UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-K/A

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

For the fiscal year ended November 24, 2001 Commission File No. 0-209

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

VIRGINIA	54-0135270
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3525 FAIRYSTONE PARK HIGHWAY BASSETT, VIRGINIA	24055
(Address of principal executive offices)	(Zip Code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for at least the past 90 days.

[X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of February 19, 2002 was $202,464,529.

The number of shares of the Registrant's common stock outstanding on February 19, 2002 was 11,730,274.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Bassett Furniture Industries, Incorporated Annual Report to Stockholders for the year ended November 24, 2001 (the "Annual Report") are incorporated by reference into Parts I and II of this Form 10-K.

(2) Portions of the Bassett Furniture Industries, Incorporated definitive Proxy Statement for its 2002 Annual Meeting of Stockholders to be held March 26, 2002, filed with the Securities and exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

Explanatory Comment:

This Amendment No. 1 on Form 10-K/A is being filed to file the Financial Statements of a significant affiliate of the Company. The Financial Statements of the Bassett Industries Alternative Asset Fund, L.P., which has a fiscal year end of December 31, which is different than the Company's fiscal year end, are included herein on pages F-31 to F-45. No other changes are being made to the Form 10-K by this Amendment No. 1.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained on pages 1 through 5 of the Proxy Statement under the headings "Principal Stockholders and Holdings of Management" and "Election of Directors" is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) The following consolidated financial statements of the registrant and its subsidiaries, included in the Annual Report are incorporated herein by reference thereto:

Consolidated Balance Sheets--November 24, 2001 and November 25, 2000

Consolidated Statements of Income--Years Ended November 24, 2001, November 25, 2000 and November 27, 1999

Consolidated Statements of Stockholders' Equity--Years Ended November 24, 2001, November 25, 2000 and November 27, 1999

Consolidated Statements of Cash Flows-- Years Ended November 24, 2001, November 25, 2000 and November 27, 1999

Notes to Consolidated Financial Statements

Report of Independent Public Accountants

International Home Furnishings Center, Inc. Financial Statements are included herein on pages F-1 to F-15.

LRG Furniture, LLC Financial Statements are included herein on pages F-16 in F-28.

Bassett Industries Alternative Asset Fund, LP Statements are included herein on pages F-31 to F-45

(2) Financial Statement Schedule:
Schedule II - Analysis of Valuation and Qualifying Accounts for the years ended November 24, 2001, November 25, 2000, and November 27, 1999

(3) Listing of Exhibits

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

3B. By-laws as amended are filed herewith.

4A. Credit Agreement with a Bank Group dated October 25, 2000 is incorporated herein by reference to Form 10-K for the fiscal year ended November 25, 2000.

4B. First Amendment to Credit Agreement with a Bank Group dated October 5, 2001, is filed herewith.

** 10A. Bassett 1993 Long Term Incentive Stock Option Plan is incorporated herein by reference to the Registrant's Registration Statement on Form S-8 (no.33-52405) filed on February 25, 1994.

**	10B.	Bassett Executive Deferred Compensation Plan is incorporated herein by reference to Form 10-K for the fiscal year ended November 30, 1997.
**	10C.	Bassett Supplemental Retirement Income Plan is incorporated herein by reference to Form 10-K for the fiscal year ended November 30, 1997.
**	10D.	Bassett 1993 Stock Plan for Non-Employee Directors as amended is incorporated herein by reference to Form 10-K for the fiscal year ended November 25, 2000.
**	10E.	Bassett 1997 Employee Stock Plan is incorporated herein by reference to the Registrant's Registration Statement on Form S-8 (no. 333-60327) filed on July 31, 1998.
	13.	Portions of the Registrant's Annual Report to Stockholders for the year ended November 24, 2001.
	21.	List of subsidiaries of the Registrant
	23A.	Consent of Independent Public Accountants is filed herewith.
	23B.	Consent of Independent Auditors is filed herewith.

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

(b) No reports on Form 8-K were filed during the last quarter of the Registrant's 2001 fiscal year.

SIGNATURES

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

BASSETT FURNITURE INDUSTRIES, INCORPORATED (Registrant)

By: /s/ PAUL FULTON — Date: 4/26/02
Paul Fulton
Chairman of the Board of Directors

By: /s/ ROBERT H. SPILMAN JR. — Date: 4/26/02
Robert H. Spilman Jr.
President and Chief Executive Officer
Director

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

By: /s/ AMY W. BRINKLEY — Date: 4/26/02
Amy W. Brinkley
Director

By: /s/ PETER W. BROWN — Date: 4/26/02
Peter W. Brown
Director

By: /s/ WILLIE D. DAVIS — Date: 4/26/02
Willie D. Davis
Director

By: /s/ ALAN T. DICKSON — Date: 4/26/02
Alan T. Dickson
Director

By: /s/ HOWARD H. HAWORTH — Date: 4/26/02
Howard H. Haworth
Director

By: /s/ MICHAEL E. MURPHY — Date: 4/26/02
Michael E. Murphy
Director

By: /s/ DALE C. POND — Date: 4/26/02
Dale C. Pond
Director

By: /s/ DAVID A. STONECIPHER — Date: 4/26/02
David A. Stonecipher
Director

By: /s/ BARRY C. SAFRIT — Date: 4/26/02
Barry C. Safrit
Vice President and Chief Financial Officer

ANNUAL REPORT ON FORM 10-K
ITEM 14(a)(1)

CERTAIN EXHIBITS

YEAR ENDED NOVEMBER 24, 2001

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

BASSETT, VIRGINIA

INTERNATIONAL HOME FURNISHINGS
CENTER, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Home Furnishings Center, Inc.
High Point, North Carolina

We have audited the accompanying consolidated balance sheets of International Home Furnishings Center, Inc. and subsidiary as of October 31, 2001 and 2000 and the related consolidated statements of income, stockholders' equity (deficit), and cash flows for each of the three years in the period ended October 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Home Furnishings Center, Inc. and subsidiary at October 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

High Point, North Carolina
November 30, 2001

/s/ DIXON ODOM, PLLC

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2001 AND 2000

ASSETS	2001	2000
CURRENT ASSETS		
Cash and cash equivalents	$ 8,848,172	$ 4,859,447
Restricted cash	24,479,827	2,275,974
Short-term investments	98,570	94,489
Receivables		
Trade	2,552,434	2,646,756
Interest	10,677	9,279
Deferred income tax asset	3,028,000	600,000
Prepaid expenses	192,271	717,172
TOTAL CURRENT ASSETS	39,209,951	11,203,117
PROPERTY AND EQUIPMENT, at cost		
Land and land improvements	3,293,772	3,293,772
Buildings, exclusive of theater complex	88,350,771	75,391,981
Furniture and equipment	3,707,139	3,717,945
Construction in progress	-	11,569,301
	95,351,682	93,972,999
Accumulated depreciation	(46,121,761)	(46,022,092)
	49,229,921	47,950,907
OTHER ASSETS		
Theater complex, at cost less amortization	890,344	933,599
Deferred financing costs, net of accumulated amortization of $508,803 and $187,943 at October 31, 2001 and 2000, respectively	2,411,052	396,766
Interest rate cap agreement, at fair value	46,613	-
	3,348,009	1,330,365
	$ 91,787,881	$ 60,484,389
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable, trade	$ 1,014,684	$ 3,994,972
Accrued property taxes	1,840,732	1,702,341
Other accrued expenses	851,281	693,418
Rents received in advance	7,765,348	1,502,952
Income taxes payable	1,949,956	-
Current maturities of long-term debt	2,627,187	9,995,880
TOTAL CURRENT LIABILITIES	16,049,188	17,889,563
LONG-TERM DEBT	130,555,336	45,658,704
OTHER LONG-TERM LIABILITIES		
Supplemental retirement benefits	1,924,223	1,745,023
Deferred income taxes	587,000	1,090,000
	2,511,223	2,835,023
COMMITMENTS (Note G)		
STOCKHOLDERS' DEFICIT		
Common stock, $5 par value, 1,000,000 shares authorized, 527,638 shares issued in 2001 and 2000	2,638,190	2,638,190
Additional paid-in capital	169,360	169,360
Accumulated deficit	(60,135,416)	(8,706,451)
	(57,327,866)	(5,898,901)
	$ 91,787,881	$ 60,484,389

