a change in control                | 0                        | 755,710                    | 19,572   | 15,000                                | 0  | 24,540  | 814,822             |
| <b>Jason W. Camp</b>                                     |                          |                            |  |                                       |  |   |                     |
| Termination without cause                                | 150,000                  | 57,500                     | 13,048   | 7,500                                 | 0  | 0   | 228,048             |
| Termination following a change in control                | 0                        | 383,312                    | 13,048   | 7,500                                 | 0  | 16,360  | 420,220             |
| <b>John E. Bassett, III</b>                              |                          |                            |  |                                       |  |   |                     |
| Termination without cause                                | 150,000                  | 46,667                     | 13,048   | 7,500                                 | 0  | 0   | 217,215             |
| Termination following a change in control                | 0                        | 199,329                    | 13,048   | 7,500                                 | 0  | 16,360  | 236,237             |
| <b>Mark S. Jordan</b>                                    |                          |                            |  |                                       |  |   |                     |
| Termination without cause                                | 150,000                  | 46,667                     | 13,048   | 7,500                                 | 0  | 0   | 217,215             |
| Termination following a change in control                | 0                        | 199,486                    | 13,048   | 7,500                                 | 0  | 16,360  | 236,394             |
| <b>J. Michael Daniel</b>                                 |                          |                            |  |                                       |  |   |                     |
| Termination without cause                                | 56,250                   | 17,500                     | 9,786  | 7,500                                 | 0  | 0   | 91,036              |
| Termination following a change in control <sup>(3)</sup> | N/A                      | N/A                        | N/A  | N/A                                   | N/A  | 16,360  | 16,360              |

<sup>(1)</sup> Pursuant to the terms of the Company stock incentive plans and the applicable award agreements, the vesting of all options granted under the plans will accelerate upon a change in control, as defined in the plans. Assuming that a change in control had occurred on November 27, 2010 (the last business day of fiscal 2010), such acceleration would have provided no value because the market price of the common stock on such date was less than the exercise prices of the unvested stock options held by the Named Executive Officers.

<sup>(2)</sup> Pursuant to the terms of the Company's 2010 Stock Incentive Plan and the applicable award agreements, all restrictions imposed on shares of restricted stock lapse upon the occurrence of a change in control, as defined in the plan.

<sup>(3)</sup> Mr. Daniel is not party to an Employment Continuity Agreement. Upon a termination of his employment for reasons other than cause, death or disability, whether or not following a change of control, he would be entitled to receive benefits under the Severance Program or any other severance arrangement in effect at that time.



**PROPOSAL NO. 2**

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected Ernst & Young LLP as independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending November 26, 2011. This selection is being presented to the stockholders for their ratification at the Annual Meeting of Stockholders. The firm of Ernst & Young LLP is considered well qualified. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting of Stockholders with an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Audit and Other Fees**

*Audit Fees.* The aggregate fees billed by Ernst & Young LLP for audit services (audit of the Company's annual financial statements, audit of internal control over the Company's financial reporting, review of the Company's quarterly financial statements included in its Forms 10-Q, and assistance with and review of SEC filings and, in fiscal 2009, responses to SEC comment letters) for fiscal year 2010 and fiscal year 2009 were \$496,504 and \$757,723 respectively.

*Audit-Related Fees.* There were no fees billed by Ernst & Young LLP in fiscal year 2010 and fiscal year 2009 for audit-related services not otherwise reported in the preceding paragraph.

*Tax Fees.* The aggregate fees billed by Ernst & Young LLP in fiscal year 2010 and fiscal year 2009 for tax-related services were \$155,500 and \$154,200, respectively. Tax compliance services accounted for \$132,682 of the fees billed in fiscal year 2010 and for substantially all of the fees billed in fiscal year 2009.

*All Other Fees.* For fiscal year 2010 and fiscal year 2009, the Company paid an additional \$1,500 each year to Ernst & Young LLP for a subscription to its online accounting research tool. None of the services provided by Ernst & Young LLP consisted of financial information systems design or implementation services.

The Audit Committee considered whether, and determined that, the auditor's provision of non-audit services was compatible with maintaining the auditor's independence. In accordance with provisions of the Sarbanes-Oxley Act of 2002, all audit and non-audit services provided to the Company by its independent auditors must be pre-approved by the Audit Committee. As authorized by that statute, the Audit Committee has delegated authority to the chairperson of the Audit Committee to pre-approve audit and non-audit services when the Audit Committee is not in session. Any decisions by the chairperson of the Audit Committee under this delegated authority will be reported at the next meeting of the Audit Committee. All services described above for fiscal year 2010 were pre-approved by the full Audit Committee.

**Recommendation**

The Board of Directors recommends a vote **FOR** the ratification of the selection of Ernst & Young LLP as independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending November 26, 2011, and proxies solicited by the Board of Directors will be so voted unless stockholders specify a different choice. If the stockholders do not ratify the selection of Ernst & Young LLP, the selection of independent public accountants will be reconsidered by the Audit Committee.

## ADDITIONAL INFORMATION

### Stockholder Proposals for Inclusion in the Proxy Statement

Any proposal that a stockholder intends to present for action at the 2012 Annual Meeting of Stockholders ( 2012 Annual Meeting ) must be received by the Company no later than November 12, 2011, in order for the proposal to be included in the proxy statement and form of proxy for the 2012 Annual Meeting. Any such proposal must meet the applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder. Such proposals should be sent to Jay R. Hervey, Secretary, Bassett Furniture Industries, Incorporated, Post Office Box 626, Bassett, Virginia 24055.

