

BASSETT FURNITURE INDUSTRIES, INCORPORATED

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of Bassett Furniture Industries, Incorporated, a Virginia corporation (the “**Company**”), has adopted these Corporate Governance Guidelines (these “**Guidelines**”) to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its Shareholders in a manner that is consistent with its fiduciary duties.

A. The Board

1. Role

The primary role of the Board of the Company is to oversee management and the business, affairs and operations of the Company and its subsidiaries, either directly or through committees, assist in defining the policies, direction and goals of the Company and provide an effective corporate governance framework for the Company. Directors are expected to exercise their business judgment to act in good faith in what they believe to be in the long-term best interests of the Company and its Shareholders. To discharge this obligation, directors may rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

2. Size

The Board presently has 8 members, which size was established by resolution of the Board in the manner prescribed by the Certificate of Incorporation of the Company.

3. Composition

There will at all times be a majority of independent directors on the Board. An “independent director” is a person who meets the definition of independent director under the listing standards of the securities exchange on which the Company’s securities are listed and does not have any other relationship with the Company that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out director responsibilities.

4. Lead Independent Director

If the Board does not have an independent Chairman, a Lead Independent Director will be appointed by the Board. The Lead Independent Director will be involved in the Board meeting agenda, consult with Board committee chairs, serve as liaison between the Chairman and the rest of the Board, preside during meetings of the Board in executive session and in the Chairman's absence, and consult with the Chairman on stockholder and board matters. If a Lead Independent Director is appointed, his or her identity will be disclosed in the Company's annual proxy statement or published on the Investors page of the Company's website.

5. Executive Sessions

The independent directors will meet in executive session without management directors or management present on a periodic basis but no less than two times a year.

6. Selection of Directors

The Board's Organization, Compensation and Nominating (OC&N) Committee is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required of Board members in the context of the then current make-up of the Board. This assessment should include issues of diversity, age, skills such as understanding of appropriate technologies, work experience relevant to the Company's businesses, decision-making ability - all in the context of an assessment of the perceived needs of the Board at that point in time. The findings of the OC&N Committee will be communicated to the Board. Two Outside Directors shall constitute a Nominating Subcommittee to present to the OC&N Committee candidates for Board membership.

7. Current and Former Employees' Board Membership

The Board believes that the current CEO should be a member of the Board. The normal policy shall be that all directors who are employed by the Company shall resign from the Board and the boards of the Company's subsidiaries when they terminate their employment with the Company; and any exception to this would be viewed as such and subject to unanimous approval of the full Board.

8. Directors Who Change Their Present Job Responsibility

It is the sense of the Board that individual directors who change the responsibility they held when they were elected to the Board should volunteer to resign from the Board.

Subject to the provisions of Guideline 7, it is not the sense of the Board that the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board to review the continued appropriateness of Board membership under these circumstances.

9. Term Limits

The Board does not believe it should establish term limits. While term limits could help bring fresh ideas and viewpoints to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the OC&N Committee, in consultation with the Chairman and CEO, will review each director's continuation on the Board every year, when his/her term is expiring. This will also allow each director the opportunity conveniently to confirm his/her desire to continue as a member of the Board.

10. Director Qualifications

The OC&N Committee and the Board evaluate each individual in the context of the membership of the Board as a group, with the objective of having a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of background and experience in the various areas. Each director should be an individual of high character and integrity. In determining whether to recommend a director for re-election, the OC&N Committee also considers the director's past attendance at meetings, participation in and contributions to the activities of the Board and the Company and other qualifications and characteristics set forth in the charter of the OC&N Committee.

No person shall be eligible for election or appointment to the Board as a director if such person: (A) has, within the previous 10 years, been convicted or admitted to any violation of law, securities regulation, or rules of any self-regulatory organization which is or could be relevant in any respect to the Company's business, operations or reputation, or involves any criminality, or (B) by virtue of their involvement in any other business or board service, or affiliation with any other third party, would be prohibited from service on the Board of the Company or whose service on the Board of the Company would cause legal or regulatory risk for the Company, including under applicable antitrust or other federal or state laws regarding competition or control investments.