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	2001	2000	1999
OPERATING REVENUES			
Rental income	$ 34,682,203	$ 31,620,514	$ 31,684,174
Other revenues	6,973,398	6,922,474	6,472,825
TOTAL OPERATING REVENUES	41,655,601	38,542,988	38,156,999
OPERATING EXPENSES			
Compensation and benefits	4,642,208	4,242,802	4,084,283
Market and promotional	2,589,746	2,593,966	2,558,772
Maintenance and building costs	1,012,997	858,194	862,804
Depreciation expense	2,647,449	2,179,109	2,202,723
Rent	152,234	152,234	152,234
Property taxes and insurance	2,269,932	1,997,121	1,987,898
Utilities	1,872,132	1,655,730	1,652,068
Other operating costs	1,373,183	535,776	617,201
TOTAL OPERATING EXPENSES	16,559,881	14,214,932	14,117,983
INCOME FROM OPERATIONS	25,095,720	24,328,056	24,039,016
NONOPERATING INCOME			
Interest income	1,071,901	808,703	929,317
Dividend income	4,597	4,652	3,692
TOTAL NONOPERATING INCOME	1,076,498	813,355	933,009
NONOPERATING EXPENSES			
Interest expense	7,870,387	4,109,489	4,936,077
TOTAL NONOPERATING EXPENSES	7,870,387	4,109,489	4,936,077
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	18,301,831	21,031,922	20,035,948
PROVISION FOR INCOME TAXES	7,166,000	8,101,000	7,770,000
INCOME BEFORE EXTRAORDINARY ITEM	11,135,831	12,930,922	12,265,948
EXTRAORDINARY ITEM			
Loss on early extinguishment of debt, net of income tax benefit of $1,217,000	(1,886,426)	-	-
NET INCOME	$ 9,249,405	$ 12,930,922	$ 12,265,948
BASIC EARNINGS PER COMMON SHARE			
Income before extraordinary item	$ 21.11	$ 24.51	$ 23.25
Extraordinary item	(3.58)	-	-
Net income	$ 17.53	$ 24.51	$ 23.25
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	527,638	527,638	527,638

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
BALANCE (DEFICIT), OCTOBER 31, 1998	$ 2,638,190	$ 169,360	$ (20,712,371)	$ (17,904,821)
Net income	-	-	12,265,948	12,265,948
Dividends paid ($25.00 per common share)	-	-	(13,190,950)	(13,190,950)
BALANCE (DEFICIT), OCTOBER 31, 1999	2,638,190	169,360	(21,637,373)	(18,829,823)
Net income	-	-	12,930,922	12,930,922
BALANCE (DEFICIT), OCTOBER 31, 2000	2,638,190	169,360	(8,706,451)	(5,898,901)
Net income	-	-	9,249,405	9,249,405
Dividends paid ($115.00 per common share)	-	-	(60,678,370)	(60,678,370)
BALANCE (DEFICIT), OCTOBER 31, 2001	$ 2,638,190	$ 169,360	$ (60,135,416)	$ (57,327,866)

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 9,249,405	$ 12,930,922	$ 12,265,948
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,209,295	2,301,760	2,325,374
Decrease in fair value of interest rate cap agreement	265,887	-	-
Loss on early extinguishment of debt	3,103,426	-	-
Provision for losses on accounts receivable	25,154	6,341	1,360
(Gain) loss on disposal of assets	45,352	(3,134)	-
Deferred income taxes	(2,931,000)	(354,000)	(500,000)
Change in assets and liabilities			
(Increase) decrease in trade and interest receivables	67,770	(394,166)	(68,728)
(Increase) decrease in prepaid expenses	524,901	89,057	(750,264)
Increase (decrease) in accounts payable and accrued expenses	39,047	207,521	(139,200)
Increase (decrease) in rents received in advance	6,262,396	(110,737)	134,806
Increase in supplemental retirement benefits	179,200	240,796	541,136
Increase in income taxes payable	1,949,956	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,990,789	14,914,360	13,810,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and construction of property and equipment	(6,690,764)	(8,764,159)	(337,457)
Proceeds from sale of property and equipment	-	4,000	-
Purchase of short-term investments	(4,081)	(3,711)	(7,135)
Increase in restricted cash	(22,203,853)	-	-
NET CASH USED BY INVESTING ACTIVITIES	(28,898,698)	(8,763,870)	(344,592)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	135,000,000	-	-
Principal payments on long-term debt	(57,472,061)	(9,295,564)	(8,667,074)
Cost incurred to extinguish debt early	(2,720,580)	-	-
Purchase of interest rate cap	(312,500)	-	-
Dividends paid	(60,678,370)	-	(13,190,950)
Financing costs paid	(2,919,855)	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	10,896,634	(9,295,564)	(21,858,024)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,988,725	(3,145,074)	(8,392,184)
CASH AND CASH EQUIVALENTS, BEGINNING	4,859,447	8,004,521	16,396,705
CASH AND CASH EQUIVALENTS, ENDING	$ 8,848,172	$ 4,859,447	$ 8,004,521

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	2001	2000	1999
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes	$ 6,302,511	$ 8,357,298	$ 9,049,420
Interest, net of amount capitalized	7,699,674	4,166,000	4,988,768
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES			
Accounts payable incurred for acquisition of property and equipment	$ 201,715	$ 2,924,796	$ -

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE A - DESCRIPTION OF BUSINESS

The Company is the lessor of permanent exhibition space to furniture and accessory manufacturers which are headquartered throughout the United States and in many foreign countries. This exhibition space, located in High Point, North Carolina, is used by the Home Furnishings Industry to showcase its products at the International Home Furnishings Market held each April and October. The details of the operating leases with the Company's tenants are described in Note I.

The Company has been in business since June 27, 1919, and operates under the trade name of "International Home Furnishings Center."

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies relative to the carrying values of property and equipment, theater complex and interest rate cap agreement are indicated in the captions on the consolidated balance sheets. Other significant accounting policies are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of International Home Furnishings Center, Inc. and its wholly-owned subsidiary, IHFC Properties, L.L.C., a company organized on December 21, 2000. All material intercompany transactions have been eliminated. The Company and its subsidiary are referred to collectively herein as "the Company." Notwithstanding the consolidation of the Company and IHFC Properties, L.L.C. in these financial statements, IHFC Properties, L.L.C. is a separate entity, with separate assets and liabilities and has its own separate financial statements.

Rental Income

Income from rental of exhibition space is recognized under the operating method. Aggregate rentals are reported as income on the straight-line basis over the lives of the leases, and expenses are charged as incurred against such income. Future rentals under existing leases are not recorded as assets in the accompanying consolidated balance sheets.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investment Securities

The Company has investments in debt and marketable equity securities. Debt securities consist of obligations of state and local governments and U. S. corporations. Marketable equity securities consist primarily of investments in mutual funds.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each balance sheet date. Since the Company neither buys investment securities in anticipation of short-term fluctuations in market prices or commits to holding debt securities to their maturities, investments in debt and marketable equity securities have been classified as available-for-sale. Available-for-sale securities are stated at fair value, and unrealized holding gains and losses, if significant, net of the related deferred tax effect, are reported as a separate component of accumulated other comprehensive income in stockholders' equity. Premiums and discounts on investments in debt securities are amortized over their contractual lives. Interest on debt securities is recognized in income as accrued, and dividends on marketable equity securities are recognized in income when declared. Realized gains and losses are included in income and are determined on the basis of the specific securities sold.

Property, Equipment and Depreciation

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized. Depreciation is provided primarily on the straight-line method over the following estimated useful lives:

Land improvements	10 years
Building structures	20 to 50 years
Building components	5 to 20 years
Furniture and equipment	3 to 10 years

In accordance with the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company periodically reviews long-lived assets when indications of impairment exist, and if the value of the assets is impaired, an impairment loss would be recognized.

Deferred Financing Costs

Costs associated with obtaining long-term financing have been deferred and are being amortized on the interest method over the term of the related debt. Amortization expense charged to operations during the years ended October 31, 2001, 2000 and 1999 was $522,725, $83,530 and $83,530, respectively.

