UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-K

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

For the fiscal year ended November 30, 1997 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 540/629-6000

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. [ ]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of February 18, 1998 was $339,950,000.

The number of shares of the Registrant's common stock outstanding on February 18, 1998 was 13,051,279.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Bassett Furniture Industries, Incorporated Annual Report to Stockholders for the year ended November 30, 1997 (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 1998 Annual Meeting of Stockholders to be held March 24,1998, 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.

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PART I

ITEM 1. BUSINESS

(dollar amounts in thousands except per share data)

GENERAL DEVELOPMENT OF BUSINESS

Bassett Furniture Industries, Incorporated was incorporated under the laws of the Commonwealth of Virginia in 1930. The executive offices are located in Bassett, Virginia.

During 1997, the Company commenced the restructuring of certain of its operations and recorded restructuring and impaired asset charges of $20,646. The restructuring plan is the result of management's decision to focus on its core Bassett product line and efforts to improve operating efficiencies. The principal actions of the plan include the closure or sale of fourteen manufacturing facilities, elimination of three product lines (National/Mt. Airy, Impact and veneer production) and the severance of approximately 1,000 employees. The major components of the restructuring and impairment of assets charges and the remaining reserves as of November 30,1997 are as follows:

	Original charges	Writedown of property and equipment to net realizable value	Reserves utilized	Reserve balance
Non-cash write-downs of property and equipment to net realizable value	$13,362	$13,362	$ -	$ -
Severance and related employee benefit cost	5,684	-	774	4,910
Lease exit costs	614	-	-	614
Other	986	-	261	725
Total	$20,646	$13,362	$1,035	$6,249

The Company completed the closure of five of the fourteen manufacturing facilities, disposed of one of the facilities and severed approximately 600 employees during 1997. Eight additional facilities were closed subsequent to year-end and management expects to complete the remaining restructuring actions during 1998. Net sales and operating losses from activities which were discontinued were $46,221 and $ (31,602) respectively in 1997, $60,119 and $(1,867) respectively in 1996, and $70,149 and $ (1,495) respectively in 1995.

As a result of the plan, additional unusual and nonrecurring charges including moving costs, plant consolidation inefficiencies and inventory writedowns totaling $31,654 were recorded in 1997. Of these costs, $28,325 are included in cost of goods sold and $3,329 are included in selling, general and administrative expenses in the 1997 consolidated statement of operations. The Company estimates that additional charges due to plant inefficiencies and idle facilities of approximately $10,540 will be incurred during 1998. After an income tax benefit of $20,397, the restructuring and impaired asset charges of $20,646 and additional nonrecurring charges of $31,654 reduced fiscal year 1997 net income by $31,903 or $2.34 per share.

In addition, the Company incurred other unusual and nonrecurring charges during 1997 of $12,500 related to customer bankruptcies, environmental matters and issues related to the Mattress Division. Of these charges, $1,000 are included in cost of goods sold and $11,500 are included in selling, general and administrative expenses in the 1997 consolidated statement of operations. After an income tax benefit of $4,875, these other unusual and nonrecurring charges reduced fiscal year 1997 net income by $7,625 or $ .56 per share.

There have been no other material changes in the mode of conducting business in the fiscal year beginning December 1, 1996.

INDUSTRY SEGMENT

In accordance with the instructions for this item, Bassett Furniture Industries, Incorporated and its subsidiaries, all of which are wholly-owned (Company), is deemed to have been engaged in only one business segment, manufacture and sale of household furniture, for the three years ended November 30, 1997.

DESCRIPTION OF BUSINESS

The Company manufactures and sells a full line of furniture for the home, including bedroom and dining suites and accent pieces; occasional tables, wall and entertainment units; home office systems and computer work stations; upholstered sofas, chairs and love seats (motion and stationary); recliners; and mattresses and box springs. The Company's products are distributed through a large number of retailers, principally in the United States. The retailers selling the Company's products include mass merchandisers, department stores, independent furniture stores, chain furniture stores, proprietary retail outlets called Bassett Furniture Direct, Bassett Direct Plus and Bassett Gallery stores, decorator showrooms, warehouse showrooms, specialty stores and rent-to-own stores.

The Company's significant product lines are: wood, upholstery and bedding, which accounted for 46%, 29% and 12% of net sales during 1997, respectively.

Raw materials used by the Company are generally available from numerous sources and are obtained principally from domestic sources. The Company has not experienced significant raw materials cost pressures in 1997.

The Company's trademark "Bassett" and the names of its marketing divisions and product collections are significant to the conduct of its business. This importance is due to consumer recognition of the names and identification with the Company's broad range of products. The Company owns certain patents and licenses that are important in the conduct of the Company's business.

The furniture industry in which the Company competes is not considered to be a seasonal industry. There are no special practices in the furniture industry, or applicable to the Company, that would have a significant effect on working capital items.

Sales to one customer (J. C. Penney Company) amounted to approximately 14% of gross sales in 1997, 15% in 1996 and 14% in 1995. The Company's backlog of orders believed to be firm was $43,000 at November 30,1997 and $48,000 at November 30, 1996. It is expected that the November 30, 1997 backlog will be filled within the 1998 fiscal year.

The furniture industry is very competitive and there are a large number of manufacturers both within the United States and offshore who compete in the market on the basis of product quality, price, style, delivery and service. Based on annual sales revenue, the Company is one of the largest furniture manufacturers located in the United States. The Company has been successful in this competitive environment because its products represent excellent values combining attractive price and superior quality and styling; prompt delivery; and quality, courteous service. Competition from foreign manufacturers is not any more significant in the marketplace today than competition from domestic manufacturers.

The furniture industry is considered to be a "fashion" industry subject to constant change to meet the changing consumer preferences and tastes. As such, the Company is continuously involved in the development of new designs and products. Due to the nature of these efforts and the close relationship to the manufacturing operations, these costs are considered normal operating costs and are not segregated. The Company is not otherwise involved in "traditional" research and

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development activities nor does the Company sponsor research and development activities of any of its customers.

In management's view, the Company has complied in all material respects with all federal, state and local standards in the area of safety, health and pollution and environmental controls. Compliance with these standards has not had a material adverse effect on past earnings, capital expenditures or competitive position. The Company is involved in environmental matters at certain of its plant facilities, which arise in the normal course of business. Although the final outcome of these environmental matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

The Company had approximately 5,700 employees at November 30, 1997.

The Company owns a minority interest in International Home Furnishings Center, which is a lessor of permanent exhibition space to furniture and accessory manufacturers.

FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

The Company has no foreign operations, and its export sales are insignificant.

ITEM 2. PROPERTIES

At November 30, 1997 the Company owns the following manufacturing facilities:

Plant Name		Location	Construction
J. D. Bassett Manufacturing Company		Bassett, VA (2 plants)	Brick, frame and concrete
Bassett Superior Lines		Bassett, VA	Brick, frame, concrete and steel
Bassett Chair Company		Bassett, VA	Brick, frame, concrete and steel
Bassett Table Company		Bassett, VA	Brick and frame
Bassett Fiberboard		Bassett, VA	Brick, concrete and steel
Bassett Upholstery Division		Newton, NC (4 plants)	Brick, concrete and steel
Bassett Upholstery Division		Taylorsville, NC	Brick, concrete and steel
Bassett Upholstery Division		Dumas, AR	Brick, concrete and steel
Bassett Furniture Industries of North Carolina, Inc.		Macon, GA	Brick, concrete and steel
		Dublin, GA	Concrete block and steel
	*	Statesville, NC	Brick, frame, concrete and steel
Burkeville Veneer	*	Burkeville, VA	Brick and frame
National/Mt. Airy		Mt. Airy, NC	Brick, concrete and steel
Weiman Division		Christiansburg, VA	Metal frame
E. B. Malone Corporation		Lake Wales, FL (2 plants)	Concrete block and frame
	*	Pottstown, PA	Metal frame
	*	West Palm Beach, FL	Concrete block and steel
		Walworth, WI	Concrete block and steel
		Fredericksburg, VA	Brick and frame
		Chehalis, WA	Concrete block and metal frame
		Los Angeles, CA	Concrete block and metal frame

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		Los Angeles, CA	Brick, concrete and steel
		Tipton, MO	Concrete block and steel
Impact Furniture	*	Hickory, NC (1 plant and 1 warehouse)	Brick, concrete and steel
Bassett Motion Division	*	Booneville, MS (2 plants)	Metal frame

The Company also owns its general corporate office building in Bassett, Virginia (brick, concrete and steel), two warehouses in Bassett, Virginia (brick and concrete) and a showroom in High Point, North Carolina (brick, concrete and steel).

In general, these facilities are suitable and are considered to be adequate for the continuing operations involved. All facilities, except those held for sale, are in regular use.

Properties designated by an asterisk "*" have ceased manufacturing operations and are currently held for sale in connection with the restructuring efforts.

ITEM 3. LEGAL PROCEEDINGS

In June 1997, the Company's management learned that certain mattresses and box springs manufactured by a subsidiary, E. B. Malone Corporation, for sale to two major retail customers, were made with different specifications that those originally manufactured for sale by these retailers. To remedy this situation, the Company implemented a program under which consumers who purchased these products can obtain a rebate directly from the Company.

On June 18, 1997, a suit was filed in the Superior Court of the State of California for the County of Los Angeles (the "Superior Court") against the Company, two major retailers and certain current and former employees of the Company seeking certification of a class consisting of all consumers who purchased the above described products from these two major retailers. The suit alleges various causes of action, including negligent misrepresentation, breach of warranty, violations of deceptive practices laws, and fraud, and seeks compensatory damages of $100 million and punitive damages. The Company filed a demurrer seeking to dismiss several of the causes of action and on September 12, 1997, the Superior Court sustained the Company's demurrer but granted the plaintiffs leave to amend. Plaintiffs thereafter filed a Second Amended Complaint adding certain independent retailers as additional plaintiffs. On December 17,1997, the Superior Court again sustained the Company's demurrer to plaintiffs' fraud, negligent misrepresentation and conspiracy counts, and plaintiffs filed a third Amended Complaint. On February 10,1998 the Superior Court sustained the Company's demurer, without leave to amend the class action allegations of the Third Amended Complaint and ordered the case transferred out of the class action department. The Superior Court also sustained a demurrer, without leave to amend, to many of the individual claims. As a result of these rulings, the number and types of claims have been substantially reduced. Although it is impossible to predict the ultimate out- come of this litigation, the Company intends to vigorously defend this suit because it believes that the damages sought are unjustified and because certification of a class of consumers is unnecessary and inappropriate in this case. Because the Company believes that the two major retailers were unaware of the changes in product specifications, the Company has agreed to indemnify the two major retailers with respect to the above.

The Company is also involved in various other claims and actions which arise in the normal course of business. Although the final outcome of these legal matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information contained in the Annual Report under the caption "Other Business Data" - "Market and Dividend Information" with respect to number of stockholders, market prices and dividends paid is incorporated herein by reference thereto.

ITEM 6. SELECTED FINANCIAL DATA

The information for the five years ended November 30, 1997, contained in the "Other Business Data" in the Annual Report is incorporated herein by reference thereto.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The information contained in "Other Business Data" in the Annual Report is incorporated herein by reference thereto.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
The consolidated financial statements and notes to consolidated financial statements of the Registrant and its subsidiaries contained in the Annual Report are incorporated herein by reference thereto. In addition, financial statements of the registrant's 50% or less owned significant subsidiary is included in this Form 10-K following the Index to Financial Statements and Financial Statement Schedules.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Bassett Furniture Industries decided to change its independent Public Accountants from KPMG Peat Marwick (KPMG) to Arthur Andersen effective November 21, 1997, and KPMG Peat Marwick was notified on that date. This decision was approved unanimously by the Board of Directors. The new management team at Bassett Furniture Industries, since taking charge in August 1997, has changed the Company's management focus and philosophy to more of a strategic focus and emphasis on return on assets employed. Management believes that Arthur Andersen's "business risk" audit approach is directly aligned with the Company's philosophy and will provide this Company's management team with invaluable information towards managing the Company better and planning for the future.

During the Company's two most recent fiscal years ended November 30, 1996 and November 30, 1995 and the subsequent interim period through November 21, 1997, there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which if not resolved to their satisfaction would have caused them to make reference to the subject matter of the disagreements in connection with their opinion.

The audit reports of KPMG on the consolidated financial statements of the Company for the fiscal years ended November 30, 1996 and November 30, 1995 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS OF THE REGISTRANT

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

ITEM 11. EXECUTIVE COMPENSATION

The information contained on pages 6 through 13 of the Proxy Statement under the captions "Organization, Compensation and Nominating Committee Report," "Stockholder Return Performance Graph," "Executive Compensation," "Supplemental Retirement Income Plan" and "Deferred Compensation Agreements" is incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained on pages 1 through 3 of the Proxy Statement under the heading "Principal Stockholders and Holdings of Management" is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained on page 5 of the Proxy statement under the heading "Organization and Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference thereto.

PART IV

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

(a) (1) The response to this portion of Item 14 is submitted as a separate section of this report.

(2) All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(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. Bylaws as amended are incorporated as filed as an exhibit to this form pursuant to item 14 (C) of this report.

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 filed herewith.

10C. Bassett Supplemental Retirement Income Plan is filed herewith.

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10D. Bassett 1993 Stock Plan for Non-Employee Directors is incorporated by reference of the Registrant's Registration Statement on Form S-8 (no. 33-52407) filed on February 25, 1994.

13. The registrant's Annual Report to Stockholders for the year ended November 30, 1997.*

21. List of subsidiaries of the registrant

23A. Consent of Arthur Andersen LLP is filed herewith.

23B. Consent of KPMG Peat Marwick LLP is filed herewith.

23C. Consent of Dixon Odom PLLC is filed herewith.

27. Financial Data Schedule (EDGAR filing only)

*With the exception of the information incorporated in this Form 10-K by reference thereto, the Annual Report shall not be deemed "filed" as a part of this Form 10-K.

(b) No reports on Form 8-K were filed during the last quarter of the registrant's 1997 fiscal year.

