

BASSETT FURNITURE INDUSTRIES, INC.
Audit Committee Charter
October 2015

The purpose of the Audit Committee (the “Committee”) is to represent and assist the Board of Directors of Bassett Furniture Industries, Inc. (the “Corporation”) in the general oversight of (i) the Corporation’s accounting and financial reporting processes, (ii) external audit of the financial statements, (iii) internal audit function, (iv) management’s assessment of the effectiveness of its disclosure controls and procedures and of its internal control over financial reporting, and (v) management’s risk assessment and risk management process. The Committee reports to the full Board of Directors on all matters within the Committee’s responsibilities.

The Committee shall be composed of no fewer than three directors determined by the Board of Directors to meet the independence and financial literacy requirements of The NASDAQ Stock Market, Inc. (“NASDAQ”) and applicable federal law, rules and regulations. Appointment of the Committee, including the designation of the Chairperson of the Committee and the designation of any Committee members as “audit committee financial experts”, shall be made on an annual basis by the Board of Directors. The Committee shall cause to be provided to NASDAQ such appropriate written confirmation concerning these matters as NASDAQ may from time to time require.

The independent registered public accountants for the Corporation (the “independent auditors”) shall be ultimately accountable to the Committee on all matters pertaining to their engagement, and the independent auditors shall report directly to the Committee as the Board of Directors’ representative. The Committee shall encourage open communication among the Committee, independent auditors, internal audit and the Corporation’s management regarding matters within the Committee’s responsibilities. The Committee shall establish a calendar incorporating regular reporting items it requires from independent auditors and the senior management during the fiscal year.

To carry out the Committee’s responsibilities:

1. The Committee, as the Board of Directors’ representative, has the authority and responsibility to evaluate, appoint, compensate, retain, replace and oversee the work of independent auditors and any other registered public accounting firm that is engaged for the purpose of issuing an audit report or performing other audit, review or attest services for the Corporation. The Committee shall require the independent auditors to submit periodically a formal written statement delineating all relationships between the independent auditors and the Corporation, including audit and non-audit assignments and the fees and any other compensation paid to the independent auditors therefor. The Committee is responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity or independence of the independent auditors, and for taking appropriate action in response to the independent auditors’ report to satisfy itself of their independence.
2. The Committee will meet with the independent auditors and the Corporation’s senior management to review the scope and methodology of the proposed audits for each fiscal year. The independent auditors and senior management of the Corporation shall ensure compliance with the Committee’s pre-approval policies and procedures for the provision and/or restriction of audit, audit-related and non-audit services. The independent auditors shall provide regular reports to the Committee during the fiscal year on the underlying process and status of their audits and any findings or preliminary conclusions that have been reached.
3. The Committee shall discuss and review with senior management and approve annually the internal audit plan; including the basis for audit risk assessment, the schedule for receipt and review of internal audit reports, and evaluation of internal audit findings and recommendations to senior management. Throughout the fiscal year, internal audit shall report to senior management. Internal audit or senior management will convey internal audit reports to the Committee. Senior management of the Corporation shall review the appointment and replacement of the senior internal auditing executive with the Committee.

4. Senior management and the independent auditors shall review with the Committee the Corporation's annual financial statements and its Quarterly Reports on Form 10-Q, prior to filing with the Securities and Exchange Commission. For each fiscal year, the independent auditors shall review with the Committee their opinion on management's assessment of the adequacy of the Corporation's internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act, including any significant deficiencies or material weaknesses identified, and their qualitative judgments as to accounting principles employed and related disclosures by the Corporation and the conclusions expressed in the Corporation's financial statements. The independent auditors shall review with the Committee significant judgments made by senior management in the preparation of the financial statements. The Committee will review in detail reports of examination issued by federal and state regulatory agencies as well as the Corporations' responses thereto.
5. The independent auditors shall promptly identify to the Committee any areas of disagreement with senior management in the preparation of financial statements.
6. The independent auditors and senior management, including general counsel, shall identify to the Committee significant business, financial or legal issues that may significantly impact the Corporation's financial statements and internal control systems. During each fiscal year, senior management, including general counsel, shall report to the Committee as to all significant litigation, threatened litigation or potential litigation in which the Corporation and its subsidiaries are or may be engaged, as well as the anticipated or potential impact of such litigation, threatened litigation or potential litigation on the Corporation.
7. During each fiscal year, senior management shall review with the Committee the Corporation's monitoring efforts and procedures to ensure compliance with laws and governmental regulations. Senior management shall provide such information to the Committee as is reasonably required to keep the Committee current on changes in accounting standards and securities regulations affecting the Corporation, as well as material developments in the home furnishings industry generally and the promulgation of regulations materially affecting the home furnishings industry.
8. The Committee shall review the policies and procedures adopted by management and the steps taken by the Corporation to assess, monitor and control the Corporation's exposure to major financial risks.
9. If the occasion arises, senior management will report as soon as possible to the Committee any material violation of laws or governmental regulations. The Committee has the authority to investigate any matter brought to its attention within the scope of its duties and to retain independent legal counsel, at its discretion and without permission from the Board of Directors or management.
10. The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
11. The Committee shall hold at least four meetings each fiscal year. The Chairperson of the Committee has authority to call Committee meetings, to preside at such meetings and to make assignments to Committee members. The Committee will evaluate findings and recommendations of the independent auditors and internal audit, and make recommendations as warranted to the Board of Directors.
12. At every meeting of the Committee where the independent auditors are present, the independent auditors shall for at least a portion of such meeting meet with the Committee without members of management or internal audit present.

13. Senior management shall report all proposed related party transactions to the Committee, and the Committee shall be responsible for the approval, review and oversight contemplated by NASDAQ with respect to any such reported transactions.
14. The Corporation shall provide the Committee such support, including access to and use of the Corporation's records, physical properties, management, staff, independent auditors, attorneys and consultants, as the Committee deems necessary to discharge its responsibilities.
15. The Committee shall have the authority to engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties. The Corporation will provide appropriate funding, as determined by the committee for the payment of (i) compensation to the independent auditors, (ii) compensation to any advisors employed by the Committee and (iii) ordinary administration expenses of the Committee that are necessary or appropriate in carrying out its duties.
16. The Committee shall review and approve this Audit Committee Charter annually.