Derivative Instruments

As disclosed in Note E, the Company entered into an interest rate cap agreement to limit its exposure to increasing interest cost on its term debt. The Company's investment in the agreement is carried at fair value, and changes in fair value are included in earnings. The agreement is not designated as a hedge.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related to temporary differences between the reported amounts of assets and liabilities and their tax bases. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings Per Common Share

The Company follows the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," which specifies the computation, presentation and disclosure requirements for earnings per share ("EPS"). Basic EPS excludes all dilution and has been computed using the weighted average number of common shares outstanding during the year. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company has no dilutive potential common shares.

Retirement Plans

The Company maintains a 401(k) qualified retirement plan covering eligible employees under which participants may contribute up to 25% of their compensation subject to maximum allowable contributions. The Company is obligated to contribute, on a matching basis, 50% of the first 6% of compensation voluntarily contributed by participants. The Company may also make additional contributions to the plan if it so elects.

In 1991, the Company adopted a nonqualified supplemental retirement benefits plan for key management employees. Benefits payable under the plan are based upon the participant's average compensation during his last five years of employment and are reduced by benefits payable under the Company's qualified retirement plan and by one-half of the participant's social security benefits. Benefits under the plan do not vest until the attainment of normal retirement age; however, a reduced benefit is payable if employment terminates prior to normal retirement age because of death or disability. The vested portion of the benefits under this plan amounted to approximately $1,345,000 at October 31, 2001. The Company has no obligation to fund this supplemental plan.

Fair Value of Financial Instruments

The carrying amount of the Company's significant financial instruments, none of which are held for trading purposes, approximates fair value at October 31, 2001 and 2000. Cash, cash equivalents and restricted cash approximate fair value because of the short maturities of these instruments. Long-term debt approximates fair value because of its floating interest rate terms.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - RESTRICTED CASH

The Company has restricted, interest-bearing cash accounts held by the lender under the escrow provisions of the term loan agreement described in Note E. The restricted cash balances are held for the following purposes at October 31, 2001:

Taxes and insurance	$ 767,025
Required repairs	1,120,729
Replacements	142,251
Environmental	802,882
Debt service	7,438,700
Operating expenses	677,394
Ground rent	48,360
Cash management	13,482,486
	$ 24,479,827

All rents and other income from operation of the Company's property are deposited directly into a lockbox account controlled by the lender under the Company's cash management agreement. In May and November of each year during the term of the loan, the lender will disburse to the Company amounts in the cash management account in excess of the amounts needed to replenish the various escrow accounts.

The Company has granted the lender a security interest in each of the restricted cash accounts as additional security for the outstanding term loan.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE D - INVESTMENT IN DEBT AND MARKETABLE EQUITY SECURITIES

The following is a summary of the Company's investment in available-for-sale securities as of October 31, 2001 and 2000:

	2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
State and local governments	$ 3,015,466	$ -	$ -	$ 3,015,466
Corporate	3,000,000	-	-	3,000,000
Equity securities	98,570	-	-	98,570
	$ 6,114,036	$ -	$ -	$ 6,114,036

	2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
State and local governments	$ 3,825,717	$ -	$ -	$ 3,825,717
Equity securities	94,489	-	-	94,489
	$ 3,920,206	$ -	$ -	$ 3,920,206

Available-for-sale securities are classified in the following balance sheet captions as of October 31, 2001 and 2000:

	2001	2000
Cash and cash equivalents	$ 6,015,466	$ 3,825,717
Short-term investments	98,570	94,489
	$ 6,114,036	$ 3,920,206

All the Company's debt securities mature within three months.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE E - LONG-TERM DEBT

Long-term debt consists of the following at October 31, 2001 and 2000:

	2001	2000
Term note payable, consisting of three components - A ($94,482,523), B ($12,000,000), and C ($26,700,000). Principal payments are due monthly based on an amortization schedule provided by the lender and are applied first to component A. Interest is payable monthly at varying rates for the three components - LIBOR plus 1.92% for component A, LIBOR plus 2.22% for component B, and LIBOR plus 2.72% for component C. At October 31, 2001, the interest rates were 4.5575% for component A, 4.8575% for component B, and 5.3575% for component C. The note matures in December 2003 and has two one-year extension periods available, which the Company intends to exercise. The loan is collateralized by land and buildings, restricted cash (Note C), rents and assignment of leases with tenants.	$ 133,182,523	$ -
Term note payable, repaid in fiscal year ended October 31, 2001.	$ -	$ 55,654,584
	133,182,523	55,654,584
Less current maturities	2,627,187	9,995,880
	$ 130,555,336	$ 45,658,704

The aggregate maturities of long-term debt are due as follows:

Year Ending October 31,	
2002	$ 2,627,187
2003	2,880,776
2004	3,158,841
2005	3,463,746
2006	121,051,973
	$ 133,182,523

During the year ended October 31, 2001, the Company entered into an interest rate cap agreement that has a notional amount of $133,182,523 at October 31, 2001. The notional amount will decrease as principal payments are made on the Company's term debt and will be equal to the term debt until the agreement expires January 3, 2004. Under the agreement, the Company will receive an amount equal to the interest it incurs on its term debt in excess of 8%, if any. The $265,887 decrease in the fair value of the interest rate cap agreement was charged to earnings during the year ended October 31, 2001.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE E - LONG-TERM DEBT (CONTINUED)

Total interest cost incurred for the years ended October 31, 2001, 2000 and 1999 was $8,241,933, $4,303,766 and $4,936,077, respectively. Of the interest cost for the years ended October 31, 2001 and 2000, $371,546 and $194,277, respectively, was capitalized as part of the building construction costs. There was no interest capitalized in the year ended October 31, 1999.

The Company recorded an extraordinary loss of $1,886,426 after income taxes as a result of the early extinguishment of term debt in the amount of $54,039,689. The loss consisted primarily of costs associated with the early extinguishment and the write-off of unamortized financing costs of $382,846. The extinguishment of the debt was financed with a portion of the proceeds from the $135,000,000 term loan.

NOTE F - INCOME TAXES

The provision for income taxes consists of the following for the years ended October 31, 2001, 2000 and 1999:

	2001	2000	1999
Federal:			
Current	$ 7,365,000	$ 6,975,000	$ 6,765,000
Deferred	(2,415,000)	(287,000)	(395,000)
	4,950,000	6,688,000	6,370,000
State:			
Current	1,515,000	1,480,000	1,505,000
Deferred	(516,000)	(67,000)	(105,000)
	999,000	1,413,000	1,400,000
TOTAL	$ 5,949,000	$ 8,101,000	$ 7,770,000

A reconciliation of the income tax provision at the federal statutory rate to the income tax provision at the effective tax rate is as follows:

	2001	2000	1999
Income taxes computed at the federal statutory rate	$ 5,319,000	$ 7,360,000	$ 7,013,000
State taxes, net of federal benefit	649,000	918,000	910,000
Nontaxable investment income	(48,000)	(112,000)	(180,000)
Other, net	29,000	(65,000)	27,000
	$ 5,949,000	$ 8,101,000	$ 7,770,000

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE F - INCOME TAXES (CONTINUED)

The components of deferred income taxes consist of the following:

	2001	2000
Deferred income tax assets:		
Rents received in advance	$ 3,028,000	$ 600,000
Supplemental retirement benefits	750,000	700,000
Interest rate cap	70,000	-
Deferred financing costs	9,000	-
TOTAL DEFERRED TAX ASSETS	3,857,000	1,300,000
Deferred income tax liabilities:		
Depreciation	(1,416,000)	(1,790,000)
TOTAL NET DEFERRED TAX ASSETS (LIABILITIES)	$ 2,441,000	$ (490,000)

NOTE G - LAND LEASE COMMITMENT

During 1975, the Company completed construction of an eleven-story exhibition building. The building is constructed on land leased from the City of High Point, North Carolina under a noncancelable lease. The lease is for an initial term of fifty years with three options to renew for periods of ten years each and a final renewal option for nineteen years. Annual rental under the lease is $152,234 as of October 31, 2001 and is subject to adjustment at the end of each five-year period, such adjustment being computed as defined in the lease agreement. As part of the lease agreement, the Company constructed a theater complex for public use and office space for use by the City of High Point on the lower levels of the building. Annual rental cash payments over the initial fifty-year lease term are being reduced by $39,121 which represents amortization of the cost of the theater and office complex constructed for the City of High Point. At the termination of the lease, the building becomes the property of the City of High Point. Under the terms of the lease, the Company is responsible for all expenses applicable to the exhibition portion of the building. The City of High Point is responsible for all expenses applicable to the theater complex and office space constructed for use by the City.