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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: 3/1/98
Paul Fulton
Chairman of the Board of Directors and
Chief Executive Officer

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: 2/28/98
Amy W. Brinkley
Director

By: — Date:
Peter W. Brown
Director

By: /s/ THOMAS E. CAPPS — Date: 3/2/98
Thomas E. Capps
Director

By: — Date:
Willie D. Davis
Director

By: — Date:
Alan T. Dickson
Director

By: /s/ WILLIAM H. GOODWIN, JR. — Date: 3/2/98
William H. Goodwin, Jr.
Director

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SIGNATURES Continued

By:	/s/ HOWARD H. HAWORTH Howard H. Haworth Director	Date:	2/28/98
By:	/s/ JAMES W. MCGLOTHLIN James W. McGlothlin Director	Date:	3/2/98
By:	/s/ THOMAS W. MOSS, JR. Thomas W. Moss, Jr. Director	Date:	3/2/98
By:	/s/ MICHAEL E. MURPHY Michael E. Murphy Director	Date:	3/2/98
By:	Albert F. Sloan Director	Date:	
By:	John W. Snow Director	Date:	
By:	/s/ DOUGLAS W. MILLER Douglas W. Miller Vice President and Chief Financial Officer	Date:	3/2/98
By:	/s/ RONALD D. CASSELL Ronald D. Cassell Controller	Date:	3/2/98

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

INDEX OF FINANCIAL STATEMENTS

CERTAIN EXHIBITS

YEAR ENDED NOVEMBER 30, 1997

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

BASSETT, VIRGINIA

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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 balance sheets of International Home Furnishings Center, Inc. as of October 31, 1997 and 1996 and the related statements of income, stockholders' equity, and cash flows for each of the three years in the period ended October 31, 1997. 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 generally accepted auditing standards. 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 International Home Furnishings Center, Inc. at October 31, 1997 and 1996 and the results of its operations and its cash flows for each of the three years in the period ended October 31, 1997 in conformity with generally accepted accounting principles.

High Point, North Carolina
December 1, 1997

INTERNATIONAL HOME FURNISHINGS CENTER, INC.
BALANCE SHEETS
OCTOBER 31, 1997 AND 1996

ASSETS	1997	1996
CURRENT ASSETS		
Cash and cash equivalents	$ 5,574,018	$ 39,519,299
Short-term investments	78,444	223,859
Receivables		
Trade	1,899,925	2,079,608
Interest	16,200	168,814
Deferred income tax asset	599,000	551,000
Prepaid expenses	283,063	247,365
TOTAL CURRENT ASSETS	8,450,650	42,789,945
INVESTMENTS AND OTHER ASSETS		
Theater complex, at cost less amortization (Note F)	1,063,364	1,106,619
Other investments, at cost	-	4,000
	1,063,364	1,110,619
PROPERTY AND EQUIPMENT, at cost		
Land and land improvements	3,293,772	3,293,772
Buildings, exclusive of theater complex	74,932,651	74,860,339
Furniture and equipment	3,353,057	3,306,837
	81,579,480	81,460,948
Accumulated depreciation	(39,581,587)	(37,421,526)
	41,997,893	44,039,422
TOTAL ASSETS	$ 51,511,907	$ 87,939,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	$ 736,947	$ 993,748
Accrued property taxes	1,662,933	1,691,800
Other accrued expenses	415,462	397,076
Rents received in advance	1,498,572	1,377,620
TOTAL CURRENT LIABILITIES	4,313,914	4,460,244
LONG-TERM LIABILITIES		
Supplemental retirement benefits	803,741	656,194
Deferred income tax liability	2,020,000	2,110,000
	2,823,741	2,766,194
COMMITMENT (Note F)		
STOCKHOLDERS' EQUITY		
Common stock, $5 par value, 1,000,000 shares authorized, 527,638 shares issued and outstanding in 1997 and 1996	2,638,190	2,638,190
Additional paid-in capital	169,360	169,360
Retained earnings	41,566,702	77,905,998
	44,374,252	80,713,548
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$51,511,907	$ 87,939,986

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC.
STATEMENTS OF INCOME
YEARS ENDED OCTOBER 31, 1997, 1996 AND 1995

	1997	1996	1995
OPERATING REVENUES			
Rental income	$ 31,099,737	$ 30,185,343	$ 29,485,652
Other revenues	5,907,086	5,321,123	5,082,713
TOTAL OPERATING REVENUES	37,006,823	35,506,466	34,568,365
OPERATING EXPENSES			
Compensation and benefits	3,503,952	3,277,406	3,220,208
Market and promotional	2,705,908	2,406,917	2,339,099
Maintenance and building costs	1,188,784	1,714,734	1,237,126
Depreciation expense	2,191,755	2,257,549	2,085,521
Rent	138,835	138,835	138,835
Property taxes and insurance	2,061,772	2,078,482	2,007,112
Utilities	1,685,299	1,777,009	1,858,860
Other operating costs	439,691	558,173	650,896
TOTAL OPERATING EXPENSES	13,915,996	14,209,105	13,537,657
INCOME FROM OPERATIONS	23,090,827	21,297,361	21,030,708
NONOPERATING INCOME			
Interest income	1,552,708	1,562,480	1,391,149
Dividend income	3,874	2,819	2,470
TOTAL NONOPERATING INCOME	1,556,582	1,565,299	1,393,619
INCOME BEFORE INCOME TAXES	24,647,409	22,862,660	22,424,327
PROVISION FOR INCOME TAXES	9,542,000	8,413,000	8,719,000
NET INCOME	$ 15,105,409	$ 14,449,660	$ 13,705,327
EARNINGS PER COMMON SHARE	$ 28.63	$ 27.13	$ 24.68
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	527,638	532,558	555,343

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED OCTOBER 31, 1997, 1996 AND 1995

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
BALANCE, OCTOBER 31, 1994	$ 2,776,715	$ 178,252	$ 60,018,264	$ 62,973,231
Net income	-	-	13,705,327	13,705,327
Dividends paid ($5.00 per common share)	-	-	(2,776,715)	(2,776,715)
BALANCE, OCTOBER 31, 1995	2,776,715	178,252	70,946,876	73,901,843
Net income	-	-	14,449,660	14,449,660
Purchase and retirement of 27,705 common shares	(138,525)	(8,892)	(7,490,538)	(7,637,955)
BALANCE, OCTOBER 31, 1996	2,638,190	169,360	77,905,998	80,713,548
Net income	-	-	15,105,409	15,105,409
Dividends paid ($97.50 per common share)	-	-	(51,444,705)	(51,444,705)
BALANCE, OCTOBER 31, 1997	$ 2,638,190	$ 169,360	$ 41,566,702	$ 44,374,252

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC.
STATEMENTS OF CASH FLOWS
Years Ended October 31, 1997, 1996 and 1995

	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 15,105,409	$ 14,449,660	$ 13,705,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,230,876	2,296,669	2,124,642
Provision for losses on accounts receivable	1,963	12,123	14,718
(Gain) loss on disposal of assets	2,000	(1,707)	111,412
Deferred income taxes	(138,000)	(67,000)	29,000
Change in assets and liabilities			
(Increase) decrease in trade and interest receivables	330,334	(142,682)	74,066
(Increase) decrease in prepaid expenses	(35,698)	549,905	(16,701)
Decrease in accounts payable and accrued expenses	(267,282)	(78,363)	(2,306,984)
Increase in rents received in advance	120,952	28,833	121,396
Decrease in deferred compensation liability	-	(3,100)	(52,846)
Increase in supplemental retirement benefits	147,547	136,617	126,497
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,498,101	17,180,955	13,930,527
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and construction of property and equipment	(146,092)	(327,533)	(4,576,376)
Proceeds from sale of property and equipment	2,000	2,500	-
Collections on notes receivable	-	25,350	6,200
Proceeds from liquidation of subsidiary	-	-	15,000
Purchase of certificates of deposit	-	(2,000,000)	-
Purchase of short-term investments	(4,585)	(6,929)	(1,189,115)
Proceeds from maturity of certificates of deposit	-	2,000,000	1,000,000
Proceeds from maturity of short-term investments	150,000	1,034,865	1,062,868
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,323	728,253	(3,681,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(51,444,705)	-	(2,776,715)
Purchase and retirement of common stock	-	(7,637,955)	-
NET CASH USED BY FINANCING ACTIVITIES	(51,444,705)	(7,637,955)	(2,776,715)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,945,281)	10,271,25	37,472,389
CASH AND CASH EQUIVALENTS, BEGINNING	39,519,299	29,248,046	21,775,657
CASH AND CASH EQUIVALENTS, ENDING	$ 5,574,018	$ 39,519,299	$ 29,248,046
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes	$ 9,707,600	$ 8,195,264	$ 8,476,889

See accompanying notes to financial statements.

INTERNATIONAL HOME FURNISHINGS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 1997, 1996 AND 1995

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 H.

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 and theater complex are indicated in the captions on the balance sheets. Other significant accounting policies are as follows:

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 balance sheets.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a 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.

Management determines the appropriate classification of securities at the date of adoption and thereafter 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 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

Additions to property and equipment are recorded at cost. Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. 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

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the 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.

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 Company has no obligation to fund this supplemental plan.

Earnings Per Common Share

Earnings per common share amounts are based upon the weighted average number of common shares outstanding during the year. The Company has no common equivalent shares.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings Per Common Share (Continued)

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings Per Share ("SFAS No. 128"), which specifies the computation, presentation and disclosure requirements for earnings per share ("EPS"). It replaces the presentation of primary and fully diluted EPS with basic and diluted EPS. Basic EPS excludes all dilution and is based upon the weighted average number of common shares outstanding during the period. 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 will adopt SFAS No. 128 as of the first quarter of fiscal 1998 and believes adoption of the new standards will not have a significant effect on previously reported earnings per common share.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - ACQUISITION AND MERGER OF AFFILIATED COMPANY

On November 8, 1995, the Company and Southern Furniture Exposition Building, Inc. (SFEB) agreed to a plan to merge SFEB into the Company. On that date, in anticipation of the merger, six shareholders of SFEB who owned 527,638 shares (95.01%) of the SFEB outstanding common stock exchanged their shares in SFEB for 527,638 shares (100%) of the common stock of the Company. As of January 4, 1996, the date SFEB was merged into the Company, the Company acquired and retired the remaining 4.99% (27,705 shares) of the common stock of SFEB for cash of $7,637,955.

Because the Company and SFEB were commonly controlled, the exchange of stock and resulting merger has been accounted for at historical cost in a manner similar to a pooling of interest. Accordingly, the accompanying financial statements for the year ended October 31, 1996 are based on the assumption that the two companies were combined for the full year, and financial statements of prior years have been restated to give effect to the combination. Because the Company was incorporated on October 30, 1995 and had no operations or transactions prior to its acquisition of SFEB, the amounts included in the accompanying financial statements for the year ended October 31, 1995 represent amounts as previously reported by SFEB.

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, 1997 and 1996:

1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
State and local governments	$ 1,054,136	$ -	$ -	$ 1,054,136
U. S. corporations	2,000,000	-	-	2,000,000
Equity securities	78,444	-	-	78,444
	$ 3,132,580	$ -	$ -	$ 3,132,580

1996	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
State and local governments	$ 26,247,827	$ -	$ -	$ 26,247,827
U. S. corporations	11,000,000	-	-	11,000,000
Equity securities	224,305	-	(446)	223,859
	$ 37,472,132	$ -	$ (446)	$ 37,471,686

Available-for-sale securities are classified in the following balance sheet captions as of October 31, 1997 and 1996:

	1997	1996
Cash and cash equivalents	$ 3,054,136	$ 37,247,827
Short-term investments	78,444	223,859
	$ 3,132,580	$ 37,471,686

All the Company's debt securities mature within one year.

NOTE E - INCOME TAXES

The provision for income taxes consisted of the following for the years ended October 31, 1997, 1996 and 1995:

	1997	1996	1995
Federal:			
Current	$ 7,785,000	$ 6,740,000	$ 6,980,000
Deferred	(109,000)	(54,000)	17,000
	7,676,000	6,686,000	6,997,000
State:			
Current	1,895,000	1,740,000	1,710,000
Deferred	(29,000)	(13,000)	12,000
	1,866,000	1,727,000	1,722,000
TOTAL	$ 9,542,000	$ 8,413,000	$ 8,719,000

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:

	1997	1996	1995
Income taxes computed at the federal statutory rate	$ 8,627,000	$ 8,002,000	$ 7,849,000
State taxes, net of federal benefit	1,232,000	1,143,000	1,121,000
Nontaxable interest income	(414,000)	(411,000)	(339,000)
Other, net	97,000	(321,000)	88,000
	$ 9,542,000	$ 8,413,000	$ 8,719,000

The components of deferred income taxes consist of the following:

	1997	1996	1995
Deferred income tax assets:			
Rents received in advance	$ 599,000	$ 551,000	$ 522,000
Supplemental retirement benefits	321,000	264,000	230,000
TOTAL DEFERRED TAX ASSETS	920,000	815,000	752,000
Deferred income tax liabilities:			
Depreciation	(2,341,000)	(2,374,000)	(2,378,000)
TOTAL NET DEFERRED TAX LIABILITIES	$ (1,421,000)	$ (1,559,000)	$ (1,626,000)

NOTE F - 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 $138,835 as of October 31, 1997 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 G - RETIREMENT EXPENSE

Amounts expensed under the Company's retirement plans amounted to $293,974, $277,553 and $261,874 for the years ended October 31, 1997, 1996 and 1995, respectively, including $147,547, $136,617 and $126,497 under the supplemental retirement benefits plan for the years ended October 31, 1997, 1996 and 1995, respectively.

NOTE H - 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 balance sheets. Accumulated depreciation on this property amounted to $36,893,568 at October 31, 1997 and $34,866,712 at October 31, 1996. 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.

NOTE H - RENTALS UNDER OPERATING LEASES (CONTINUED)

The following is a schedule of minimum future rentals under noncancelable operating leases as of October 31, 1997, exclusive of amounts due under escalation provisions of lease agreements:

Year Ending October 31,	
1998	$ 26,196,947
1999	23,252,490
2000	12,379,320
2001	6,623,316
2002	1,708,230
Thereafter	373,192
Total minimum future rentals	$ 70,533,495

Rental income includes contingent rentals under escalation provisions of leases of $1,534,413, $1,270,969 and $906,071 for the years ended October 31, 1997, 1996 and 1995, respectively.