### Other Stockholder Proposals and Nominations

The Company's Bylaws prescribe the procedures that a stockholder must follow to nominate directors for election at an annual meeting or to bring other business before an annual meeting (other than matters that have been included in the Company's proxy statement for such meeting). The Chairman of the meeting may refuse to acknowledge the nomination of any person as a director or any other proposal by a stockholder not made in compliance with these procedures. The following summary of these procedures is qualified by reference to the Company's Bylaws, a copy of which may be obtained, without charge, upon written request to Jay R. Hervey, Secretary, Bassett Furniture Industries, Incorporated, Post Office Box 626, Bassett, Virginia 24055.

A stockholder who desires to nominate a director for election at an annual meeting must give timely written notice thereof to the Secretary of the Company by personal delivery or by registered or certified mail, postage prepaid, at the address shown above. To be timely, a stockholder's notice must be received not later than January 14, 2012, for nominations to be made at the 2012 Annual Meeting. The notice must contain the information specified in the Bylaws regarding the stockholder giving the notice and each person whom the stockholder wishes to nominate for election as a director. The notice must be accompanied by the written consent of each proposed nominee to serve as a director of the Company, if elected.

A stockholder who desires to bring any other business before an annual meeting (other than matters that have been included in the Company's proxy statement for such meeting) must give timely written notice thereof to the Secretary of the Company by personal delivery or by registered or certified mail, postage prepaid, at the address shown above. To be timely, a stockholder's notice must be received not later than November 15, 2011 for business to be acted upon at the 2012 Annual Meeting. The notice must contain the information specified in the Bylaws regarding the stockholder giving the notice and the business proposed to be brought before the meeting.

With respect to stockholder proposals not included in the Company's proxy statement for the 2012 Annual Meeting, the persons named in the Board of Directors' proxy for such meeting will be entitled to exercise the discretionary voting power conferred by such proxy under the circumstances specified in Rule 14a-4(c) under the Securities Exchange Act of 1934, including with respect to proposals received by the Company after November 15, 2011.

**COPIES OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED NOVEMBER 27, 2010, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, CAN BE OBTAINED WITHOUT CHARGE UPON WRITTEN REQUEST TO JAY R. HERVEY, SECRETARY, BASSETT FURNITURE INDUSTRIES, INCORPORATED, POST OFFICE BOX 626, BASSETT, VIRGINIA 24055.**

ANNUAL MEETING OF STOCKHOLDERS OF

**BASSETT FURNITURE INDUSTRIES, INCORPORATED**

April 13, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE 2011 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 13, 2011**

The Company's Proxy Statement for the 2011 Annual Meeting of Stockholders and the Annual Report for the fiscal year ended November 27, 2010 are available at <http://investors.bassettfurniture.com>.

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

Please detach along perforated line and mail in the envelope provided.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPOSAL 2.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

- |                           |  | FOR | AGAINST | ABSTAIN |
|---------------------------|--|-----|---------|---------|
| 1. Election of Directors: |  | ..  | ..      | ..      |
|                           | <b>NOMINEES:</b>   |     |         |         |
| ..                        | O Peter W. Brown, M.D.   |     |         |         |
|                           | <b>FOR ALL NOMINEES</b>  |     |         |         |
| ..                        | <b>WITHHOLD AUTHORITY</b> O Howard H. Haworth  |     |         |         |
|                           | <b>FOR ALL NOMINEES</b> O George W. Henderson, III   |     |         |         |
|                           | 2. PROPOSAL TO RATIFY THE SELECTION OF ERNST & YOUNG LLP as the Company's independent registered public accounting firm for the fiscal year ending November 26, 2011.  |     |         |         |
|                           | 3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.   |     |         |         |
|                           | <b>THIS PROXY will be voted as specified herein and, unless otherwise directed, will be voted FOR the election of all nominees as Directors, and FOR ratification of the selection of independent registered public accounting firm.</b> |     |         |         |



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- ..  Kristina Herbig
- FOR ALL EXCEPT**  Dale C. Pond
- (See instructions below)  Robert H Spilman, Jr.
- William C. Wampler, Jr.
- William C. Warden, Jr.

**The undersigned acknowledges receipt of the Notice of said Annual Meeting and of the accompanying Proxy Statement attached thereto.**

**Please mark, sign, date and return the proxy card using the enclosed envelope.**

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

To change the address on your account, please check the box at right .. and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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***BASSETT FURNITURE INDUSTRIES, INCORPORATED***

**Proxy Solicited by the Board of Directors for the**

**Annual Meeting to be held on April 13, 2011**

The undersigned hereby appoints Robert H. Spilman, Jr. and Jay R. Hervey, each or either of them, proxies, with full power of substitution, with the powers the undersigned would possess if personally present, to vote, as designated below, all shares of the \$5.00 par value Common Stock of the undersigned in Bassett Furniture Industries, Incorporated at the Annual Meeting of Stockholders of the Company to be held on April 13, 2011 at 10:00 a.m., at the Company's headquarters, 3525 Fairystone Park Highway, Bassett, Virginia 24055, and at any adjournments or postponements thereof.

**The Board of Directors recommends voting FOR Item 1 and FOR Item 2.**

**(Continued and to be signed on the reverse side)**

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