NOTE H - RETIREMENT EXPENSE

Amounts expensed under the Company's retirement plans amounted to $350,669, $394,166 and $691,698 for the years ended October 31, 2001, 2000 and 1999, respectively, including $179,200, $240,796 and $541,136 under the supplemental retirement benefits plan for the years ended October 31, 2001, 2000 and 1999, respectively.

INTERNATIONAL HOME FURNISHINGS CENTER, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001, 2000 AND 1999

NOTE I - RENTALS UNDER OPERATING LEASES

The Company's leasing operations consist principally of leasing exhibition space. Property on operating leases consists of substantially all of the asset "buildings, exclusive of theater complex" included on the consolidated balance sheets. Accumulated depreciation on this property amounted to $42,925,163 at October 31, 2001 and $42,943,916 at October 31, 2000. Leases are typically for five-year periods and contain provisions to escalate rentals based upon either the increase in the consumer price index or increases in ad valorem taxes, utility rates and charges, minimum wage imposed by federal and state governments, maintenance contracts for elevators and air conditioning, maintenance of common areas, social security payments, increases resulting from collective bargaining contracts, if any, and such other similar charges and rates required in operating the Company. Tenants normally renew their leases.

The following is a schedule of minimum future rentals under noncancelable operating leases as of October 31, 2001, exclusive of amounts due under escalation provisions of lease agreements:

Year Ending October 31,	
2002	$ 30,048,586
2003	26,019,227
2004	22,329,312
2005	15,028,725
2006	2,073,780
Total minimum future rentals	$ 95,499,630

Rental income includes contingent rentals under escalation provisions of leases of $1,164,693, $823,536 and $1,322,521 for the years ended October 31, 2001, 2000 and 1999, respectively. Rental income from related parties amounted to $2,682,719, $2,374,813 and $1,980,775 for the years ended October 31, 2001, 2000 and 1999, respectively.

NOTE J - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits and trade accounts receivable from customers predominantly in the Home Furnishings Industry. As of October 31, 2001, the Company's bank balances exceeded federally insured limits by $16,509,628. The Company's trade accounts receivable are generally collateralized by merchandise in leased exhibition spaces which is in the Company's possession.

NOTE K - STOCKHOLDERS' DEFICIT

The stockholders' deficit resulted from the payment of dividends substantially in excess of accumulated earnings. The dividends in excess of accumulated earnings were financed, in part, with the proceeds of long-term debt. Although interest on this debt will negatively impact future earnings, management believes, based on projections of future operations and cash flows, that future earnings will provide adequate equity capital for the Company and that operating cash flows will be sufficient to provide for debt service and for the Company's other financing and investing needs.

LRG FURNITURE, LLC

Financial Statements
As of November 30, 2001 and 2000
Together with Report of Independent Public Accountants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Members of
LRG Furniture, LLC:

We have audited the accompanying balance sheets of LRG FURNITURE, LLC (a Virginia limited liability company) as of November 30, 2001 and 2000, and the related statements of operations and changes in members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LRG Furniture, LLC as of November 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Houston, Texas
December 21, 2001

/s/ Arthur Andersen, LLP

LRG FURNITURE, LLC

BALANCE SHEETS -- NOVEMBER 30, 2001 AND 2000

ASSETS	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,456,466	$ 4,191,154
Accounts receivable, net of allowances of $60,910 and $104,000 in 2001 and 2000, respectively	644,338	681,167
Merchandise inventories, net	10,119,254	11,785,997
Prepaid expenses	72,053	106,310
Total current assets	13,292,111	16,764,628
PROPERTY AND EQUIPMENT:		
Computer equipment	374,909	343,577
Store fixtures	355,885	268,302
Office furniture, fixtures and equipment	1,027,155	1,222,508
Leasehold improvements	1,369,775	1,590,578
Vehicles	174,798	115,692
	3,302,522	3,540,657
Less - Accumulated depreciation	(661,893)	(345,033)
	2,640,629	3,195,624
OTHER ASSETS, NET (NOTE 3)	776,379	825,775
	$16,709,119	$20,786,027
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 5)	$ 2,466,836	$ 1,548,636
Accounts payable, primarily to Members (Note 7)	9,882,446	10,970,062
Customer deposits	2,390,342	2,983,731
Accrued liabilities	1,026,186	909,448
Total current liabilities	15,765,810	16,411,877
LONG-TERM DEBT (NOTE 5)	1,306,344	3,299,364
NOTES PAYABLE TO MEMBERS AND DEFERRED INTEREST PAYABLE (NOTE 5)	13,291,482	7,981,333
COMMITMENTS AND CONTINGENCIES (NOTES 6, 9 AND 11)		
MEMBERS' DEFICIT	(13,654,517)	(6,906,547)
	$16,709,119	$20,786,027

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

LRG FURNITURE, LLC

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT
FOR THE YEARS ENDED NOVEMBER 30, 2001 AND 2000

	2001	2000
SALES	$ 62,577,684	$63,058,739
COST OF GOODS SOLD	34,638,022	34,849,470
Gross profit	27,939,662	28,209,269
OPERATING AND GENERAL EXPENSES	33,553,602	37,294,558
Loss from operations	(5,613,940)	(9,085,289)
INTEREST EXPENSE	1,134,030	498,747
NET LOSS	(6,747,970)	(9,584,036)
MEMBERS' (DEFICIT) EQUITY, BEGINNING OF YEAR	(6,906,547)	2,677,489
MEMBERS' DEFICIT, END OF YEAR	$(13,654,517)	$(6,906,547)

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

LRG FURNITURE, LLC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(6,747,970)	$(9,584,036)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	406,772	345,033
Amortization	422,014	53,568
Loss on sale of property and equipment	235,312	0
Changes in operating assets and liabilities:		
Accounts receivable	36,829	71,918
Merchandise inventories	2,173,743	(2,245,991)
Prepaid expenses	39,757	54,805
Accounts payable and accrued liabilities	(327,544)	1,131,932
Customer deposits	(739,389)	(1,509,920)
Other	(5,049)	(4,596)
Net cash used in operating activities	(4,505,525)	(11,687,287)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(206,232)	(617,582)
Proceeds on sale of property and equipment	204,389	0
Net cash used in investing activities	(1,843)	(617,582)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	500,000	4,848,000
Repayment of long-term debt	(1,827,320)	(2,175,000)
Proceeds from notes payable to Members	4,100,000	7,808,000
Net cash provided by financing activities	2,772,680	10,481,000
NET DECREASE IN CASH	(1,734,688)	(1,823,869)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,191,154	6,015,023
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,456,466	$ 4,191,154
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - CASH PAID DURING THE YEAR FOR INTEREST	$ 479,430	$ 393,886

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

LRG FURNITURE, LLC

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000

1. HISTORY AND ORGANIZATION

LRG Furniture, LLC (the Company) was formed as a limited liability company under the laws of Virginia on November 29, 1999. The Company was formed as a joint venture between Bassett Furniture Industries, Inc. (Bassett) and Bassett Direct Plus Texas, LLC (BDPT) (collectively referred to herein as the Members). Bassett and BDPT were credited with 51% and 49%, respectively, of the combined members' equity of $2,677,489 at the date of formation.

2. CONTINUING OPERATIONS

The Company has experienced significant losses from operations since inception. The Company incurred a net loss of $6,748,000 and $9,584,000 in the years 2001 and 2000, respectively, and has Members' deficit of $13,655,000 and $6,907,000 as of November 30, 2001 and 2000, respectively. Management has implemented a profit improvement program that includes evaluation and realignment of the Company's business to improve profitability. This program has resulted in significant operational changes, overall downsizing of the Company's administrative and operating overhead and disposals or planned disposals of selected stores (see Note 11). These store disposals will leave the Company with seven stores in the Texas and Nevada markets. As a result of these actions, the Company expects to substantially reduce losses from operations, however, there can be no assurances that management's program will be successful.