Each director must ensure that other existing and anticipated future commitments do not materially interfere with the director's service as a director.

11. Limitation on Other Board Service

Directors should advise the OC&N Committee of any invitations to join the board of directors of any other company prior to accepting the directorship. A director who also serves as chief executive officer of a public company should not serve on more than one other board of a public company in addition to the Board, a director who also serves as a senior officer of a company or in equivalent positions should not serve on more than three other boards of companies (including not-for-profit or service organization boards that are deemed by the Board to be equivalent) in addition to the Board, and other directors should not serve on more than three other boards of public companies (or private, not-for-profit or service organization boards

that are deemed by the Board to be equivalent) in addition to the Board. The OC&N Committee may, in its discretion, grant exceptions to this limit on a case-by-case basis.

Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth below.

12. Compensation

It is appropriate for the staff of the Company to report once a year to the OC&N Committee on the status of Board compensation in relation to other U.S. companies of comparable size and complexity.

Changes in Board compensation, if any, should come at the suggestion of the OC&N Committee, but with full discussion and concurrence by the Board.

13. Conflicts of Interest

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director will report all facts regarding the matter to the Chair of the OC&N Committee (or, if the conflict of interest constitutes a "related person transaction," to the Chair of the Audit Committee of the Board).

Whenever a director of the Company has a direct or indirect personal interest (as defined in Va. Code Section 13.1-691) in a transaction with the Company or any of its wholly-owned subsidiaries, he or she shall disclose or cause to be made known to the Board (or, when appropriate, the committee of the Board considering the transaction) the material facts of the transaction and his or her interest in the transaction. He or she may also, in his or her discretion and, in any event, if so requested by the Chairman, leave any meeting at which such transaction is under discussion for the duration of such discussion and/or abstain from voting on such transaction.

This Code section provides that for purposes of the section "a director of the Corporation has an indirect personal interest in a transaction if: (i) another entity in which he has a material financial interest or in which he is a general partner is a party to the transaction; or (ii) another entity of which he is a director, officer or trustee is a party to the transaction and the transaction is or should be considered by the Board of Directors of the Corporation."

14. Interaction with the Press, Members and Others

The Board believes that management speaks for the Company. Each director should refer all inquiries from the press, members or others regarding the Company's operations to management. Individual directors may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman and CEO.

15. Board Access to Senior Management

Board members have complete access to the CEO, the Chief Financial Officer and the General Counsel. In addition, through arrangement with the CEO, Board members shall have access to other members of Senior Management and the chief executive officers of the principal subsidiaries of the Company.

It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact will generally be made known to the Chairman and CEO and, if in writing, be copied to him.

The Board encourages Senior Management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that Management believes should be given exposure to the Board.

16. Board Access to Independent Advisors

The Board committees may hire independent advisors, such as auditors, compensation consultants, legal counsel and other advisors. The Board as a whole will have access to these advisors and other independent advisors that the Company retains or that the Board considers necessary or advisable in performing its responsibilities.

18. Director Orientation and Continuing Education

The directors and the Company are committed to ensuring that all directors receive orientation and continuing education.

19. Assessing the Board's Performance.

The Board itself is responsible for a regular assessment of the performance of the Board, as well as the Boards of the subsidiaries. The OC&N Committee should make this evaluation in the first instance. The OC&N Committee's assessment will be reported to the Board for its consideration.

This assessment should be of the Board's contribution as a whole and specifically review areas in which the Board and/or the Management believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board, not to target individual Board members.

B. Board Meetings; Stockholder Meetings, Involvement of Senior Management

1. Meeting Agenda

The Chairman and CEO will establish the agenda for each Board meeting. Each Director may suggest matters to be included on the agenda. The Chairman and CEO will use his best efforts to include all agenda items suggested by Directors at the earliest practicable meeting.