NOTE I - 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. The Company's trade accounts receivable are generally collateralized by merchandise in leased exhibition spaces which is in the Company's possession. As of October 31, 1997, the Company's bank balances exceeded federally insured limits by $2,889,175.

INDEX TO EXHIBITS

Exhibit No.	
3A	Articles of Incorporation as amended - incorporated by reference to Form 10-Q for the fiscal quarter ended February 28, 1994
3B	Amended By-laws are 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 filed herewith.
10C	Bassett Supplemental Retirement Income Plan is filed herewith.
10D	Bassett 1993 Stock Plan for Non-Employee Directors is incorporated by reference of the Registrant's Registration Statement on Form S-8 (no. 33-52407) filed on February 25, 1994.
13	Bassett Furniture Industries, Inc. Annual Report to Stockholders for the year ended November 30, 1997
21	List of subsidiaries of registrant
23A	Consent of Independent Public Accountants
23B	Consent of Previous Independent Public Accountants
23C	Consent of Independent Public Accountants
27	Financial Data Schedule (EDGAR filing only)

EXHIBIT 3B - BY-LAWS
OF
BASSETT FURNITURE INDUSTRIES, INC.

ARTICLE I. OFFICES

The principal office of the Corporation in the State of Virginia shall be located in Bassett, County of Henry. The Corporation may have such other offices, either within or without the State of Virginia, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II. SHAREHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of the Shareholders shall be held on the fourth Tuesday of March of each year and the hour shall be set by the Chairman of the Board or by the President, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated for any annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as conveniently may be.

SECTION 2. SPECIAL MEETING. Special meetings of the Shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board, by the President, or by the Board of Directors.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Virginia unless otherwise prescribed by statute, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors.

SECTION 4. NOTICE OF MEETING. Written or printed notice stating the place, day and hour of the meeting and, in case of special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the Officer or persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid. In the event the purpose or purposes for which a special or general meeting may be called are such that the law required a longer notice prior to the meeting, such notice shall be as required by the law.

SECTION 5. QUORUM. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of

Shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice.

SECTION 6. PROXIES. At all meetings of Shareholders, a Shareholder may vote by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting.

SECTION 7. VOTING OF SHARES. Each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of Shareholders.

SECTION 8. VOTING OF SHARES BY CERTAIN HOLDERS. Shares standing in the name of another corporation may be voted by such Officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the Corporation or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

SECTION 9. NOMINATIONS FOR DIRECTORS. Nominations for the election of Directors shall be made by the Board of Directors or by any Shareholder entitled to vote in elections of Directors. However, any Shareholder entitled to vote in elections of Directors may nominate one or more persons for election as Directors at an annual meeting only if written notice of such Shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States registered or certified mail, postage prepaid, to the Secretary of the Corporation not later than 90 days prior to the date of the anniversary of the immediately preceding annual meeting. Each notice shall set forth (i) the name and address of the Shareholder who intends to make the nomination and of the person or persons to be nominated, (ii) a representation that the Shareholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) a description of all arrangements or understandings between the Shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Shareholder, and (iv) such other information regarding each nominee proposed by such Shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors, and shall include a consent signed by each such nominee, to serve as a Director of the Corporation if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 10. NOTICE OF BUSINESS AT ANNUAL MEETING. To be properly brought before an annual meeting of Shareholders, business must be (i) specified in the Notice of Meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a Shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a Shareholder, the Shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Shareholder's notice must be given, either by personal delivery or by United States registered or certified mail, postage prepaid, to the Secretary of the Corporation not later than 160 days prior to the date of the anniversary of the immediately preceding annual meeting. A Shareholders' notice to the Secretary shall set forth as to each matter the Shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address of record of the Shareholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the Shareholder and (iv) any material interest of the Shareholder in such business. In the event that a Shareholder attempts to bring business before an annual meeting without complying with the foregoing procedure, the Chairman of the meeting may declare to the meeting that the business was not properly brought before the meeting and, if he shall so declare, such business shall not be transacted.

ARTICLE III. BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS: The business and affairs of the Corporation shall be managed by its Board of Directors.

SECTION 2. NUMBER, TENURE AND QUALIFICATIONS. The number of Directors of the Corporation shall be twelve. Each Director shall hold office until the next annual meeting of the Shareholders and until his successor shall have been elected and qualified.

SECTION 3. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this By-law immediately prior to, and at the same place as, the annual meeting of Shareholders. The Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board on at least 24-hours' notice to each Director of the date, time and place thereof, and shall be called by the Chairman of the Board or by the Secretary on like notice on the request in writing of a majority of the total number of Directors in office at the time of such request. The time and place of the special meeting shall be stated in the notice.

SECTION 5. NOTICE. Notice of any special meeting shall be given at least 24-hours previously thereto by written notice delivered personally or mailed to each Director at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 6. QUORUM. A majority of the number of Directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF ACTING. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 8. VACANCIES. Any Directorship to be filled by reason of any vacancy occurring in the Board of Directors or of an increase in the number of Directors shall be filled at any Director's meeting or any Stockholder's meeting.

SECTION 9. COMPENSATION. By resolution of the Board of Directors, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 10. PRESUMPTION OF ASSENT. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SECTION 11. REDEMPTION OF SHARES. Pursuant to Section 13.1-728.7 of the Virginia Stock Corporation Act, the Board may redeem shares [at the price established by

Section 13.1-728.7.C] if the requirements of either Section 13.1-728.7.A or Section 13.1-728.7.B have occurred.

ARTICLE IV. OFFICERS

SECTION 1. NUMBER. The Officers of the Corporation shall be a Chairman of the Board of Directors Emeritus, a Chairman of the Board of Directors and Chief Executive Officer, a President, Vice Presidents, a Secretary and an Treasurer, each of whom shall be elected by the Board of Directors. More than one office may be held by the same person with the exception that the same person cannot hold the office of President and Secretary at the same time. Such other Officers and assistant Officers as may be deemed necessary may be elected or appointed by the Board of Directors.

SECTION 2. ELECTION AND TERM OF OFFICE. The Officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the meeting held after each annual meeting of the Shareholders. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each Officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3. REMOVAL. Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. CHAIRMAN OF THE BOARD. The Chairman of the Board and the Chief Executive Officer shall be the principal executive Officer of the Corporation, and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Board of Directors.

SECTION 6. PRESIDENT. The President shall be the principal executive Officer under the immediate supervision of the Chairman of the Board and subject to the supervision of the Chairman of the Board and to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He may sign, with the Secretary or any other proper Officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 7. VICE PRESIDENTS. In the absence of the President or in event of his death, inability or refusal to act, a Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or by the Board of Directors.

SECTION 8. SECRETARY. The Secretary shall: (a) keep the minutes of the Shareholders and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law; (c) be custodian of the corporate records and of the Seal of the Corporation and see that the Seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its Seal is duly authorized; (d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

SECTION 9. TREASURER. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall (a) have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected in accordance with the provisions of Article V of these By-laws; and (b) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

SECTION 10. SALARIES. The salaries of the Officers shall be fixed from time to time by the Board of Directors or by authority of the Board of Directors delegated to the Chairman of the Board or the President, and no Officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS. The Board of Directors may authorize any Officer or Officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such Officer or Officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors may select.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President and by the Secretary or by such other Officers authorized by law and by the Board of Directors so to do. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the Stock Transfer Books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 2. TRANSFER OF SHARES. Transfer of shares of the Corporation shall be made only on the Stock Transfer Books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

SECTION 3. RESTRICTION ON TRANSFER. To the extent that any provision of the Rights Agreement between the Corporation and Dominion Trust, as Rights Agent, dated May 4, 1988, is deemed to constitute a restriction on the transfer of any securities of the Corporation, including, without limitation, the Rights, as defined therein, such restriction is hereby authorized by the By-laws of the Corporation.

ARTICLE VII. FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of December and end on the 30th day of November of each year.

ARTICLE VIII. DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation, and may set the stock "of record" date for such payment.

ARTICLE IX. SEAL

The Board of Directors shall provide a Corporate Seal which shall be circular in form and shall have inscribed thereon the name of the Corporation, the State of Incorporation and the words, "Corporate Seal."

ARTICLE X. WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any Director of the Corporation under the provisions of these By-laws or under the provisions of the Articles of Incorporation, a waiver thereof in writing signed by such Director entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XI. AMENDMENTS

These By-laws may be altered, amended or repealed and new By-laws may be adopted by the Board of Directors. But By-laws made by the Board of Directors may be repealed or changed, and new By-laws made, by the Shareholders at any annual Shareholders meeting or at any special Shareholders meeting when the proposed changes have been set out in the notice of such meeting.

ARTICLE XII. INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. The Corporation shall indemnify to the extent, in the manner and subject to compliance with the applicable standards of conduct provided by Section 13.1, et seq of the Virginia Stock Corporation Act of the Code of Virginia, as revised, every person who is or was (i) a Director or Officer of the Corporation (ii) an employee, including an employee of a subsidiary of the Corporation who is designated by the Board of Directors, or (iii) at the corporation, partnership, joint venture, trust or other enterprise who is designated from time to time by the Board of Directors.

SECTION 2. The indemnification hereby provided shall be applicable to claims, actions, suits or proceedings made or commenced after the adoption hereof, whether arising from actions or omissions to act occurring, before or after the adoption hereof. Such indemnification (i) shall not be deemed exclusive of any other rights to which any person seeking indemnification under or apart from this Article XII may be entitled under any By-law, agreement, vote of Stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, (ii) shall continue as to a person who has ceased to be a Director, Officer, employee, or agent, (iii) shall inure to the benefit of the heirs, executor or administrator of such a person and (iv) shall inure to any individual who has served, or may now or hereafter serve, as a Director or Officer of a corporation which is a subsidiary of this Corporation, provided however, that no indemnification shall be afforded as to acts of any Officer or Director of a subsidiary for any period prior to the time such Corporation became a subsidiary. The term subsidiary as used in this Section shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in such chain owns stock possessing at least fifty percent of the voting power in one of the other corporations in such chain.

EXHIBIT 10B - BASSETT FURNITURE INDUSTRIES, INC.
EXECUTIVE EMPLOYEE DEFERRED COMPENSATION PLAN

Bassett Furniture Industries, Inc., a Virginia corporation (the "Company"), hereby establishes this Executive Employee Deferred Compensation Plan (the "Plan"), effective as of November 1, 1984, for the purpose of promoting in its Executive Employees the strongest interest in the successful operation of the Company and increased efficiency in their work and to provide benefits upon retirement, death, disability or other termination of employment.

1. Definitions.

a. Administrative Committee. "Administrative Committee" shall mean the committee appointed pursuant to Section 5 of the Plan.

b. Age. "Age" shall mean the age of the person as of his last birthdate.

c. Compensation - "Compensation" shall mean a Participant's base salary, and bonus payments for personal services rendered by a Participant to the Company during a Plan year.

d. Deferred Compensation Agreement. "Deferred Compensation Agreement" shall mean a written agreement between a Participant and the Company, whereby a Participant agrees to defer a portion of his Compensation pursuant to the provisions of the Plan, and the Company agrees to make benefit payments in accordance with the provisions of the Plan.

e. Deferral Period. "Deferral Period" shall mean a forty-eight (48) month period designated in Section 4 of the Executive Employee Deferred Compensation Agreement.

f. Disability. "Disability" shall mean the Participant's total disability as determined by the Company in its complete and sole discretion.

g. Disability Benefit. "Disability Benefit" shall mean the amount of disability benefit set forth in the Deferred Compensation Agreement.

h. Executive Employees. "Executive Employees" shall mean all employees of the Company who are designated as executive employees by the Administrative Committee. A person designated as an Executive Employee shall remain so until such designation is revoked by the Administrative Committee in its sole discretion.

i. Normal Benefit. "Normal Benefit" under this Plan shall mean the normal benefit amount specified in the Deferred Compensation Agreement.

j. Normal Retirement Date. "Normal Retirement Date" shall mean the first day of the month following the month in which a Participant reaches age 65.

k. Participant. "Participant" shall mean an Executive Employee of the Company who has entered into a Deferred Compensation Agreement with the Company.

l. Plan Year. "Plan Year" shall mean the twelve (12) month period commencing November 1 and ending the following October 31.

m. Stated Deferral. "Stated Deferral" shall mean the amount of Compensation the Participant agrees to defer in the Deferred Compensation Agreement.

n. Survivor's Benefit. "Survivor's Benefit" shall be the amount of survivor's benefit set forth in the Deferred Compensation Agreement.

o. Termination of Employment. "Termination of Employment" shall mean the Participant's ceasing to be employed by the Company for any reason whatsoever, voluntary or involuntary, including by reason of death or disability.

2. Eligibility All of the initial Executive Employees in this Plan shall be entitled to participate as of November 1, 1984, following their execution of a Deferred Compensation Agreement and upon the Company's execution of the Deferred Compensation Agreement. All subsequent Executive Employees shall be entitled to participate hereunder as of the first day of the Plan Year following their execution of a Deferred Compensation Agreement and upon the Company's execution of the Deferred Compensation Agreement.

A Participant shall cease to be a Participant at Termination of Employment or upon revocation by the Administrative Committee of the Participant's status as an Executive Employee. However, the employment of a Participant shall not be deemed to be terminated by reason of an approved leave of absence granted by the Company. If a Participant terminates his employment and is subsequently re-employed by the Company, he may become a Participant in the same manner as if his re-employment constituted his first employment with the Company.

3. Participant Compensation Deferral.

3.1 Deferral and Reduction of Compensation.

a. Initial Deferral. Any Executive Employee wishing to become a Participant hereunder as of the effective date of this plan shall, prior to November 1, 1984, elect to defer a portion of his Compensation earned and payable on or after November 1, 1984 and prior to October 31, 1988.

b. Subsequent Deferrals. Subsequent to the initial deferral provided for in subparagraph a. above, any election to defer Compensation hereunder shall be made no later than the end of the Plan Year prior to the first Plan Year in which services are to be rendered for the Compensation which is to be deferred.

c. Procedure for Deferral. The Executive Employee shall make the election provided for in subparagraphs a. and b. above by executing a Deferred Compensation Agreement in the form provided by the Company. In no event shall a Participant be permitted to defer more than that amount of his Compensation for any Plan Year as may be permitted by the Administrative Committee in its sole discretion, and as set forth in the Deferred Compensation Agreement. The Deferred Compensation Agreement shall set forth the Compensation which the Executive Employee elects to defer (the "Stated Deferral"). The amount deferred in each Plan Year during the Deferral Period shall first be subtracted from any bonus which would have otherwise been payable to the Participant during the Plan Year; the balance, if any, shall be subtracted in equal monthly installments from the Participant's salary payable during said Plan Year. Unless otherwise permitted by the Company under Section 3.3 of the

Plan, the deferral specified in the Deferred Compensation Agreement shall be deferred, and the Participant'' compensation shall be correspondingly reduced.