The Members have historically provided, and are currently providing, sufficient financial support to the Company to fund the Company's obligations and working capital requirements as those obligations become due. The Members loaned a total of $4,100,000 to the Company in 2001 and $7,808,000 in 2000 (see Note 5). Management of Bassett has committed to provide the necessary level of financial support to the Company to enable it to pay its obligations as they become due through November 30, 2003. Bassett, however, is not legally obligated to provide such support. In addition, Bassett has guaranteed repayment of all of the Company's third-party long-term debt.

3. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

The Company currently operates 12 retail furniture stores in North Carolina, Virginia, Kentucky, Nevada and Texas (see Note 11). These stores operate under the "Bassett Furniture Direct" name and substantially all of their purchases are contractually obligated from Bassett and its affiliates.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

For comparative purposes, certain amounts in the 2000 financial statements have been reclassified to conform with the 2001 presentation.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash in banks and deposits in-transit from credit card companies.

REVENUE RECOGNITION AND CONCENTRATION OF CREDIT RISK

The Company recognizes revenue upon the delivery of products to its customers. There is no concentration of credit risk to any one customer. Allowances are provided for estimated losses associated with anticipated future returns of products sold by the Company and inability of customers to pay balances due. Actual product returns and cash collections could differ from management's estimates making it reasonably possible that a change in these estimates could occur in the near term.

MERCHANDISE INVENTORIES

Merchandise inventories are stated at the lower of first-in, first-out (FIFO) cost or market. Allowances are established to reduce the cost of excess and obsolete inventories to their estimated net realizable value. Shipping and handling costs associated with inbound freight are included in cost of sales and amounts related to merchandise inventory on hand at year-end are capitalized in merchandise inventories.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Computer equipment	3-5 years
Store fixtures	7 years
Office furniture, fixtures and equipment	7 years
Leasehold improvements	Life of lease
Vehicles	5 years

When property is sold or retired, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statement of operations and changes in members' equity. Expenditures for maintenance and repairs are charged to operations as incurred.

OTHER ASSETS

Other assets are comprised primarily of an assumed lease contract with an independent third party that has terms that are favorable to its local market value and refundable deposits with various utilities and property lessors. The favorable lease contract, which has a gross balance of $758,867, is amortized over the lease term, which is 15 years. Accumulated amortization related to this favorable lease contract was $107,136 and $53,568 in 2001 and 2000, respectively. The deposits are refundable at the discretion of the utility or lessor as applicable.

LONG-LIVED ASSETS

The Company applies Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires that long-lived assets and certain identifiable intangible assets to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event assets are impaired, losses are recognized based on the excess carrying amounts over the estimated discounted future cash flows or fair market value of the asset. SFAS No. 121 also requires that assets to be disposed of be reported at the lower of the carrying amount or the fair market value less selling costs. Management does not believe there are any impairments of long-lived assets at November 30, 2001.

PREOPENING EXPENSES

Preopening expenses, which consist primarily of payroll and occupancy costs, are expensed as incurred. Preopening expenses were $177,000 and $450,000 in 2001 and 2000, respectively.

ADVERTISING COSTS

The Company expenses advertising costs as incurred. Advertising expense was $4,355,000 and $5,931,000 in 2001 and 2000, respectively.

SHIPPING AND HANDLING FEES AND COSTS

In September 2000, the Emerging Issues Task Force issued EITF 00-10, "Accounting for Shipping and Handling Fees and Costs" (EITF 00-10). EITF 00-10 requires shipping and handling fees billed to customers to be classified as revenue and shipping and handling costs to be either classified as cost of sales or disclosed in the notes to the consolidated financial statements. The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with outbound freight are included in operating and general expenses and totaled $6,442,000 and $7,012,000 in fiscal 2001 and 2000, respectively.

CUSTOMER DEPOSITS

Customer deposits relate to amounts paid by customers to the Company at the time they order goods. These deposits are applied to the ultimate sales price once goods are delivered to the customer, and are recognized as revenue at that time.

INCOME TAXES

The Company is treated as a pass-through entity for federal income tax purposes. As a result, the Company is not subject to income tax, but rather the liability for income taxes from the taxable income generated by the Company is the obligation of the Members. The Company is treated similarly for state income tax purposes and, under current law in the states in which the Company is conducting business, the Company is not subject to state income taxes. Accordingly, no provision or benefit for federal and state income taxes has been recorded in the accompanying financial statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable and long-term debt. Because of their short maturity, the carrying amounts of cash, accounts receivable and accounts payable approximate fair value. The carrying amounts of long-term debt approximate fair value due to the variable rate nature of bank debt and the Company's belief that its interest rates on fixed interest rate debt due to its Members approximate fair value rates for the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2000, the Financial Accounting Standards Board (FASB) issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." This statement amends the accounting and reporting standards of Statement No. 133 for certain derivative instruments and certain hedging activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted the provisions of this statement in 2001 and the impact of adopting the statement is immaterial.

In April 2001, the Company adopted SFAS No. 140, "Accounting for Transfers and Servicing Financial Assets and Extinguishment of Liabilities." This statement replaces SFAS No. 125, but carries over most of the provisions of SFAS No. 125 without reconsideration. The impact of adopting this pronouncement was not material to the Company's financial statements.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." This statement requires that all business combinations initiated after June 30, 2001, be accounted for by the purchase method, eliminating the availability of the pooling-of-interests method. In addition SFAS No. 141 requires recognition of intangible assets apart from goodwill if they meet certain criteria. Any acquisition activity performed by the Company subsequent to the effective date of this statement will be accounted for under the purchase method. Management does not expect the impact of adopting SFAS No. 141 to be material to the Company's financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement supercedes APB Opinion No. 17. SFAS No. 142 establishes new standards for measuring the carrying value of goodwill related to acquired companies. Instead of amortizing goodwill over a fixed period of time, the Company will instead measure the fair value of acquiring businesses annually to determine if goodwill has been impaired. The Company plans to adopt this statement in fiscal 2002. Amortization of intangibles recorded in fiscal 2001 that may no longer be recorded after implementation was $367,569 (see Note 4). Management is currently assessing other implementation issues and has not yet determined whether, or the extent to which, it will affect the financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets." This statement supercedes SFAS No. 121. In addition, this statement addresses the accounting for the segment of a business accounted for as a discontinued operation under APB Opinion 30. This statement would impact the Company's reporting if the Company chose to discontinue an operation, and becomes effective for the Company in fiscal 2003. Management does not expect the impact of adopting SFAS No. 144 to be material to the Company's financial statements.

4. ACQUISITION OF LOUISVILLE STORE

On December 15, 2000, the Company acquired the assets and assumed the liabilities of a third-party Bassett Furniture Direct licensee in Louisville, Kentucky, in a noncash transaction. The fair value of liabilities assumed (primarily customer deposits and loans payable which are discussed further in Note 5) exceeded the fair value of assets acquired (primarily inventory and leasehold improvements) by $367,569, which was recorded as an intangible asset. The intangible asset, which relates primarily to acquired order book and customer lists, was amortized as operating and general expenses during 2001. As part of the transaction, Bassett purchased the related building and was leasing it to the Company on a month-to-month basis. This store was sold subsequent to year-end (see Note 11).

5. LONG-TERM DEBT AND NOTES PAYABLE TO MEMBERS

Long-term debt and notes payable to Members at November 30, 2001 and 2000, consisted of the following:

	2001	2000
Long-term debt:		
Unsecured notes with a bank, payable in monthly installments as discussed below from January 2001 to June 2004, plus interest payable monthly ranging from prime plus 0.5% to 1.0%, as defined in the agreement (prime was 5.0% at November 30, 2001)	$ 3,773,180	$ 4,848,000
Notes payable to Members:		
Unsecured notes and deferred interest payable to Bassett, accrues interest at 8% per year, principle and interest due November 1, 2004	10,316,667	6,173,333
Unsecured demand note payable to Bassett, does not bear interest	566,815	0
Unsecured note payable to BDPT, interest payable quarterly at 8% per year, $1,808,000 due November 30, 2003, $600,000 due November 30, 2004	2,408,000	1,808,000
Total notes payable to Members and deferred interest payable	13,291,482	7,981,333
Total long-term debt and notes payable to Members	17,064,662	12,829,333
Less - Current maturities of long-term debt	(2,466,836)	(1,548,636)
	$14,597,826	$11,280,697

The aggregate future annual maturities of long-term debt and deferred interest payable are as follows:

2002	$ 2,466,836
2003	3,014,344
2004	11,583,482
2005	0
	$17,064,662

At various dates from March 16, 2000, to August 15, 2000, the Company entered into a total of eight unsecured notes with a bank for $606,000 each for a total of $4,848,000. Each note has deferred principal payments of $22,444 beginning 9 months from the close of each note and continuing for 27 months thereafter. The proceeds of these notes were used primarily to pay for new store opening inventory. The balance due on these notes at November 30, 2001 and 2000, is $3,142,256 and $4,848,000, respectively. Repayment of these loans is guaranteed by Bassett.