2. Board Meeting Attendance

The Board will meet on a periodic basis at such times and places as the Board determines. In addition, special meetings may be called from time to time. Directors are expected to attend each meeting (and, in no event, fewer than 75% of the meetings), to invest the time and effort necessary to understand the Company's business and financial strategies and challenges. The basic duties of the directors include being prepared for and attending Board meetings and actively participating in Board discussions. Directors are also expected to make themselves available outside of Board meetings for advice and consultation. A director who is unable to attend a Board or committee meeting should notify the Chairman and CEO or Lead Independent Director, or committee chairperson, in advance of the meeting.

3. Annual Meeting of Stockholders Attendance

Each director is strongly encouraged to attend the Company's annual meetings of Shareholders.

4. Attendance of Non-Directors

The Board encourages invitations to Senior Management and outside advisors or consultants from time to time to participate in Board and/or committee meetings to make presentations and provide insight into items being discussed by the Board that involve the invitee. Should the Chairman and CEO want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence.

5. Advance Receipt of Meeting Materials

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors in advance of each meeting.

C. Committee Matters

1. General.

The standing committees are the Audit Committee and Organization, Compensation and Nominating Committee. There will from time to time, be occasions in which the Board may want to form a new standing or special committee or disband a committee depending upon the circumstances.

The Chairman and CEO is responsible, with consideration for the desires of individual Board members, for the nomination of Board members to various committees. Committee appointments are made by the entire Board.

It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that such rotation should be mandated as a policy.

2. Audit Committee.

This Committee should be composed entirely of independent Directors.

3. Organization, Compensation and Nominating Committee

This Committee (OC&N Committee) should be composed entirely of independent Directors. The Chairman and CEO should regularly be invited to attend its meetings and should interview and comment on any candidates under consideration for nomination to the Board.

4. Frequency and Length of Committee Meetings

Each Committee Chairman, in consultation with the Chairman and CEO, will determine the frequency and length of the meetings of the Committee.

5. Committee Agenda

The Chairman of each Committee, with advice from the Chairman and CEO, and in consideration of requests of Committee members and the Board, will develop the Committee's agenda.

6. Committee Charters

Each Committee will periodically review its charter and recommend to the Board any changes it deems necessary.

D. Leadership Development

1. Annual Review of Chief Executive Officer

The OC&N Committee should make this evaluation annually, and it should be communicated to the CEO by the Chairman of the Committee.

The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of Management, etc.

The evaluation will be used by the OC&N Committee in the course of its deliberations when considering the compensation of the CEO.

2. Succession Planning

The OC&N Committee will work with the CEO to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence,

and the CEO will report annually to the Board on succession planning. The OC&N Committee will also work with the CEO and appropriate members of management to plan for succession of each of the executives as well as to develop plans for interim succession of each of the executives in the event of an unexpected occurrence. In addition to the succession planning, there should annually be a report on management development by the CEO.

E. Stockholder-Director Communications

1. Policy

The Board believes that Shareholders should have an opportunity to send communications to the Board.

2. Procedures

Any communication from a stockholder to the Board generally or a particular director should be in writing and should be delivered by registered or overnight mail at the principal executive office of the Company. Each communication should set forth (i) the name and address of the stockholder, as it appears on the Company's books, and if the Company's common stock is held by a nominee, the name and address of the beneficial owner of the Company's common stock, and (ii) the class and number of shares of the Company's common stock that are owned of record by the record holder and beneficially by the beneficial owner.

The General Counsel or the Legal Department will, in consultation with appropriate directors as necessary, generally screen communications from Shareholders to identify communications that (i) are solicitations for products and services, (ii) relate to matters of a personal nature not relevant for the Company's Shareholders to act on or for the Board to consider or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board or the Company.

F. Interpretation

These Guidelines should be interpreted and construed in the context of all applicable laws and the Certificate, the By-Laws and other corporate governance documents.

G. Amendment

The Company is committed to continuously reviewing and updating our policies, and the Company therefore reserves the right to amend these Guidelines at any time, for any reason, subject to applicable law.