3.2 New Executive Employees. An Executive Employee who is first employed by the Company or who is first designated an Executive Employee subsequent to October 31, 1984, shall be entitled to participate in the Plan commencing with the first day of the Plan Year immediately following such Executive Employee's designation as an Executive Employee. Upon execution of a Deferred Compensation Agreement, such new Executive Employee shall be bound by all the terms and conditions of the Plan.

3.3 Election to Defer Irrevocable; Exceptions. Except as otherwise provided herein, a Participant's election to defer Compensation shall be irrevocable. The Administrative Committee, in its sole discretion, upon demonstration of substantial hardship by the Participant, may permit subsequent alteration of a Participant's deferral election. A request to alter the amount of Compensation deferred shall be submitted by a Participant in writing to the Administrative Committee prior to November 1 of the year in which such reduction is to take effect. The application shall set forth in detail the reasons for the requested reduction. If a modification of the deferral is granted by the Administrative Committee, such reduced deferral shall be effective for all future periods of deferral. The Participant's benefits under the Plan shall be adjusted to reflect the reduced deferral and also to reflect any costs incurred by the Company to effect the adjusted benefits payable to the Participant.

4. Payment of Benefits.

4.1 Benefits upon Normal Retirement. Upon a Participant's Termination of Employment on the Normal Retirement Date, the Company shall pay to the Participant, as compensation for services rendered prior to such date, the Normal Benefit in 180 equal monthly installments commencing on the Normal Retirement Date and continuing on the first day of each month thereafter.

4.2 Benefits upon Late Retirement. Upon a Participant's Termination of Employment after the Normal Retirement Date, the Company shall pay to the Participant as compensation for services rendered prior to such date, the Normal Benefit, in 180 equal monthly installments commencing on the first day of the month coincident with or next following the date of Termination of Employment and continuing on the first day of each month thereafter. The amount of Normal Benefit payable to the Participant shall be actuarially increased according to the Participant's actual age upon Termination of Employment.

4.3 Benefits upon Disability. Upon a Participant's Termination of Employment prior to the Normal Retirement Date due to Disability, and upon the continuation of the Participant's disability for a period of six (6) consecutive months, the Company shall pay to the Participant the Disability Benefit in monthly installments commencing on the later of (i) the first day of the year following the deferral period specified in the Deferred Compensation Agreement, or (ii) the first day of the seventh consecutive month following the Participant's Disability (in which case the first payment to the Participant shall include the Disability Benefit for each of the initial six (6) months of the Participant's Disability).

The Company shall continue to pay the Disability Benefit as follows:

a. In the event a Participant becomes disabled prior to attaining age 60, until the Participant is no longer disabled or until the Participant's death; or

b. In the event a Participant becomes disabled after attaining age 60, until the earlier of (i) termination of the disability; (ii) death of Participant, or (iii) the Participant's Normal Retirement Date.

A participant who reaches his Normal Retirement Date while disabled shall receive, commencing upon such normal Retirement Date, the Normal Benefit in 180 equal monthly installments commencing on the Normal Retirement Date and continuing on the first day of each month thereafter. Such Normal Benefit payments shall be in addition to the Disability Benefit, if any, which the Participant is receiving under this Section 4.3.

4.4 Benefits upon Other Termination of Employment. Upon a Participant's Termination of Employment prior to reaching the Normal Retirement Date, for reasons other than death or disability, the Company shall pay to the Participant, as compensation for services rendered prior to the date of Termination of Employment, the Normal benefit, in 180 equal monthly installments commencing on the Normal Retirement Date and continuing on the first day of each month thereafter.

4.5 Survivorship Benefits.

a. Prior to Commencement of Normal Benefits. If a Participant dies prior to commencement of the Normal Benefit payments under the Plan, the Company shall pay to the Participant's beneficiary, in 180 equal monthly installments commencing on the first day of the month after the Participant's death and continuing on the first day of each month thereafter, the Survivor's Benefit specified in the Deferred Compensation Agreement. In the event a beneficiary dies before receiving all the Survivor's Benefit payments, the remaining payments shall be paid to the legal representatives of the beneficiary's estate. Payment of the Survivor's Benefit shall relieve the Company of the obligation to pay the Normal Benefit which the Participant would have otherwise received.

b. After Commencement of Benefits. If a Participant dies after Normal Benefit payments have commenced, but prior to receiving all of the scheduled monthly payments, the Company shall pay the remaining monthly payments to the Participant's beneficiary. In the event a beneficiary dies before receiving all the remaining payments, the then-remaining payments shall be paid to the legal representatives of the beneficiary's estate.

4.6 Vesting of Benefits. All Normal Benefits and Survivor's Benefits payable under this Article 4 shall be proportionately adjusted by a fraction, the numerator of which is the actual amount of compensation deferred by the Participant and the denominator of which is the

Stated Deferral, provided, however, that no such reduction shall occur in the event that the difference between the actual amount deferred and the Stated Deferral occurs as a result of the Participant's death or Disability.

4.7 Recipients of Payments: Designation of Beneficiary. All payments to be made by the Company shall be made to the Participant, if living. Upon the death of a Participant, survivorship benefits will be paid to the Participant's beneficiary. In the event a beneficiary dies before receiving all the payments to such beneficiaries pursuant to this Plan, the then-remaining payments shall be to the legal representatives of the beneficiary's estate. The Participant shall designate a beneficiary by filing a written notice of such designation with the Administrative Committee on such form as the Administrative Committee may prescribe. The Participant may revoke or modify said designation at any time by a further written designation. The Participant's beneficiary designation shall be deemed automatically revoked in the event of the death of the beneficiary or, if the beneficiary is the Participant's spouse, in the event of dissolution of marriage. If the Participant's Compensation constitutes community property, then any beneficiary designation made by the Participant other than a designation of such Participant's spouse shall not be effective if any such beneficiary or beneficiaries are to receive more than fifty percent (50%) of the aggregate benefits payable hereunder unless such spouse shall approve designation in writing. If no designation shall be in effect at the time when any benefits payable under this Plan shall become due, the beneficiary shall be the spouse of the Participant, or if no spouse is then living, the legal representatives of the Participant's estate.

In the event a benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Administrative Committee may pay such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent or person. The Administrative Committee may require proof of incompetency, minority, or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Administrative Committee and the Company from all liability with respect to such benefit.

5. Administration and Interpretation of the Plan. The Board of Directors shall appoint an Administrative Committee consisting of three (3) or more persons to administer and interpret the Plan. Interpretation by the Administrative Committee shall be final and binding upon a Participant. The Administrative Committee may adopt rules and regulations relating to the Plan as it may deem necessary or advisable for the administration of the Plan.

6. Claims Procedure. If the Participant or the Participant's beneficiary (hereinafter referred to as a "Claimant") is denied all or a portion of an expected benefit under this Plan for any reason, he or she may file a claim with the Administrative Committee. The Administrative Committee shall notify the Claimant within sixty (60) days of allowance or denial of the claim, unless the Claimant receives written notice from the Administrative Committee prior to the end of the sixty (60) day period stating that special circumstances require an extension of the time for decision, in which event the Administrative Committee shall notify the Claimant of its decision within sixty (60) days following the end of the initial sixty (60) day period. The notice of the Administrative Committee's decision shall be in

writing, sent by mail to the Claimant's last known address, and, if a denial of the claim, must contain the following information:

a. the specific reasons for the denial;

b. specific reference to pertinent provisions of the Plan on which the denial is based; and

c. if applicable, a description of any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and an explanation of the claims review procedure.

7. Review Procedure.

a. A Claimant is entitled to request a review of any denial of his claim by the Administrative Committee. The request for review must be submitted in writing within 60 days of mailing of notice of the denial. Absent a request for review within the 60-day period, the claim will be deemed to be conclusively denied. The Claimant or his representative shall be entitled to review all pertinent documents, and to submit issues and comments orally and in writing.

b. If the request for review by a Claimant concerns the interpretation and application of the provisions of this Plan and the Company's obligations, then the review shall be conducted by a separate committee consisting of three persons designated or appointed by the Administrative Committee. The separate committee shall afford the Claimant a hearing and the opportunity to review all pertinent documents and submit issues and comments orally and in writing and shall render a review decision in writing, all within sixty (60) days after receipt of a request for a review, provided that, in special circumstances (such as the necessity of holding a hearing) the separate committee may extend the time for decision by not more than sixty (60) days upon written notice to the Claimant. The Claimant shall receive written notice of the separate committee's review decision, together with specific reasons for the decision and reference to the pertinent provisions of the Plan.

8. Life Insurance and Funding. The Company in its discretion may apply for and procure as owner and for its own benefit, insurance on the life of the Participant, in such amounts and in such forms as the Company may choose. The Participant shall have no interest whatsoever in any such policy or policies, but at the request of the Company he shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

The rights of the Participant, or his beneficiary, or estate, to benefits under the Plan shall be solely those of an unsecured creditor of the Company. Any insurance policy or other assets acquired by or held by the Company in connection with the liabilities assumed by it pursuant to the Plan shall not be deemed to be held under any trust for the benefit of the Participant, his beneficiary, or his estate, or to be security for the performance of the obligations of the Company but shall be, and remain, a general, unpledged, and unrestricted asset of the Company.

9. Assignment of Benefits. Neither the Participant nor any beneficiary under the Plan shall have any right to assign the right to receive any benefits hereunder, and in the event of any attempted assignment or transfer, the Company shall have no further liability hereunder.

10. Employment Not Guaranteed by Plan. Neither this Plan nor any action taken hereunder shall be construed as giving a Participant the right to be retained as an Executive Employee or as an employee of the Company for any period.

11. Taxes. The Company shall deduct from all payments made hereunder all applicable federal or state taxes required by law to be withheld from such payments.

12. Amendment and Termination. The Board of Directors may, at any time, amend or terminate the Plan, provided that the Board may not reduce or modify any benefit payable to a Participant and based on deferrals already made, without the prior consent of the Participant.

13. Construction. The Plan shall be construed according to the laws of the Commonwealth of Virginia.

14. Form of Communication. Any election, application, claim, notice or other communication required or permitted to be made by a Participant to the Company shall be made in writing and in such form as the Company shall prescribe. Such communication shall be effective upon mailing, if sent by first class mail, postage prepaid, and addressed to the Company's office at Bassett, Virginia.

15. Captions. The captions at the head of a section or a paragraph of this Plan are designed for convenience of reference only and are not to be resorted to for the purpose of interpreting any provision of this Plan.

16. Severability. The invalidity of any portion of this Plan shall not invalidate the remainder thereof, and said remainder shall continue in full force and effect.

17. Binding Upon Successors and Assigns. The provisions of this Plan shall be binding upon the Participant and the Company and their successors, assigns, heirs, executors and beneficiaries.

ADOPTED pursuant to resolution of the Board of Directors of the Company this _______ day of ___________, 19_____.

EXHIBIT 10C - BASSETT FURNITURE INDUSTRIES, INC.

SUPPLEMENTAL RETIREMENT INCOME PLAN

Bassett Furniture Industries, Inc., a Virginia corporation (the "Company"), hereby establishes this Supplemental Retirement Income Plan (the "Plan"), effective as of June 25, 1984, for the purpose of promotiong in its Executive Employees the strongest interest in the successful operation of the Company and increased efficiency in their work and to provide such Executive Employees benefits upon retirement, death, disability or other termination of employment, in consideration of services to be performed after the date of this Agreement but prior to such Executive Employees' retirement.

1. Definitions.

a. Administrative Committee - "Administrative Committee" shall mean the committee appointed pursuant to Section 4 of the Plan.

b. Age - "Age" shall mean the age of the person as of his last birthdate.

c. Average Monthly Compensation - "Average Monthly Compensation" shall be determined by dividing by sixty (60) a Participant's Compensation for the sixty (60) months immediately preceding the earlier of his Termination of Employment or his Normal Retirement Date.

d. Compensation - "Compensation" shall mean a participant's annual rate of salary plus bonus paid in the past twelve (12) months prior to any deferral under the Qualified Plan and the Executive Employee Deferred Compensation Plan.

e. Disability - "Disability" shall mean the Participant's total disability as determined by the Company in its complete and sole discretion.

f. Executive Employees - "Executive Employees" shall mean all employees of the Company who are designated as executive employees by the Administrative Committee.

g. Final Compensation - " Final Compensation" shall mean a Participant's Compensation in effect at the date of termination of Employment.

h. Normal Retirement Date - "Normal Retirement Date" shall mean the later of (i) the first day of the month following the month in which a Participant reaches age 65; or (ii) the first day of the month following Termination of Employment.

i. Participant - "Participant" shall mean an Executive Employee of the Company who has entered into a Participation Agreement with the Company and therefore is not eligible to participate in the Company's Plan of group term life insurance.

j. Participation Agreement - "Participation Agreement" shall mean a written agreement between an Executive Employee and the Company whereby the Executive Employee agrees to participate in the Plan.

k. Retirement - "Retirement" shall mean (I) a Participant's Termination of Employment after reaching his normal Retirement Date or (ii) a Participant's Termination of Employment if there has been a substantial Change in Company Ownership, provided that such Termination of Employment was not as a result of the Participant's conviction of a felony.

l. Qualified Plan - "Qualified Plan" shall mean the Company's Qualified Employee Savings/Retirement Plan (including Fund C and D thereof) , or any successor Retirement Pension Plan or plans maintained by the Company which qualify under IRC S 401(a).

m. Substantial Change in Company Ownership - "Substantial Change in Company Ownership" shall mean any "Person" who is an "Acquiring Person" (as such terms are defined in Article (i) of the Company's Articles of Incorporation as amended), becoming, after effective date of this plan, the beneficial owner (directly or indirectly) of more than fifty percent (50%) of the Company's common shares outstanding.

n. Termination of Employment - "Termination of Employment: shall mean the Participant's ceasing to be employed by the Company for any reason whatsoever, voluntary or involuntary, including by reason of death of disability.