On June 4, 2001, the Company entered into an unsecured note with the same bank for $500,000. The note has deferred principal payments of $16,667 beginning 6 months from the close of the note and continuing for 29 months thereafter. The proceeds of this note were used primarily to pay for the new store opening inventory. The balance due on this note at November 30, 2001, is $500,000. Repayment of this loan is guaranteed by Bassett.

In connection with the acquisition of the Louisville store as discussed in Note 4, the Company assumed a $252,500 unsecured note payable with the same bank. The note requires monthly principal payments of $18,704 through June 30, 2002. The balance due on this note at November 30, 2001, is $130,924. Repayment of this note is guaranteed by Bassett.

On June 1, 2000, August 1, 2000, and May 1, 2001, the Company entered into three unsecured notes with Bassett for $1,000,000, $5,000,000 and $3,500,000, respectively. All of these notes have the same terms and have deferred principal and interest payments, all payable November 1, 2004 (see Note 11).

In connection with the acquisition of the Louisville store as discussed in Note 4, the Company assumed an unsecured demand note due to Bassett of $566,815 which is still outstanding at November 30, 2001.

On November 30, 2000 and 2001, the Company entered into unsecured notes with BDPT for $1,808,000 and $600,000, respectively. These unsecured notes contain various restrictive covenants which include, among others, limitations on loans and contingent liabilities except in the normal course of business. As of November 30, 2001, the Company was in compliance with all of these covenants.

6. LEASE COMMITMENTS

The Company's administrative offices and retail locations are leased under noncancelable operating lease agreements that expire from 2003 to 2016. Most of these leases contain renewal options of 3 to 35 years. Certain of the lease agreements for retail locations require the payment of contingent rentals based on a percentage of sales above stipulated levels. No contingent rental expense was incurred during 2001 or 2000. Certain of the lease agreements contain rent escalation clauses that are not significant. Total rent expense for 2001 and 2000 was $6,242,000 and $6,201,000, respectively. Rent expense related to locations owned or leased from the Members was $3,952,000 in 2001 and $3,823,000 in 2000.

Future minimum lease commitments for the office and retail locations under operating leases having initial terms in excess of one year are as follows:

	BASSETT	BDPT	OTHER	TOTAL
2002	$ 924,000	$ 2,483,000	$ 1,766,000	$ 5,173,000
2003	924,000	2,483,000	1,732,000	5,139,000
2004	924,000	2,483,000	1,203,000	4,610,000
2005	924,000	2,483,000	1,061,000	4,468,000
2006	924,000	2,483,000	1,061,000	4,468,000
Thereafter	8,111,000	21,879,000	3,630,000	33,620,000
	$ 12,731,000	$ 34,294,000	$ 10,453,000	$ 57,478,000

Subsequent to November 30, 2001, the Company sold one store to a third party. The third party assumed the lease related to the store (see Note 11). As such, the lease commitment related to this store is not included in the future minimum lease commitments above.

Additionally, Bassett will be assuming the "Bassett" and substantially all of the "Other" lease commitments detailed above in connection with the planned sale of certain stores to Bassett (see Note 11).

7. OTHER RELATED-PARTY TRANSACTIONS

Substantially all purchases of merchandise inventories are made from Bassett and its affiliates. These related entities sell products to the Company at prices and terms equal to their normal selling prices and terms to unrelated entities. Accounts payable due to these related parties was $9,230,000 and $10,534,000 in 2001 and 2000, respectively.

Interest expense on borrowings from related parties as described in Note 5 was $789,000 in 2001 and $173,000 in 2000. Portions of these amounts are included in notes payable to Members and deferred interest payable in the accompanying balance sheets at November 30, 2001 and 2000, respectively.

The Company paid salaries to principals of the Members for administrative and executive services in the amount of $300,000 in both 2001 and 2000.

8. BENEFIT PLAN

EMPLOYEE SAVINGS PLAN

The Company maintains a qualified 401(k) employee savings plan covering substantially all full-time employees. Under the plan, employees may elect to contribute up to 15% of their compensation annually. Under the plan, the Company is not required to make contributions to the plan and no contributions were made in 2001 or 2000.

9. COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AGREEMENTS

The Company has certain obligations under various employment agreements through November 30, 2004, that stipulate, among other things, certain levels of compensation, bonus potential, other miscellaneous benefits and severance arrangements. Potential contingent liabilities under these arrangements approximate $450,000.

LITIGATION

The Company is involved in various legal proceedings encountered in the normal course of business. In the opinion of management, based on the factors presently known, the resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

10. MEMBERS' DEFICIT

The Members' deficit account in the accompanying balance sheets reflects the initial capital contributed by the Members of $2,677,489 and all losses of the Company since inception. No distributions have been made to the Members since inception. Under the terms of the Limited Liability Company Agreement (the LLC Agreement), profits and losses and any distributions of the Company are allocated to its members based upon the Members' relative ownership interests in the Company and are made at the sole discretion of the Board of Managers. Members may not assign or transfer their rights without consent of the other Member. Both Members have two positions each in the Board of Managers. There is a single class of Members with the same rights, powers, duties, obligations, preferences and privileges. Each Member's liability is limited to the sum of its capital contributions, its share of any undistributed assets of the Company and any amounts previously distributed to it from the Company.

As stated in the Articles of Organization, the latest date on which the Company is to dissolve is November 30, 2019.

11. SALES AND CLOSURE OF RETAIL STORES

In December 2000, the Company sold its retail store operation in Columbia, South Carolina, to an unrelated local furniture retailer. The transaction involved the sale of inventory, property, equipment and leasehold improvements. The buyer also assumed the customer deposit liability and the future lease commitments for the store facility. The Company incurred a loss of $97,000 primarily related to the disposal of property and equipment. As management made the decision to dispose of this store before year-end and management knew that the book value of the property exceeded fair value at year-end, management accrued for these impaired assets in the accompanying 2000 statement of operations and changes in members' deficit.

The Company sold its retail furniture store in Knoxville, Tennessee, in January 2001 to an unrelated third party. Substantially all of the inventory in that location had been sold through a liquidation sale that began in September 2000. The lease for this location has been assumed by an unrelated third party, who will utilize the store as a "Bassett Furniture Direct" store going forward. Losses due to this transaction were insignificant.

The Company closed its retail furniture store in Fredericksburg, Virginia, in March 2001. Substantially all of the inventory in that location was liquidated by May 2001. The lease for this location was terminated by Bassett, the owner of the property, concurrent with the closure of the store. Losses due to the closure of this store were insignificant.

The Company sold its retail furniture store in Hickory, North Carolina, to Bassett in July 2001. The principal terms of the agreement called for inventory and property to be sold at net book value to Bassett. Additionally, Bassett assumed the customer deposit liability and the lease of the retail facility in Hickory. There was no gain or loss associated with this transaction.

The Company sold its retail furniture store in Greenville, South Carolina, to an unrelated third party, in August 2001. The transaction involved the sale of inventory, property, equipment and leasehold improvements. The buyer also assumed the customer deposit liability and the future lease commitments for the store. The Company incurred a loss of approximately $140,000 primarily related to the disposal of property and equipment.

Subsequent to November 30, 2001, the Company sold its retail furniture store in Louisville, Kentucky to an unrelated local furniture retailer. The purchaser has purchased substantially all assets and assumed all liabilities of the store. Related losses on this transaction are not significant.

Subsequent to November 30, 2001, the Company and Bassett entered into an agreement in principle to restructure the balance sheet and streamline the operations of the Company. The agreement calls for Bassett to forgive debt due by the Company of $2,150,000. Also, as part of the agreement, the Company will sell the five remaining stores in North Carolina and Virginia to Bassett for net book value as of the effective date of the agreement of approximately $188,000 ($5,405,000 of assets and $5,217,000 of liabilities) including bank debt of approximately $1,481,000.

Sales related to all stores sold, closed or planned to be sold included in the statement of operations and changes in Members' deficit for the year ended November 30, 2001, were $27,944,000 and related loss from operations was $4,892,000.

INDEX TO FORM 10-K SCHEDULE

Report of Independent Public Accountants

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

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in the Bassett Furniture Industries, Incorporated Annual Report to Stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 15, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule on page F-30 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Greensboro, North Carolina,
January 15, 2002

BASSETT FURNITURE INDUSTRIES, INC.

Schedule II

Analysis of Valuation and Qualifying Accounts
For the Years Ended November 24, 2001, November 25, 2000 and November 27, 1999
(in thousands)

	Balance Beginning Of Period	Additions Charged to Cost and Expenses	Deductions (1)	Other	Balance End Of Period
For the Year Ended November 27, 1999:					
Reserve deducted from assets to which it applies- Allowance for doubtful accounts	$2,200	$680	$(322)	---	$2,558
Restructuring reserve	$2,489	---	$(1,173)	---	$1,316
For the Year Ended November 25, 2000:					
Reserve deducted from assets to which it applies- Allowance for doubtful accounts	$2,558	$4,150	$(58)	---	$6,650
Restructuring reserve	$1,316	$880	$(853)	---	$1,343
For the Year Ended November 24, 2001:					
Reserve deducted from assets to which it applies- Allowance for doubtful accounts	$6,650	$481	$(4,631)	---	$2,500
Restructuring reserve	$1,343	$2,402	$(3,163)	---	$582

(1) Deductions are for the purpose for which the reserve was created.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

FINANCIAL STATEMENTS AND SCHEDULES
AS OF DECEMBER 31, 2001 AND 2000
TOGETHER WITH AUDITORS' REPORT

The Bassett Industries Alternative Asset Fund, L.P. has an exemption, pursuant to CFTC Regulation 4.7, from certain provisions of Part 4 of the CFTC Regulations.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

OATH
AS OF DECEMBER 31, 2001 AND 2000

To the best of the undersigned's knowledge and belief, the information contained in these financial statements is accurate and complete.

/s/ Louis Moelchert, Jr.

Louis Moelchert, Jr., President
Private Advisors, L.L.C.
General Partner for
Bassett Industries Alternative Asset Fund, L.P.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of
Bassett Industries Alternative Asset Fund, L.P.:

We have audited the accompanying statements of financial condition, including the schedules of investments, of the Bassett Industries Alternative Asset Fund, L.P. (a Delaware limited partnership) as of December 31, 2001 and 2000, and the related statements of operations, changes in partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bassett Industries Alternative Asset Fund, L.P. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Richmond, Virginia
February 8, 2002

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

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BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2001 AND 2000

	2001	2000
ASSETS		
Fund investments, at fair value (Note 4)	$ 59,044,501	$ 57,257,422
Cash and cash equivalents	87,955	241,067
Total assets	$ 59,132,456	$ 57,498,489
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES:		
Accrued expenses	$ 15,259	$ 10,326
PARTNERS' CAPITAL:		
General Partner	15,227	13,946
Limited Partner	59,101,970	57,474,217
Total partners' capital	59,117,197	57,488,163
Total liabilities and partners' capital	$ 59,132,456	$ 57,498,489

The accompanying notes are an integral part of these statements.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2001

FUND INVESTMENT	NUMBER OF SHARES OR PERCENT OWNERSHIP OF FUND INVESTMENT	FAIR VALUE
STYX PARTNERS, L.P.	6.3%	$ 14,571,935
OZ DOMESTIC PARTNERS, L.P.	1.0	14,024,502
HBK FUND, L.P.	0.9	13,490,433
DOUBLE BLACK DIAMOND, L.P.	1.7	9,496,869
FARALLON CAPITAL OFFSHORE INVESTORS, INC.	1,225,753 Class A - Series A shares	7,460,762
Total (99.9% of net assets)- cost $37,133,967		$ 59,044,501

The accompanying notes are an integral part of this schedule.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2000

FUND INVESTMENT	NUMBER OF SHARES OR PERCENT OWNERSHIP OF FUND INVESTMENT	FAIR VALUE
STYX PARTNERS, L.P.	6.9%	$ 13,003,415
OZ DOMESTIC PARTNERS, L.P.	1.4	13,246,885
HBK FUND, L.P.	1.2	12,269,880
DOUBLE BLACK DIAMOND, L.P.	2.6	8,435,336
FARALLON CAPITAL OFFSHORE INVESTORS, INC.	10,301,906 Class A - Series A shares	10,301,906
Total (99.6% of net assets) - cost $39,826,563		$ 57,257,422

The accompanying notes are an integral part of this schedule.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
INVESTMENT INCOME:		
Interest	$ 9,830	$ 15,874
EXPENSES:		
Management fees	577,148	608,402
Other	15,727	20,632
Total expenses	592,875	629,034
NET INVESTMENT LOSS	(583,045)	(613,160)
REALIZED GAINS ON FUND INVESTMENTS	1,232,404	3,439,944
CHANGE IN NET UNREALIZED APPRECIATION ON FUND INVESTMENTS	4,479,675	7,374,214
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 5,129,034	$ 10,200,998

The accompanying notes are an integral part of these statements.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	LIMITED PARTNER	GENERAL PARTNER	TOTAL
BALANCE, DECEMBER 31, 1999	$ 59,275,310	$ 11,855	$ 59,287,165
Redemptions	(12,000,000)	--	(12,000,000)
Net increase in partners' capital resulting from operations	10,198,907	2,091	10,200,998
BALANCE, DECEMBER 31, 2000	57,474,217	13,946	57,488,163
Redemptions	(3,500,000)	--	(3,500,000)
Net increase in partners' capital resulting from operations	5,127,753	1,281	5,129,034
BALANCE, DECEMBER 31, 2001	$ 59,101,970	$ 15,227	$ 59,117,197

The accompanying notes are an integral part of these statements.

BASSETT INDUSTRIES ALTERNATIVE ASSET FUND, L.P.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in partners' capital resulting from operations	$ 5,129,034	$ 10,200,998
Adjustment to reconcile net income to net cash used in operating activities-		
Change in net unrealized appreciation on fund investments	(4,479,675)	(7,374,214)
Realized gains on fund investment	(1,232,404)	(3,439,944)
Increase in accrued expenses	4,933	219
Net cash used in operating activities	(578,112)	(612,941)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fund investments	--	(950,000)
Sales of fund investments	3,925,000	13,801,741
Net cash provided by investing activities	3,925,000	12,851,741
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions paid	(3,500,000)	(12,000,000)
Net (decrease) increase in cash and cash equivalents	(153,112)	238,800
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	241,067	2,267
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 87,955	$ 241,067

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. ORGANIZATION:

The Bassett Industries Alternative Asset Fund, L.P. (the Partnership) was organized under the Delaware Revised Uniform Limited Partnership Act and commenced operations on July 1, 1998. Private Advisors, L.L.C. is the general partner (the General Partner) of the Partnership. Bassett Furniture Industries, Inc. (the Limited Partner) and the General Partner are currently the only partners.

The objective of the Partnership is to invest with hedge funds and other experienced portfolio managers or otherwise utilize the services of investment advisors or investment managers in order to make investments in and to purchase, hold, trade and sell securities. The General Partner has discretion to make all investment and trading decisions, including the selection of investment managers.

2. PARTNERSHIP AGREEMENT:

The Partnership is governed by the terms of the limited partnership agreement (the Agreement). A general summary of salient points of the Agreement is provided below. Reference should be made to the Agreement to obtain a complete understanding of all pertinent information.