2. Eligibility . Each Executive Employee shall be entitled to participate in this Plan as of the day following the later of: (I) his designation as an Executive Employee; and (ii) the Company's execution of the Participation Agreement.

A Participant shall cease to be a Participant at Termination of Employment. However, the employment of a Participant shall not be deemed to be terminated by reason of an approved leave of absence granted by the Company. If a Participant terminates his employment and is subsequently re-employed by the Company, he may become a Participant in the same manner as if his re-employment constituted his first Employment by the Company, and all benefits hereunder shall be computed as if such re-employment Constituted his first employment with the Company.

3. Payment of Benefits .

3.1 Benefits Upon Retirement . Upon a Participant's Retirement, the Company shall pay to the Participant, as compensation for services rendered prior to such date, lifetime monthly payments in Amount equal to sixty five percent (65%) of the participant's Average Monthly Compensation, Reduced by the sum of (I) , (ii) , and (iii) below:

(i) fifty percent (50%) of the amount of unreduced primary (not family) retirement benefits under the United States social Security Act that the Participant would not be eligible for if application were made as of the date when benefits under this Plan are to commence;

(ii) the benefit that would be payable on a life annuity basis from Fund C, assuming the following:

(a) balances in Fund C as of February 29, 1984, together with any prior withdrawals from Fund C, are valued at $30 per share.

(b) Participants contribute to date of termination the amount necessary to receive the highest Company match under the Qualified Plan.

(c) balances (including future Company contributions) will grow at an annual effective rate of interest of eight percent (8%) to Termination.

(d) if any portion of the fund balance is withdrawn prior to Termination of Employment, this calculation shall assume the fund would continue to grow as if it had never been withdrawn.

(iii) The benefit that would be payable on a life annuity basis from Fund D, assuming that balances as of February 29, 1984, plus any prior withdrawals together with interest at an annual effective rate of interest Of eight and one half percent (8 1/2%) to February 29, 1984, grow at an annual rate of interest of eight and one half percent (8 1/2%) to Termination. If any portion of the fund balance is withdrawn prior to Termination of Employment, this calculation shall assume the fund would continue to grow as if it had never been withdrawn.

Such payments shall commence on the first day of the month coincident with or next following Retirement shall continue on the first day of each month thereafter for the life of the Participant.

3.2 Benefits Upon Disability . Upon a Participant's Termination of Employment prior to the Normal Retirement Date due to Disability, no separate provision is made for a disability benefit under this Plan. However, Any such participant shall be considered, notwithstanding such Termination of Employment, to continue to be a Participant in this Plan, and in the event of such participant's death prior to the Normal Retirement Date, such Participant's such Participant's beneficiary shall receive the Survivor's Benefit described in Section 3.4(a), Based upon the Participant's Final Compensation at Termination of Employment. In the event such Participant lives to the Normal Retirement Date, the Participant shall be entitled to receive the Normal Retirement Benefit described in Section 3.1, above, based on the Participant's Average Monthly Compensation at date of Termination of Employment, payable in equal monthly installments commencing on the first day of each month Thereafter until the Participant's death. Such benefit shall be based upon the payment of the benefit at the Normal retirement Date in accordance with Section 3.1, except Fund C and D will be the assumed balance at the date of Termination of Employment and otherwise applying the formula, offsets and assumptions described in Section 3.1.

3 .3 Benefits upon other Termination of Employment. Upon a Participant's Termination of Employment for reasons other than death, Disability or Retirement, the Company shall not be obligated to pay and benefit to the participant pursuant to the Plan, and the Participant shall have no further right to receive any benefit hereunder.

3 .4 Survivorship Benefits.

a. Prior to Termination of Employment.

If a Participant dies prior to Termination of Employment, the Company shall pay to the participant's Beneficiary a survivor's benefit equal to fifty percent (50%) of the Participant's Final Compensation, divided by twelve (12). Payable for 120 months, commencing on the first day of the month after the Participant's death occurs and continuing on the first day of each month thereafter.

b. After Retirement . If a Participant dies after Retirement, the Company shall pay to the Participant's beneficiary two hundred percent (200%) of the participants Final Compensation Payable in a single payment within 60 days after the Participant's death.

3.5 Recipients of Payments: Designation of Beneficiary

All payments to be made by the Company shall be made to the Participant, if living. Upon the death of a Participant, survivorship benefits will be paid to the Participant's beneficiary. In the event a beneficiary dies before receiving all the payments due to such beneficiaries pursuant to this Plan, the then-remaining payments shall be to the legal representatives of the beneficiary's estate. The participant shall designation with the Administrative Committee on such form as the Administrative Committee may prescribe. The Participant may revoke or modify said designation at any time by a further written designation. The Participant's beneficiary designation shall be deemed automatically revoked in the event of the death of the event of the death of the beneficiary or, if the beneficiary is the Participant's spouse, in the event of dissolution of marriage. If the Participant's Compensation constitutes community property, then any beneficiary designation made by the Participant other than a designation of such Participant's spouse shall not be effective if any such beneficiary or beneficiaries are to receive more than fifty percent (50%) of the aggregate benefits payable hereunder unless such spouse shall approve such designation in writing. If no designation shall be in effect at the time when any benefits payable under this Plan shall become due, the beneficiary shall be the spouse of the Participant, or if no spouse is then living, to the legal representatives of the participant's estate.

In the event a benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Administrative Committee may pay such benefit to the guardian, legal representative or person having the care of custody of such minor, incompetent or person. The Administrative Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to discharge the Administrative Committee and the Company from all liability with respect to such benefit.

4. Administration and Interpretation of the Plan. The Board of Directors of the Company shall appoint an Administrative Committee consisting of three (3) or more persons to administer and interpret the Plan. Interpretation by the Administrative Committee shall be final and binding upon a Participant. The Administrative Committee may adopt rules and regulations relating to the Plan as it may deem necessary or advisable for the administration of the Plan.

4 . Claims Procedure. If the Participant or the Participant's beneficiary (hereafter referred to as a "Claimant") is denied all or a portion of an expected benefit under this Plan for any reason, he or she may file a claim with the Administrative Committee. The Administrative Committee shall notify the Claimant within sixty (60) days of allowance or denial of the claim, unless the Claimant receives written notice from the Administrative Committee prior to the end of the sixty (60) day period stating that special circumstances require an extension of the time for decision, in which event the Administrative Committee shall notify the Claimant of its decision within (60) days following the end of the initial committee's decision shall be in writing, sent by mail to Claimant's last known address, and, if a denial of the claim, must contain the following information:

a. the specific reasons for the denial;

b. specific reference to pertinent provisions of the Plan on which the denial is based; and

c. if applicable, a description of any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and explanation of the claims review procedure.

5 . Review Procedure.

a. A Claimant is entitled to request a review of any denial of his claim by the Administrative Committee. The request for review must be submitted in writing within a sixty (60) day period, the Claim will be deemed to be conclusively denied. The Claimant or his representative shall be entitled to review all pertinent documents, and to submit issues and comments orally and in writing.

b. If the request for review by a Claimant concerns the interpretation and application of the provisions of this Plan and the Company's obligations, then the review shall be conducted by a separate committee consisting of three persons designated or appointed by the Administrative Committee. The separate committee shall afford the Claimant a hearing and the opportunity to review all pertinent documents and submit issues and comments orally and in writing and shall render a review decision in writing, all within sixty (60) days upon written notice to the Claimant. The Claimant shall receive written notice of the separate committee's review decision, together with Specific reasons for the decision and reference to the pertinent provisions of the Plan.

6 . Life Insurance and Funding. The Company in its discretion may apply for and procure as owner and for its own benefit, insurance on the life of the Participant, in such amounts and in such forms as the Company may choose. The Participant shall have no interest whatsoever in any such policy or policies, but at the request of the Company shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

The rights of the Participant, or his beneficiary, or estate, to benefits under the Plan shall be solely those of an unsecured creditor of the Company. Any insurance policy or other assets acquired by or held by the Company in connection with the liabilities assumed by it pursuant to the Plan shall not be deemed to be held under any trust for the benefit of the Participant, his beneficiary, or his estate, or to be security for the performance of the obligations of the Company but shall be, and remain, a general, unpledged, and unrestricted asset of the Company.

8. Assignment of Benefits. Neither the Participant nor any beneficiary under the Plan shall have any right to assign the right to receive any benefits hereunder, and in the event of any attempted assignment or transfer,

the Company shall have no further liability hereunder.

9. Employment Not Guaranteed by Plan. Neither this Plan nor any action taken hereunder shall be construed as giving a Participant the right to be retained as an Executive Employee or as an employee of the Company for any period.

10. Convenant Not to Compete. Payment of benefits pursuant to this Plan shall be coditioned upon the Participant not acting in any similar employment capacity for any business enterprise which competes to a substantial degree with the Company, nor engaging in any activity involving substantial competition with the Company, during his employment with the Company, or after his retirement from the Company, without the Company's prior written consent. Nothwithstanding the foregoing, in the event of a Participant's Termination of Employment after a Substantial Change in Company Ownership, this Section 10 shall be inoperative.

11. Taxes. The Company shall deduct from all payments made hereunder all applicable federal or state taxes required by law to be withheld from such payments.

12. Amendment and Termination. The Board of Directors of the Company may amend or terminate the Plan, provided, however, that the Board may not (I) reduce or modify any benefit payable Retirement of such Participant prior to such amendment or termination; or (ii) amend or terminate the Plan in any respect after a Substantial Change in Company Ownership has occurred.

13. Construction. The Plan shall be construed according to the laws of the Commonwealth of Virginia.

14. Form of Construction. Any election, application, claim notice or other communication required or permitted to be made by a Participant to the Administrative Committee shall be made in writing and in such form as the Administrative Committee shall prescribe. Such communication shall be effective upon mailing, if sent by first class mail, postage pre-paid, and addressed to the Company's offices at Bassett, Vriginia.

15. Captions. The captions at the head of a section or a paragraph of this Plan are designed for convenience of reference only and are not to be resorted to for the purpose of interpreting any provision of this Plan.

16. Severability. The invalidity of any portion of this Plan shall not invalidate the remainder thereof, and said remainder shall continue in full force and effect.

17. Binding Agreement. The provisions of this Plan shall be binding upon the participant and the Company and their successors, assigns, heirs, executors and beneficiaries.

ADOPTED pursuant to resolution of the Board of Directors of the Company this 25th day of June 1984.

AMEND THE SUPPLEMENTAL RETIREMENT PLAN

1. Delete: "and the participant has had 10 years of prior service with the company upon Termination of Employment."

2. Delete: " the later of attainment of age 55."

3. Delete para. M "Substantial change in company ownership," and insert new paragraph (attached) with the following features: A substantial change of ownership occurs if:

   (a) acquisition of 30% of company stock by raider except:

      (I) a swap of a division to a shareholder for his shares, thereby raising another shareholder above the 30% level.

      (ii) purchase by Bassett of another company for stock.

      (iii) adoption of an ESOP or similar.

      (iv) purchase of Bassett by another company, after which Bassett shareholders would control 75% of the total new company.

   (b) majority of directors are replaced and are not classified by old directors as "incumbent."

   (c) approval by shareholders of a reorganization or consolidation in which old Bassett shareholders would then own less than 75% of the new voting stock.

   (d) approval by shareholders of liquidation of the corporation or sale of substantially all of the assets, unless to a new company which would then be at least 75% owned by the old Bassett shareholders.

Bassett Furniture Industries, Incorporated
Proposed Definition of " Change of Control"

" SUBSTANTIAL CHANGE IN COMPANY OWNERSHIP" SHALL MEAN:

(a) the acquisition by any person, individual, entity or "group" (within the meaning of Section 13 (d) (3) or 14 (d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (collectively, " Persons") of beneficial ownership (the phrases "beneficial ownership," "beneficial owners" and "beneficially owned" as used herin being within the meaning of Rule 13d-3 promulgated under the Exchange Act) of Thirty percent (30%) or more of either (I) the then outstanding shares of common stock of the Corporation (the " Outstanding Corporation common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the " Outstanding Corporation Voting Securities") ; provided, however, that the following acquisitions shall not constitute Change of Control: (I) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation with respect to which, following such acquisition, more than Seventy Five percent (75%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors are then beneficially owned by all or substantially all of the persons who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such acquisition in substantially the same proportions as their beneficial ownership, immediately prior to such acquisition, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; or

(b) If Directors who, as of August 2, 1989, constitute the Board of Directors of the corporation (the "Incumbent Board") cease for any reason to consontitute at least a majority of the Board of Directors; provided, however, that any individual who becomes a director subsequent to August 2, 1989 and whose election, or whose nomination for election by the Corporation's shareholders, to the Board of Directors was approved by a vote of at least A Majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Approval by the shareholders of the Corporation of the reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the Persons who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation do not, following such reorganization , merger or consolidation, beneficially own more than Seventy Five percent (75%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their beneficial ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be; or

(d) Approval by the shareholders of the Corporation of (I) a complete liquidation or dissolution of the Corporation or (ii) the sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation, with respect to which following such sale other than a orporation, with respect to which following such sale or other disposition, more than Seventy Five percent

(75%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned by all or substantially all of the persons who were the beneficial owners, respectively, of the Outstanding Corporation Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their beneficial ownership, immediately prior to such sale or other disposition, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be.

Amendments

10. Forfeiture of Benefits. Payment of benefits pursuant to this Plan shall be conditioned upon the participant not acting in any similar employment capacity for any business enterprise which competes to a substantial degree with the company, nor engaging in any activity involving substantial competition with the Company, during his employment with the Company or (within 5 years) after his retirement from the Company, without the Company's prior written consent. Any Participant who violates the foregoing condition shall permanently forfeit any retirement or death benefit otherwise payable from the date any such violation first occurs. Without limiting the foregoing general language: (1) the term "any similar employment capacity" shall include a salaried or hourly-paid employee, an officer, an independent contractor, an agent, or a consultant; and (2) the term "business enterprise which competes to a substantial degree with the Company" shall include any manufacturer of residential or office furniture or bedding. Notwithstanding the foregoing, in the event of a Participant's Termination of Employment after a substantial change in Company ownership, this Section 10 shall be inoperative.