MANAGEMENT OF PARTNERSHIP AFFAIRS

Responsibility for managing the Partnership is vested solely with the General Partner. The General Partner's duties include the selection of investment managers, monitoring of the Partnership's investments, which includes the allocation of the Partnership's assets among the selected investment managers on an ongoing basis, and various administrative functions necessary to support the Partnership.

GENERAL PARTNER FEE

The General Partner receives a management fee from the Partnership, payable quarterly, based on an annual rate of 1 percent as applied to quarterly net assets, as defined.

CONTRIBUTION OF LIMITED PARTNER

The Limited Partner is required to make and maintain an investment in the Partnership of not less than $1,000,000. The General Partner may, at its discretion, waive these minimum requirements. Additional investments are permitted at the discretion of the General Partner.

REDEMPTIONS

The Limited Partner may redeem part or all of its capital account as of the end of any calendar quarter upon 90 days written notice to the General Partner (or such lesser notice as may be acceptable to the General Partner). The General Partner may redeem part or all of its capital account as of any calendar year-end, as defined, upon 45 days notice to the Limited Partner. Redemptions shall be at net asset value, as defined.

ALLOCATIONS

Each partner has a capital account with an initial balance equal to the amount each individual partner contributed to the Partnership. At the end of each month and at the time of any event causing the capital account of any partner to change, profits and losses are allocated to the accounts of the partners in the ratio that each partner's capital account bears to the balance of all partners' accounts. A separate allocation is performed for Federal income tax purposes.

TERMINATION OF PARTNERSHIP

The Partnership shall terminate and be dissolved upon the occurrence of any of the following events:

- December 31, 2025;

- the withdrawal, dissolution, insolvency, or removal of the General Partner;

- the written consent of the General Partner and a majority-in-interest of the Limited Partners; or

- the election of a majority-in-interest of the Limited Partners, if the Limited Partners determine that the General Partner has materially breached any provision of the Agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

The Partnership considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

INTEREST INCOME

The Partnership receives interest monthly based on prevailing short-term money market rates applied to 100 percent of the Partnership's average daily cash balance above a specified reserve, as defined. Interest income is accrued when earned.

INCOME TAXES

A provision for income tax has not been provided, as partners are individually liable for taxes, if any, on their share of the Partnership's net income.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. FUND INVESTMENTS:

The funds in which the Partnership invests engage primarily in speculative trading of security interests and have the discretion to invest in any type of security interest. Risks to these funds arise from the possible adverse changes in the market value of such interests and the potential inability of counterparties to perform under the terms of the contracts. However, the risk to the Partnership is limited to the amount of the Partnership's investment in each of these funds. In general, the Partnership may redeem part or all of its investment in each of the funds as of the end of each quarter or calendar year, upon 45 to 180 days prior written notice, as specified in the various fund agreements.

Fund investments are valued on the basis of net asset value, with the resultant difference from the prior valuation included in the accompanying statements of operations. The net asset value is determined by the investee fund based on its underlying financial instruments. The Partnership's share of the revenues and expenses of each fund is based on the Partnership's proportionate share of amounts invested during the period and is included as net gain (loss) on fund investments in the accompanying statements of operations. The Partnership's proportionate share of the investee funds' operating expenses, including brokerage commissions and management and incentive fees, incurred directly by the funds is reflected as a component of the change in net unrealized appreciation (depreciation) on fund investments within the accompanying statements of operations.

The following table summarizes the Partnership's fund investments as of December 31, 2001, and for the year then ended. The management agreements of the investee funds provide for compensation to their managers in the form of fees ranging from 1 percent to 1.5 percent annually of net assets, and performance incentive fees equal to 20 percent of net trading profits earned. These fees have been included as a component of the change in net unrealized appreciation (depreciation) on fund investments in the accompanying statements of operations.

INVESTMENT	PERCENTAGE OF PARTNERSHIP'S NET ASSETS	NET GAIN ON FUND INVESTMENTS	ANNUAL FEE PERCENTAGES* MANAGEMENT	INCENTIVE	REDEMPTIONS PERMITTED
Styx Partners, L.P.	24.7%	$ 1,568,520	1.0%	20%	Annually
Oz Domestic Partners, L.P.	23.7	777,617	1.5	20	Annually
HBK Fund, L.P.	22.8	1,220,553	1.5	20	Quarterly
Double Black Diamond, L.P.	16.1	1,061,533	1.0	20	Quarterly
Farallon Capital Offshore Investors, Inc.	12.6	1,083,856	1.0	20	Quarterly
Total	99.9%	$ 5,712,079			

*For the year ended December 31, 2001, the management and incentive fees allocated to Double Black Diamond, L.P. were $89,620 and $265,383, respectively, and the management and incentive fees allocated to Styx Partners, L.P. were $137,047 and $392,130, respectively. The General Partner is not able to obtain the specific fee amounts for the other investee funds.

5. OPERATING EXPENSES:

The Partnership pays its routine legal, accounting, audit, computer and other operating costs. The net assets of the Partnership reflect an accrual for such expenses incurred but not yet paid.

6. FINANCIAL INSTRUMENTS WITH MARKET AND CREDIT RISKS AND CONCENTRATIONS OF CREDIT RISK:

In the normal course of operations, the Partnership may enter into various contractual commitments with elements of market risk in excess of the amounts recognized in the statements of financial condition. Contractual commitments that involve future settlement give rise to both market and credit risk. Market risk represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The Partnership's exposure to market risk is determined by a number of factors, including the size, composition and diversification of positions held, volatility of interest, market currency rates and liquidity. With reference to the Partnership's credit and concentration of credit risks for investments in other security funds, the risk to the Partnership is limited to the Partnership's investment.

7. FINANCIAL HIGHLIGHTS:

The following financial highlights for the year ended December 31, 2001, have been calculated in accordance with the guidance set forth by the American Institute of Certified Public Accountants AUDIT AND ACCOUNTING GUIDE, AUDITS OF INVESTMENT COMPANIES.

Total return	9.18%
Ratio to average net assets:	
Net investment loss	(1.00)%
Expenses	(1.02)%

Returns and ratios for individual investors may differ from these returns and ratios based on participation in hot issues, different fee arrangements, and timing of capital transactions.

INDEX TO EXHIBITS

Exhibit No.	
3B	Bylaws, as amended
4B	First Amendment to Credit Agreement with a Bank Group dated October 5, 2001
13	Portions of the Bassett Furniture Industries, Incorporated Annual Report to Stockholders for the year ended November 24, 2001
21	List of subsidiaries of registrant
23A	Consent of Independent Public Accountants
23B	Consent of Independent Auditors
99	Securities and Exchange Commission Representation

EXHIBIT 23A

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated December 21, 2001, January 15, 2002 and February 8, 2002 on the financial statements of LRG Furniture, LLC, the financial statements and schedule of Bassett Furniture Industries, Incorporated and Subsidiaries and the financial statements of Bassett Industries Alternative Asset Fund, L.P., respectively, included in and incorporated by reference in this Form 10-K/A into the Company's previously filed Registration Statement File Nos. 33-52405, 33-52407, 333-60327, and 333-43188.

/s/ ARTHUR ANDERSEN LLP

Greensboro, North Carolina,
April 25, 2002

EXHIBIT 23B

CONSENT OF INDEPENDENT AUDITORS

Board of Directors
Bassett Furniture Industries, Incorporated
Bassett, Virginia

We consent to incorporation by reference in the Registration Statements (Nos. 33-52405, 33-52407, 333-60327 and 333-43188) on Form S-8 of Bassett Furniture Industries, Incorporated and subsidiaries of our report dated November 30, 2001, relating to the balance sheets of International Home Furnishings Center, Inc. as of October 31, 2001 and 2000, and the related statements of income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended October 31, 2001, which report is incorporated by reference in the November 24, 2001 annual report on Form 10-K/A of Bassett Furniture Industries, Incorporated and subsidiaries.

/s/ DIXON ODOM PLLC

High Point, North Carolina
April 25, 2002

Exhibit 99

Securities and Exchange Commission
Washington, DC

Arthur Andersen LLP represented to Bassett Furniture Industries, Incorporated that its audit of the Bassett Industries Alternative Asset Fund, L.P. financial statements and schedules as of December 31, 2001 and for the year then ended was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Arthur Andersen personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen is not relevant to this audit.