OTHER BUSINESS DATA

Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

SELECTED FINANCIAL DATA

	1997	1996	1995	1994	1993
Net Sales	$ 446,893	$ 450,717	$ 490,817	$ 510,561	$ 503,770
Cost of Sales	$ 396,875	$ 379,259	$ 407,750	$ 419,394	$ 413,055
Operating profit (loss)	$ (55,322)(1)	$ 7,306	$ 17,129	$ 25,123	$ 27,243
Other income	$ 13,367	$ 14,982	$ 13,000	$ 9,657	$ 9,270
Income (loss) Before Income Taxes	$ (41,955)	$ 22,288	$ 30,129	$ 34,780	$ 36,513
Income Taxes	$ (22,346)	$ 3,787	$ 7,226	$ 9,804	$ 10,644
Net Income (loss)	$ (19,609)(1)	$ 18,501	$ 22,903	$ 24,466	$ 25,869
Net Income (loss) Per Share	$ (1.50)(1)	$ 1.39	$ 1.63	$ 1.71	$ 1.79
Cash Dividends Declared	$ 13,041	10,626	$ 11,197	$ 11,411	$ 11,358
Cash Dividends Per Share	$ 1.00	$ .80	$ .80	$ .80	$ .78
Total Assets	$ 320,325	$ 335,166	$ 346,720	$ 340,498	$ 330,678
Current Ratio	4.18 to 1	6.42 to 1	5.79 to 1	5.67 to 1	6.07 to 1
Book Value Per Share	$ 20.01	$ 22.29	$ 21.88	$ 20.96	$ 19.99
Weighted Average Number of Shares	13,045,789	13,351,585	14,052,794	14,294,803	14,440,341

(1) Includes $20,646 in restructuring and impaired asset charges; net of income tax the charges were $12,594 or $(.97) per share.

QUARTERLY RESULTS OF OPERATIONS

	1997			
	FIRST	SECOND	THIRD	FOURTH
Net Sales	$109,806	$113,198	$110,252	$113,637
Gross Profit	18,233	11,840	9,651	10,294
Net Income (loss)	3,433	(14,025)(2)	(5,072)(2)	(3,945)(2)
Per Share	.26	(1.07)	(.39)	(.30)

(2) Includes pre-tax restructuring and impaired asset charges as management committed to restructuring action plans of $13,929 in the second quarter, $2,360 in the third quarter and $4,357 in the fourth quarter; charges net of income tax for the respective quarters were $8,496, $1,440 and $2,658; the loss per share effect of the charges was $(.65), $(.11) and $(.21), respectively.

	1996			
	FIRST	SECOND	THIRD	FOURTH
Net Sales	$111,951	$111,273	$109,008	$118,485
Gross Profit	17,768	17,715	17,782	18,193
Net Income	4,714	4,992	4,826	3,969
Per Share	.35	.37	.36	.31

MARKET AND DIVIDEND INFORMATION

The Company's Common Stock trades on The Nasdaq Stock Market under the symbol "BSET."The Company had approximately 1,900 registered stockholders at November 30, 1997. The range of per share amounts for high and low market prices and dividends declared for the last two fiscal years are listed below:

	MARKET PRICES OF COMMON STOCK				DIVIDENDS DECLARED	
QUARTER	1997		1996		1997	1996
	HIGH	LOW	HIGH	LOW		
First	$25.50	$22.25	$25.75	$22.38	$.40	$.20
Second	25.75	22.38	26.38	24.25	.20	.20
Third	30.75	26.00	27.00	22.00	.20	.20
Fourth	29.50	26.63	24.88	22.13	.20	.20

OTHER BUSINESS DATA - CONTINUED
Bassett Furniture Industries, Incorporated and Subsidiaries
(dollar amounts in thousands)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

NET SALES
Net sales for 1997 compared to prior years are as follows:

	1997	1996	1995
Net sales	$446,893	$450,717	$ 490,817
% change from prior year	(.9)%	(8.2)%	(3.9)%

The Company achieved increased sales in the Wood Division where sales were up 6.9% for the year. This improvement was offset by a decline in sales resulting from the discontinuance of the Impact and National/Mt. Airy product lines and decreases in sales in both the Upholstery and Mattress Divisions. Sales in the discontinued divisions were $9,877 less than in 1996. Sales for the Upholstery Division decreased 2.9% for the year, while Mattress Division sales decreased 3.9% for the year.

Wood Division sales were strong throughout 1997 and sales growth improved as the year progressed. New management has been appointed in both the Upholstery and Mattress Divisions and significant changes in the sales force were undertaken to improve our penetration of selected markets. Both divisions are developing strategies to restore and solidify a strong base in their respective markets.

For 1996, net sales decreased 8% below the 1995 volume as the Upholstery and Impact Divisions' sales decreased significantly. All other divisions experienced slight sales decreases, except the Mattress Division, where volume remained constant with prior year's level.

COSTS AND EXPENSES

Throughout the second half of 1997, the Company was engaged in implementing major changes. Three manufacturing divisions (Impact, National/Mt. Airy and veneer production) ceased production and plans were developed and initiated to consolidate certain operations in all remaining divisions. As a result, the Company announced the closing of 14 plants, five of which were consummated before fiscal year-end. Four of the remaining plants were closed in December 1997, three in January 1998 and one in February 1998. Of the 14, the production capabilities of 11 will be consolidated into ongoing facilities.

As a result of the execution of these plans, the Company recorded a $20,646 restructuring and asset impairment charge which included asset impairment losses incurred on closed facilities, severance and related employee benefit costs for terminated employees and various other charges as detailed in Note J in the Notes to Consolidated Financial Statements. Also resulting from these plans, the Company incurred $44,154 in charges related to consolidation inefficiencies, inventory write-downs, customer bankruptcies, environmental matters and the Mattress Division issue as described in Note J in the Notes to Consolidated Financial Statements.These unusual and nonrecurring charges are included in cost of sales and selling, general and administrative (SG&A) expenses in the 1997 Statement of Operations.

Below is a comparison of cost data for the past three years (as a percent of net sales):

	1997	1996	1995
Cost of sales	88.8%	83.6%	83.1%
SG&A expenses	18.9	14.2	13.4

The increase in cost of sales was primarily attributable to the restructuring and other unusual and nonrecurring charges, with $29,325 of these charges included in cost of sales. Inventory write-downs and losses resulting from exiting three sales divisions and several plants during 1997, transition costs of consolidating operations, losses incurred in closing facilities and carrying costs of closed facilities were the primary factors driving the cost of sales percentage increase.While management does expect to incur additional expenses of $10,540 in 1998 related to plant consolidations and carrying costs of closed facilities, it believes that efficiencies will be realized in labor and overhead expenses in the facilities involved in consolidations.

In 1996, cost of sales was up slightly as the Company incurred a one-time pre-tax charge of $2,675 in recording the costs and expenses related to the closure of one plant in the Motion Division and the consolidation of that plant's business into the remaining Motion Division plants. The charge also included the write-down of certain inventories and adjustments in fixed asset carrying values. Gross profit margins continued to decline as material costs increased. Also, overhead as a percent of net sales increased as sales volume declined.

The current year increase in SG&A expenses as a percentage of sales was attributable to several factors. The activities related to the restructuring and unusual and nonrecurring charges resulted in $14,829 of additional SG&A expenses in 1997. In addition, the Company implemented a co-op advertising program during 1997 and increased its spending for sales promotion. Expenses related to both the Bassett Furniture Direct (BFD) stores and Gallery stores increased significantly. For example, a structured training program for the BFD stores was implemented during the year. Several one-time expenses were incurred during the fourth quarter, including consultants and various professional services, to assist the Company and develop strategies for future operating improvements. Finally, expense associated with the stock options granted during 1997 was incurred in the third and fourth quarters. We expect SG&A expenses to average between 15% and 16% of sales in future periods.

During 1996, SG&A expenses as a percent of net sales increased slightly as net sales declined, resulting from the fixed cost elements of many SG&A expenses.

OTHER INCOME, NET

Other income was down $1,600 from the 1996 level. Gains from the sale of investment securities declined $4,900 as management decided not to further liquidate its investment portfolio until its new investment strategy is formulated and implemented. This decrease in income was offset by increased income from interest bearing investments, equity in undistributed earnings of affiliates, gains on sales of properties and decreased net cost related to corporate

(dollar amounts in thousands)

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

owned life insurance. In late 1997, the Company changed its investment strategy from primarily tax free municipal securities to selected taxable securities to enhance its overall investment return, which provided some of the above mentioned increases in investment income. Note I in the Notes to Consolidated Financial Statements provides the components of other income for the last three years.

INCOME TAXES

The effective income tax rate for 1997 was (53.3)% compared to 17.0% in 1996 and 24.0% in 1995. The unusual rate for the year was a result of the restructuring, impaired asset and other unusual and nonrecurring charges incurred, leaving the Company with a loss for the year. Non-taxable income items had a similar impact on the effective tax rate for 1997 as they did in 1996. Note F in the Notes to Consolidated Financial Statements contains complete disclosure of the Company's income tax status for the past three years.

LIQUIDITY AND CAPITAL RESOURCES:

Cash provided by operating activities was $21,320 in 1997 compared to $25,527 in 1996 and $26,316 in 1995. The decrease was partially attributable to the expenses related to the plant closings and the transition costs of moving the production of certain products from the closed plants to continuing plants. Inventory decreases, as a result of the discontinued divisions and plants, totaling $25,368 were a significant source of working capital. For the last few years prior to 1997, working capital generated by operations remained constant.

As in prior years, the Company continued to purchase, rather than lease, its capital equipment requirements. During 1997, $10,824 was spent for new equipment and improvement of existing facilities; in 1996, comparable purchases totaled $9,627. A comparison of property and equipment purchases and depreciation charges is shown below:

	1997	1996	1995
Purchases of property and equipment	$10,824	$9,627	$7,226
Depreciation charges	6,192	6,312	8,607

The Company plans to expend substantial funds in the upcoming two to three years to enhance the environmental efficiencies of the facilities. These plans include replacing certain of our boilers and renovating others for the short-term, while considering alternate cleaner sources of energy for the long-term future.

The Company purchased and retired 60,000 shares of its Common Stock during 1997. The average cost of the shares purchased was $22.50, resulting in a total expenditure of $1,350. In 1996, the Company purchased and retired 584,343 shares for $14,119, while in 1995, 429,701 shares were purchased and retired for $10,125.

The current ratio for the past two years was 4.18 to 1 and 6.42 to 1, respectively. Working capital was $152,577 at November 30, 1997 and $164,373 at November 30, 1996. Cash provided by operating activities is expected to be adequate for normal future cash requirements. There were no material commitments for capital expenditures at November 30, 1997. Capital expenditures made in the future for normal expansion are anticipated to be made from funds generated by operating activities. The Company has not typically used the debt or equity markets as sources of funds or capital.

The Company's consolidated financial statements are prepared on the basis of historical dollars and are not intended to show the impact of inflation or changing prices. Neither inflation nor changing prices has had a material effect on the Company's consolidated financial position and results of operations in prior years.

CONTINGENCIES:

The Company is involved in various claims and litigation, including a lawsuit concerning our Mattress Division, as well as environmental matters at certain plant facilities, which arise in the normal course of business. The details of these matters are described in Note K in the Notes to Consolidated Financial Statements. Although the final outcome of these legal and environmental matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

YEAR 2000:

Over the past few years, the Company has been steadily reengineering its business processes and information systems to prepare for the conversion to year 2000. This effort has incorporated an analysis of Year 2000 issues and, as a result, management believes that appropriate and timely action has been taken to minimize the negative impact of this event. The Year 2000 issue results from the inability of many computer systems and applications to recognize the year 2000 as the year following 1999. This could cause systems to process critical information incorrectly. The Company plans to implement new systems and technologies in 1998 and 1999 that will provide solutions to these issues. In addition, the Company plans to purchase an enterprise system in 1998, which will be implemented prior to year 2000, which will be in compliance with Year 2000 issues. The Company continues to work with it customers, suppliers and third party service providers to identify external weaknesses and provide solutions which will prevent the disruption of business activities at that time.

SAFE HARBOR-FORWARD-LOOKING STATEMENTS:

This discussion contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of Bassett Furniture Industries, Incorporated. These forward-looking statements involve certain risks and uncertainties. No assurance can be given that any such matters will be realized. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (I) competitive conditions in the industry in which Bassett operates; and (II) general economic conditions that are less favorable than expected.

CONSOLIDATED BALANCE SHEETS
Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

	NOVEMBER 30, 1997	NOVEMBER 30, 1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 29,552	$ 57,285
Marketable securities	49,985	--
Trade accounts receivable, less allowances for doubtful accounts (1997- $1,984; 1996- $1,355)	57,327	65,417
Inventories	41,714	67,082
Prepaid expenses	1,405	1,493
Refundable income taxes	5,025	845
Deferred income taxes	15,476	2,597
	200,484	194,719
PROPERTY AND EQUIPMENT		
Buildings	50,021	74,597
Equipment	114,495	139,557
	164,516	214,154
Less allowances for depreciation	124,547	162,150
	39,969	52,004
Land	3,510	4,375
	43,479	56,379
OTHER ASSETS		
Investment securities	29,922	29,625
Investment in affiliated companies	30,502	45,821
Deferred income taxes	1,866	--
Assets held for sale	3,506	--
Other	10,566	8,622
	76,362	84,068
	$ 320,325	$335,166
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 21,694	$ 20,541
Accrued liabilities	26,213	9,805
	47,907	30,346
LONG-TERM LIABILITIES		
Employee benefits	11,248	10,835
Deferred income taxes	--	2,504
	11,248	13,339
COMMITMENTS AND CONTINGENCIES (NOTES A AND J)		
STOCKHOLDERS' EQUITY		
Common stock, par value $5 a share, 50,000,000 shares authorized	65,256	65,378
Additional paid in capital	2,438	--
Retained earnings	188,761	222,417
Unrealized holding gains, net of income tax effect	5,575	3,686
Unamortized stock compensation	(860)	--
	261,170	291,481
	$ 320,325	$335,166

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

CONSOLIDATED STATEMENTS OF OPERATIONS
Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

	YEAR ENDED NOVEMBER 30,		
	1997	1996	1995
Net Sales	$ 446,893	$450,717	$490,817
Costs and Expenses			
Cost of Sales	396,875	379,259	407,750
Selling, General and Administrative	84,694	64,152	65,938
Restructuring and Impaired Asset Charges	20,646	--	--
	502,215	443,411	473,688
Income (loss) from Operations	(55,322)	7,306	17,129
Other Income, Net	13,367	14,982	13,000
Income (loss) Before Income Taxes	(41,955)	22,288	30,129
Income Taxes	(22,346)	3,787	7,226
Net Income (loss)	$ (19,609)	$ 18,501	$ 22,903
Net Income (loss) Per Share	$ (1.50)	$ 1.39	$ 1.63

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED HOLDING GAINS	UNAMORTIZED STOCK COMPENSATION
	SHARES	AMOUNT				
BALANCE, DECEMBER 1, 1994	14,086,815	$ 70,434	$ --	$ 221,950	$ 2,809	$ --
Net income	--	--	--	22,903	--	--
Cash dividends	--	--	--	(11,197)	--	--
Issuance of Common Stock to non-employee directors	1,839	9	40	--	--	--
Purchase and retirement of Common Stock	(429,701)	(2,148)	(40)	(7,937)	--	--
Net change in unrealized holding gains	--	--	--	--	2,081	--
BALANCE, NOVEMBER 30, 1995	13,658,953	68,295	--	225,719	4,890	--
Net income	--	--	--	18,501	--	--
Cash dividends	--	--	--	(10,626)	--	--
Issuance of Common Stock to non-employee directors	985	5	20	--	--	--
Purchase and retirement of Common Stock	(584,343)	(2,922)	(20)	(11,177)	--	--
Net change in unrealized holding gains	--	--	--	--	(1,204)	--
BALANCE, NOVEMBER 30, 1996	13,075,595	65,378	--	222,417	3,686	--
Net loss	--	--	--	(19,609)	--	--
Cash dividends	--	--	--	(13,041)	--	--
Issuance of Common Stock to non-employee directors	4,288	21	86	--	--	--
Purchase and retirement of Common Stock	(60,000)	(300)	(44)	(1,006)	--	--
Issuance of Restricted Common Stock to officers	31,396	157	714	--	--	(871)
Amortization of stock compensation	--	--	--	--	--	11
Stock option grants	--	--	1,682	--	--	--
Net change in unrealized holding gains	--	--	--	--	$ 1,889	--
BALANCE, NOVEMBER 30, 1997	13,051,279	$ 65,256	$ 2,438	$ 188,761	$ 5,575	$(860)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands)

	YEAR ENDED NOVEMBER 30,		
	1997	1996	1995
OPERATING ACTIVITIES			
Net income (loss)	$(19,609)	$ 18,501	$ 22,903
Adjustments to reconcile net income to net cash provided by operating activities:			
Unused reserves for impairment of assets	11,181	--	--
Depreciation and amortization	6,192	6,312	8,607
Equity in undistributed income of affiliated companies	(5,926)	(5,422)	(4,986)
Provision for losses on trade accounts receivable	7,706	241	607
Net gain from sales of investment securities	(1,804)	(6,720)	(4,142)
Net (gain) loss from sales of property, and equipment	970	(29)	(1)
Compensation earned under restricted stock and stock option plans	1,693	--	--
Deferred income taxes	(18,549)	527	(108)
Changes in deferred liabilities	413	538	766
Changes in operating assets and liabilities:			
Trade accounts receivable	384	2,934	2,739
Other receivables	(168)	127	(31)
Inventories and prepaid expenses	25,456	14,409	(703)
Accounts payable and accrued liabilities	17,561	(4,144)	(512)
Income taxes	(4,180)	(1,747)	1,177
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,320	25,527	26,316
INVESTING ACTIVITIES			
Purchases of property, and equipment	(10,824)	(9,627)	(7,226)
Proceeds from sales of property, and equipment	1,875	91	49
Purchases of marketable securities	(49,985)	--	--
Purchases of investment securities	(207)	(6,588)	(4,073)
Proceeds from sales of investment securities	4,903	20,793	16,157
Dividends from affiliated company	21,245	--	1,089
Additional investment in affiliated company	--	--	(1,100)
Change in investment in corporate owned life insurance	(1,153)	738	(920)
Other	(623)	(260)	(3)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(34,769)	5,147	3,973
FINANCING ACTIVITIES			
Issuance of Common Stock	107	25	49
Purchase of Common Stock	(1,350)	(14,119)	(10,125)
Cash dividends	(13,041)	(10,626)	(11,197)
NET CASH USED IN FINANCING ACTIVITIES	(14,284)	(24,720)	(21,273)
CHANGE IN CASH AND CASH EQUIVALENTS	(27,733)	5,954	9,016
CASH AND CASH EQUIVALENTS - beginning of year	57,285	51,331	42,315
CASH AND CASH EQUIVALENTS - end of year	$ 29,552	$ 57,285	$ 51,331
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest payments	$ 8,205	$ 5,495	$ 3,136
Income tax payments	$ 1,402	$ 5,007	$ 6,157

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions are eliminated in consolidation.

Use of Estimates
The preparation of 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 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.

Cash Equivalents
The Company considers all temporary, highly liquid investments with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of these investments.

Marketable Securities
The Company considers investments in government agencies with various maturities, but with short-term calls, to be marketable securities. The carrying amount approximates fair value because of the short-term nature of the investments.

Trade Accounts Receivable
The Company has only one business segment, the manufacture and sale of household furniture. Substantially all of the Company's trade accounts receivable are due from retailers in this segment throughout the United States. The Company performs on-going evaluations of its customers' credit worthiness and, generally, requires no collateral. There is no disproportionate concentration of credit risk.

Inventories
All inventories are valued at last-in, first-out (LIFO) cost which is not in excess of market value.

Property and Equipment
Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the respective assets utilizing straight-line and accelerated methods. The Company reviews the carrying value of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Measurement of any impairment would include a comparison of estimated future operating cash flows anticipated to be generated during the remaining life to the net carrying value of the asset.

Investment Securities
The Company classifies its investment securities as available-for-sale, which is reported at fair value. Unrealized holding gains and losses, net of the related income tax effect, on available-for-sale securities are excluded from income and are reported as a separate component of stockholders' equity. Realized gains and losses from securities classified as available-for-sale are included in income and are determined using the specific identification method for ascertaining the cost of securities sold.

Investment in Affiliated Companies
The equity method of accounting for investments in common stock is used for the Company's investment in affiliated companies in which the Company exercises significant influence but does not maintain control through majority ownership.

Assets Held For Sale
Several manufacturing facilities, with their related equipment, were closed during 1997 and are being held for sale. Those facilities were written down to their estimated fair market value and depreciation of the facilities was terminated at the time of closure.

Investment in Corporate Owned Life Insurance
The company is the beneficiary of life insurance policies with a face value of $756,592, which are maintained to fund various employee and director benefit plans. Policy loans outstanding of $106,775 and $103,966 at November 30, 1997 and 1996, respectively, are recorded as a reduction in the cash surrender value of these policies that is included in other assets in the accompanying consolidated balance sheets. The net life insurance expense, which includes premiums and interest on policy loans, net of increases in cash surrender values and death benefits received, is included in other income in the accompanying consolidated statements of operations.

Revenue Recognition
Revenue from sales is recognized when the goods are shipped to the customer. Sales to one customer, as a percent of gross sales, amounted to 14% in 1997, 15% in 1996 and 14% in 1995.

Income Taxes
Deferred income taxes are determined based on the difference between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Earnings Per Share
Earnings per share is computed based on the weighted average number of shares

outstanding during each period. The effect of common stock equivalents on earnings per share is not material.

In March 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share." This Statement requires the presentation of basic earnings per share (net income available to common shareholders divided by the weighted average number of shares of common stock outstanding) and a disclosure reconciling the numerator and the denominator of the earnings per share calculations. SFAS No. 128 is effective for interim and annual periods ending after December 15, 1997, and early application is prohibited.

Accordingly, the accompanying financial statements do not reflect the provisions of SFAS No. 128. The Company will adopt the provisions of SFAS No. 128 in the first quarter of fiscal 1998. Management does not expect the impact of the adoption of this statement on the Company's financial position and results of operations to be material.

Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Stock-Based Compensation
As permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Stock-Based Compensation," the Company has continued to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Pro forma disclosures of net income and earnings per share are presented as if the fair value-based method prescribed by SFAS NO. 123 had been applied in measuring compensation expense for the periods required by the Statement.

Comprehensive Income
In June 1997, the Financial Accounting Standards board issued SFAS No. 130, "Reporting Comprehensive Income." This Statement establishes standards for the prominent reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is the total of net income and other changes in equity that are excluded from the measurement of income. The Statement is effective for fiscal years beginning after December 15, 1997. The Company plans to adopt the provisions of this Statement in fiscal 1999. Management does not expect the impact of the adoption of this Statement on the Company's financial positon and results of operations to be material.

Segment Reporting
In June 1997, the Financial Accounting Standards Board issued SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information." This statement introduces a new model for segment reporting and requires that the Company report profit and loss, assets and liabilities by segment. The statement is effective for fiscal years beginning after December 15, 1997. The Company plans to adopt the provisions of this Statement in fiscal 1999. Management does not expect the impact of adoption of this Statement on the Company's financial position and results of operations to be material.

B. INVENTORIES

Inventories consist of the following:

	November 30, 1997	November 30, 1996
Finished goods	$29,485	$42,594
Work in process	9,025	14,008
Raw materials and supplies	28,420	38,276
Total inventories on first-in, first-out cost method	66,930	94,878
LIFO adjustment	25,216	27,796
	$41,714	$67,082

During 1997, the company liquidated certain LIFO inventories which decreased cost of sales by approximately $3,450.

C. INVESTMENT SECURITIES

Investment securities by major security type are as follows:

	November 30, 1997			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Equity securities	$13,051	$8,249	$ 1	$21,299
Mutual funds	2,277	792	--	3,069
Municipal securities	5,460	94	--	5,554
	$20,788	$9,135	$ 1	$29,922

November 30, 1996			
Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value

Equity securities	$15,014	$6,007	$ 613	$20,408
Mutual funds	3,145	579	54	3,670
Municipal securities	5,521	26	--	5,547
	$23,680	$6,612	$ 667	$29,625

Maturities of the municipal securities held are five years or less

D. INVESTMENT IN AFFILIATED COMPANIES

The Company has minority equity interests in two entities that provide services and raw materials to various furniture and furniture accessory manufacturers. The recorded investment in these entities at November 30, 1997 and 1996, exceeds the Company's interest in the underlying net assets of these entities by $9,689 and $10,110, respectively. This difference is being amortized and the related investment balance reduced utilizing the straight line method over 35 years. Summarized combined financial information for these affiliated companies is as follows:

	1997	1996	1995
Total assets	$56,794	$93,187	$86,474
Total liabilities	10,212	10,263	9,905
Revenues	41,730	40,221	39,457
Income from operations	23,027	21,099	20,993
Net income	15,104	13,992	12,778
Dividends received	21,245	--	1,089

The Company had $20,479 and $35,486 of undistributed earnings from these investments included in retained earnings at November 30, 1997 and 1996, respectively. Deferred income taxes related to these undistributed earnings have been provided in the accompanying consolidated financial statements of the Company.

Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

E. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	November 30, 1997	November 30, 1996
Compensation and related benefits	$10,016	$8,475
Severance and related employee benefit costs	4,910	--
Advertising and rebates	3,781	321
Other	7,506	1,009
	$26,213	$9,805

F. INCOME TAXES

A reconciliation of the statutory federal income tax rate and the effective income tax rate, as a percentage of income (loss) before income taxes, is as follows:

	1997	1996	1995
Statutory federal income tax rate	(35.0%)	35.0%	35.0%
Dividends received exclusion	(.7)	(1.6)	(1.7)
Tax exempt interest	(1.0)	(3.4)	(2.4)
Undistributed affiliate income	(4.2)	(6.5)	(4.5)
Corporate owned life insurance	(4.3)	(7.0)	(2.7)
State income tax, net of federal benefit	(6.0)	0.9	1.9
Tax credits	-	-	(0.2)
Property donation	(3.2)	-	-
Other	1.1	(0.4)	(1.4)
Effective income tax rate	(53.3%)	17.0%	24.0%

The income tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at November 30, are as follows:

	1997	1996
Deferred income tax assets:		
Trade accounts receivable	$ 1,554	$ 515
Inventories	3,488	840
Investment securities	-	333
Impaired asset reserves	4,634	-
Retirement benefits	5,047	4,105
Severance and related employee benefit cost	1,915	-
Net operating loss carry forwards	900	-
Other liabilities and reserves	8,768	1,769
Total gross deferred income tax assets	26,306	7,562
Deferred income tax liabilities:		
Property and equipment	2,939	2,334
Undistributed affiliate income	1,983	2,697
Prepaid expenses	483	179
Unrealized holding gains	3,559	2,259
Total gross deferred income tax liabilities	8,964	7,469
Net deferred income tax assets	$17,342	$ 93

The Company has recorded $900 for the benefit of approximately $13,400 in state income tax loss carry-forwards which expire in varying amounts between 2003 and 2013. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carry forwards. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred income tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of the deferred income tax assets.

The components of the income tax provision (benefit) are as follows:

	1997	1996	1995
Federal	$(3,968)	$3,140	$6,455
State	171	268	879
Deferred	(18,549)	379	(108)
Total	$(22,346)	$3,787	$7,226

G. RETIREMENT PLANS

The Company has a qualified defined contribution plan (Employee Savings/ Retirement Plan) which covers all employees, with over one year service, who elect to participate and have fulfilled the necessary service requirements. Employee contributions to the Plan are matched by the Company at the rate of 115% of the first 2% through 5% of the employee's contribution, based on seniority. The Plan incorporates provisions of Section 401(k) of the Internal Revenue Code. The expense for the Plan for 1997, 1996 and 1995, amounted to approximately $2,453, $2,379 and $2,395, respectively.

The Company has a Supplemental Retirement Income Plan that covers certain senior executives and provides additional retirement and death benefits. Also, the Company has a Deferred Compensation Plan for certain senior executives which provides for voluntary deferral of compensation, otherwise payable. The unfunded future liability of the Company under these Plans is included in long-term liabilities.

H. CAPITAL STOCK AND STOCK COMPENSATION

The Company has a Long Term Incentive Stock Option Plan which was adopted in 1993. Under the stock option plan, the Company has reserved for issuance, 450,000 shares of Common Stock of which 33,675 are available for grant at November 30, 1997. Options granted under the plan may be for such terms and exercised at such times as determined at the time of grant by the Organization, Compensation and Nominating Committee of the Board of Directors. Options to purchase 360,750 shares of Common Stock were granted during 1997 to officers and key employees. The exercise price of these options is $22,625 which equaled the fair market value of the Company's Common Stock at the date of the grant. However, this exercise price was less than the fair market value at the measurement date for 330,000 of the options granted. All of these options became exercisable in 1997. Compensation expense related to these options of $1,682 is included in selling, general and administrative expenses in the accompanying 1997 consolidated statement of operations. These options expire at various dates through 2007.

Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

H. CAPITAL STOCK AND STOCK COMPENSATION - CONTINUED

The Company has a Stock Plan for Non-Employee Directors which was adopted in 1993. Under this stock option plan, the Company has reserved for issuance, 75,000 shares of Common Stock of which 45,000 are available for grant at November 30, 1997. Under the terms of this plan, each non-employee director will automatically be granted an option to purchase 500 shares of Common Stock on April 1 of each year. These options are exercisable for ten years commencing six months after the date of the grant. An additional 17,500 options to purchase common Stock were awarded to non-employee directors during 1997. These options are exercisable for five years commencing six months after the date of the grant.

Option activity under these plans is as follows:

	Number of shares	Average price per share
Outstanding at November 30, 1994	345,217	$32.10
Granted in 1995	4,500	$26.50
Exercised in 1995	-	-
Cancelled in 1995	(17,292)	$30.07
Outstanding at November 30, 1995	332,425	$32.13
Granted in 1996	4,500	$25.75
Exercised in 1996	-	-
Cancelled in 1996	(15,300)	$32.40
Outstanding at November 30, 1996	321,625	$32.02
Granted in 1997	382,750	$22.87
Exercised in 1997	(2,000)	$25.97
Cancelled in 1997	(49,577)	$31.50
Outstanding at November 30, 1997	652,798	$26.80
Exercisable at November 30, 1997	602,726	$26.22
Exercisable at November 30, 1996	267,770	$31.88
Exercisable at November 30, 1995	251,923	$31.91

The following table summarizes information about stock options outstanding at November 30, 1997

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at Nov. 30, 1997	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Nov. 30, 1997	Weighted average exercisable price
$22.63 - $27.75	442,150	9.0	$23.35	424,650	$23.17
28.00 - 37.40	210,648	5.0	33.79	178,076	33.51
$22.63 - $37.40	652,798	7.7	$26.72	602,726	$26.22

The Company has elected to continue to account for stock option grants under ABP Opinion No. 25 and is required to provide pro forma disclosures of what net income and earnings per share would have been had the Company adopted the new fair value method for recognition purposes under SFAS No. 123. The following information is presented as if the Company had adopted SFAS No. 123 and restated its results:

	1997	1996
Net Income (loss):		
As reported	$(19,609)	$18,501
Pro Forma	$(19,945)	$18,481
Net Income (loss) per share:		
As reported	$(1.50)	$1.39
Pro Forma	$(1.53)	$1.38

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

	1997	1996
Expected lives	5 years	5 years
Risk-free interest rate	6.6%	6.3%
Expected volatility	29.5%	29.6%
Dividend yield	3.3%	2.8%

The weighted average fair value of options granted during 1997 and 1996 were $6.15 and $7.23, respectively. Because the SFAS No. 123 method of accounting has not been applied to options granted prior to December 15, 1995, the above pro forma amounts may not be representative of the estimated compensation costs to be expected in future years utilizing this pro forma approach.

During 1997, the company issued 31,396 shares of restricted common stock under the 1993 Long Term Incentive Stock Option Plan as compensation for certain key salaried employees. These shares carry dividend and voting rights. Sale of these shares is restricted prior to the date of vesting which is five years from the date of grant. Shares issued under this plan were recorded at their fair market value on the date of the grant with a corresponding charge to stockholders' equity. The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to this grant was $11 in 1997.

I. OTHER INCOME, NET

	1997	1996	1995
Dividends	$ 1,141	$ 1,497	$ 2,209
Interest (principally tax exempt)	3,328	2,361	2,360
Equity in undistributed income of affiliated companies	5,926	5,422	4,986
Net gain from sales of investment securities	1,804	6,720	4,142
Corporate owned life insurance, net of interest expense	(1,148)	(2,125)	(1,676)
Other	2,316	1,107	979
	$ 13,367	$ 14,982	$ 13,000

Interest expense on corporate owned life insurance policy loans was $7,295 in 1997, $6,377 in 1996 and $3,898 in 1995.

J. RESTRUCTURING, IMPAIRED ASSET AND OTHER UNUSUAL AND NONRECURRING CHARGES:

During 1997, the Company commenced the restructuring of certain of its operations and recorded restructuring and impaired asset charges of $20,646. The restructuring plan is the result of management's decision to

Bassett Furniture Industries, Incorporated and Subsidiaries
(dollars in thousands except per share data)

J. RESTRUCTURING, IMPAIRED ASSET AND OTHER UNUSUAL AND NONRECURRING CHARGES: - CONTINUED

focus on it's core Bassett product line and efforts to improve operating efficiencies. The principal actions of the plan include the closure or sale of fourteen manufacturing facilities, elimination of three product lines (National/Mt. Airy, Impact and veneer production) and the severance of approximately 1,000 employees. The major components of the restructuring and impairment of assets charges and the remaining reserves as of November 30, 1997 are as follows:

	Original charges	Writedown of property and equipment to net realizable value	Reserves utilized	Reserve balance
Non-cash write-downs of property and equipment to net realizable value	$13,362	$13,362	-	-
Severance and related employee benefit cost	5,684	-	774	4,910
Lease exit costs	614	-	-	614
Other	986	-	261	725
Total	$20,646	$13,362	$1,035	$6,249

The Company completed the closure of five of the fourteen manufacturing facilities, disposed of one of the facilities and severed approximately 600 employees during 1997. Eight additional facilities were closed subsequent to year-end and management expects to complete the remaining restructuring actions during 1998. Net sales and operating income from activities which were discontinued were $46,221 and $(31,602) respectively in 1997, $60,119 and $(1,867) respectively in 1996, and $70,149 and $(1,495) respectively in 1995.

As a result of the plan, additional unusual and nonrecurring charges including moving costs, plant consolidation inefficiencies and inventory write-downs totaling $31,654 were recorded in 1997. Of these costs, $28,325 are included in cost of goods sold and $3,329 are included in selling, general and administrative expenses in the accompanying 1997 consolidated statement of operations. The Company estimates that additional charges due to plant inefficiencies and idle facilities of approximately $10,540 will be incurred during 1998. After an income tax benefit of $20,397, the restructuring and impaired asset charges of $20,646 and additional nonrecurring charges of $31,654 reduced fiscal year 1997 net income by $31,903 or $2.34 per share.

In addition, the Company incurred other unusual and nonrecurring charges during 1997 of $12,500 related to customer bankruptcies, environmental matters and issues related to the Mattress Division (Note K). Of these charges, $1,000 are included in cost of goods sold and $11,500 are included in selling, general and administrative expenses in the accompanying 1997 consolidated statement of operations. After an income tax benefit of $4,875, these other unusual and nonrecurring charges reduced fiscal year 1997 net income by $7,625 or $.56 per share.

K. CONTINGENCIES

In June 1997, the Company's management learned that certain mattresses and box springs manufactured by a subsidiary, E. B. Malone Corporation, for sale to two major retail customers, were made with different specifications than those originally manufactured for sale by these retailers. To remedy this situation, the Company implemented a program under which consumers who purchased these products can obtain a rebate directly from the Company.

On June 18, 1997, a suit was filed in the Superior Court of the State of California for the County of Los Angeles (the "Superior Court") against the Company, two major retailers and certain current and former employees of the Company seeking certification of a class consisting of all consumers who purchased the above described products from these two major retailers. The suit alleges various causes of action, including negligent misrepresentation, breach of warranty, violations of deceptive practices laws, and fraud, and seeks compensatory damages of $100 million and punitive damages. The Company filed a demurrer seeking to dismiss several of the causes of action and on September 12, 1997, the Superior Court sustained the demurrer but granted the plaintiffs leave to amend. Plaintiffs thereafter filed a Second Amended Complaint adding certain independent retailers as additional plaintiffs. On December 17, 1997, the Superior Court again sustained the Company's demurrer to plaintiffs' fraud, negligent misrepresentation and conspiracy counts, and plaintiffs filed a Third Amended Complaint. On February 10, 1998 the Superior Court sustained the Company's demurrer, without leave to amend the class action allegations of the Third Amended Complaint and ordered the case transferred out of the class action department. The Superior Court also sustained a demurrer, without leave to amend, to many of the individual claims. As a result of these rulings, the number and types of claims have been substantially reduced. Although it is impossible to predict the ultimate outcome of this litigation, the Company intends to vigorously defend this suit because it believes that the damages sought are unjustified and because certification of a class of consumers is unnecessary and inappropriate in this case. Because the Company believes that the two major retailers were unaware of the changes in product specifications, the Company has agreed to indemnify the two major retailers with respect to the above.

The Company is also involved in various other claims and actions, including environmental matters at certain of its plant facilities, which arise in the normal course of business. Although the final outcome of these legal and environmental matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on the Company's financial position or future results of operations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Bassett Furniture Industries, Incorporated:

We have audited the accompanying consolidated balance sheet of Bassett Furniture Industries, Incorporated (a Virginia corporation) and subsidiaries as of November 30, 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year 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 audit. The accompanying 1996 and 1995 financial statements of Bassett Furniture Industries, Incorporated and subsidiaries were audited by other auditors whose report dated December 17, 1996 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 1997 financial statements referred to above present fairly, in all material respects, the financial position of Bassett Furniture Industries, Incorporated and subsidiaries as of November 30, 1997, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Greensboro, North Carolina,
January 2, 1998

BOARD OF DIRECTORS

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Chief Executive Officer

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Partner, Virginia Surgical Associates
of Richmond

A.W. BRINKLEY
Executive Vice President and
Marketing Group
Executive, NationsBank Corporation

T.E. CAPPS
Chairman of the Board, President
and Chief Executive Officer,
Dominion Resources, Inc.

W.D. DAVIS
President of All Pro
Broadcasting, Inc.

A.T. DICKSON
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Ruddick Corporation

H.H. HAWORTH
President, Haworth Group

W.H. GOODWIN, JR.
Chairman of the Board
CCA Industries, Inc.

J.W. MCGLOTHLIN
Chairman of the Board and
Chief Executive Officer,
The United Company

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Speaker of the Virginia
House of Delegates

M.E. MURPHY
Retired Vice Chairman and
Chief Administrative Officer of
Sara Lee Corporation.

A.F. SLOAN
Retired Chairman of the Board,
Lance, Inc.

R.H. SPILMAN, JR.
President and
Chief Operating Officer

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Chairman of the Board and
Chief Executive Officer

R.H. SPILMAN, JR.
President and
Chief Operating Officer

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Vice President -
Retail Development

J.E. BASSETT III
Vice President -
Wood Manufacturing

P.E. BOOKER
Vice President and
General Manager -
Mattress Manufacturing

R.W. DOWNING
Vice President -
Sales

G.S. ELLIOTT
Vice President -
Strategic Planning

M.B. GOSNELL
Vice President -
Upholstery Manufacturing

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Marketing

J.R. HERVEY
Vice President and
General Counsel

D.W. MILLER
Vice President and
Chief Financial Officer

J.C. PHILPOTT
Executive Vice President -
Wood Manufacturing

S.P. RINDSKOPF
Vice President -
Human Resources

EXHIBIT 21 - LIST OF SUBSIDIARIES

(a) Bassett Furniture Industries of North Carolina Inc. (North Carolina corporation)

(b) E.B. Malone Corporation (Delaware corporation)

EXHIBIT 23A

EXHIBIT 23A- CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
Bassett Furniture Industries, Incorporated
Bassett, Virginia

As independent public accountants, we hereby consent to the incorporation of our report dated January 2, 1998 which is included in the Company's annual report to its stockholders and incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 33-52405 and 33-52407.

Arthur Andersen LLP

Greensboro, North Carolina
February 27, 1998

EXHIBIT 23B

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 and 33-52407) on Form S-8 of Bassett Furniture, Industries, Incorporated and subsidiaries of our report dated December 17, 1996, relating to the consolidated balance sheet of Bassett Furniture Industries, Incorporated and subsidiaries as of November 30, 1996, and the related consolidated statements of operations, stockholders' equity and cash flows of each of the years in the two-year period then ended, which report is incorporated by reference in the November 30, 1997 annual report on Form 10-K of Bassett Furniture Industries, Incorporated and subsidiaries.

KPMG Peat Marwick LLP

Greensboro, North Carolina
February 25, 1998

EXHIBIT 23C-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 and 33-52407) on Form S-8 of Bassett Furniture Industries, Incorporated and subsidiaries of our report dated December 1, 1997, relating to the balance sheets of International Home Furnishings Center Inc. as of October 31, 1997 and 1996, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 1997, which report is incorporated by reference in the November 30, 1997 annual report on Form 10-K of Bassett Furniture Industries, Incorporated and subsidiaries.

Dixon Odom PLLC

High Point, North Carolina
February 26, 1998

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1,000

YEAR
NOV-30-1997
DEC-01-1996
NOV-30-1997
29,552
79,907
59,311
1,984
41,714
200,484
168,026
124,547
320,325
47,907
0
0
0
65,256
195,914
320,325
446,893
460,260
396,875
502,215
20,646
7,662
7,295
(41,955)
(22,346)
(19,609)
0
0
0
(19,609)
(1.50)
0