

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20599**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) February 22, 2005

BASSETT FURNITURE INDUSTRIES, INCORPORATED

(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of
incorporation or organization)

0-209
(Commission File No.)

54-0135270
(I.R.S. Employer
Identification No.)

**3525 FAIRYSTONE PARK HIGHWAY
BASSETT, VIRGINIA**
(Address of principal executive offices)

24055
(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

The Board of Directors approved the following terms of the compensation to be paid to the Company's non-employee directors. All changes are effective as of February 22, 2005.

Terms maintained from previous agreement:

• Annual Board Retainer Fee (paid in semi-annual installments)	\$ 20,000
• Additional Annual Retainer Fee paid to Chair of Audit Committee	\$ 10,000
• Additional Per Regular Board Meeting Fee paid to Chairpersons of standing committees	\$ 1,000

Terms modified from previous agreement

• Fee for attendance of meetings in person (telephonic attendance remains at \$500)	\$ 1,000
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Directors also shall receive annual compensation in the form of equity issued under the Company's 2005 Non-Employee Directors Stock Incentive Plan (the "Plan") which was approved on February 22, 2005 by the Company's shareholders. For 2005, a Director's equity-based compensation shall consist of \$15,000 of restricted stock.

The Plan authorizes incentive awards in the form of restricted stock or stock grants. All Directors of the Company who are not full-time employees of the Company are eligible to receive incentive awards under the Plan. There are 100,000 shares of Common Stock reserved for grant under the Plan (subject to adjustment in accordance with the provisions of the Plan). The Plan is intended to encourage ownership in the Company by members of the Board of Directors who are not full-time employees of the Company, in order to promote long-term stockholder value and to provide these individuals with an additional incentive to continue as Directors of the Company. The Board of Directors administers the Plan and has complete discretion to determine when to grant incentive awards, which eligible non-employee Directors will receive incentive awards, whether the award will be restricted stock or a stock grant, and the number of shares to be allocated to each incentive award. Unless otherwise determined by the Board of Directors, eligible Directors will receive annual awards of restricted stock on the first day of the first month after the month in which the annual meeting of the Company's stockholders is held equal to \$15,000 divided by the fair market value of the Company's Common Stock on the most recent trading date preceding the date of the award. A copy of the Plan is attached hereto as Exhibit 10.1 to this report and the information contained is hereby incorporated by reference. A copy of the form grant letter for the restricted stock award is attached hereto as Exhibit 10.2 to this report and the information contained is hereby incorporated by reference.

Item 9.01 Financial Statements and Exhibits

- (c) Exhibit 10.1 Bassett Furniture 2005 Non-Employee Directors Stock Incentive Plan effective February 22, 2005 (incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on January 28, 2005).
- Exhibit 10.2 Form grant letter for restricted stock award pursuant to the 2005 Non-Employee Directors Stock Incentive Plan (filed herewith).

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

Date: February 28, 2005

By: /s/ Barry C. Safrit

Barry C. Safrit

Title: Vice President, Chief Financial Officer

[BASSETT FURNITURE INDUSTRIES LETTERHEAD]

[DATE OF GRANT]

(NAME)
 (STREET)
 (CITY, STATE)

Dear (NAME):

You have been granted restricted shares of the common stock of the Company, as explained below ("Restricted Stock"). The grant is made pursuant to the Bassett Furniture 2005 Non-Employee Directors Stock Incentive Plan (the "Plan"). All capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

The number of shares in this grant equals \$15,000 divided by the Fair Market Value of Company Stock as of the date of this grant, rounded to the nearest whole share.

Number of shares of Restricted Stock granted: (_____)

Except as provided below, the shares of Restricted Stock are nontransferable and are subject to a substantial risk of forfeiture. The shares will become nonforfeitable (i.e., "Vested") as of the earliest of the dates provided in paragraphs 1, 2, 3 or 4 below (the "Vesting Date"). To become Vested, you must continue to be a director of the Company up until the Vesting Date. If you cease to be a director of the Company prior to the Vesting Date, the Restricted Stock shall at that time be forfeited to the Company.

- (1) All the Restricted Stock shares awarded are fully Vested as of the first anniversary of the date of this grant, unless the shares are Vested earlier as provided in paragraphs 2, 3 or 4 below.
- (2) If you die or become Disabled while you are a director of the Company, all of the Restricted Stock shares shall be Vested as of the date of your death or Disability.
- (3) All of the Restricted Stock shares shall be Vested as of a Change of Control.
- (4) If you serve your complete current term as director but retire as a director by not standing for re-election at the next annual shareholders meeting, all of the shares of Restricted Stock awarded are fully Vested as of the day before the date of the next annual shareholders meeting.

You may not sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of the Restricted Stock shares, other than by the laws of descent and distribution, unless such shares have Vested and until the 90th day after you have ceased to be a director.

Before the Restricted Stock shares will be issued, you must deliver to the Company a stock power, endorsed in blank, with respect to the shares. The Company will retain custody of stock certificates evidencing the shares. On the 90th day after you have ceased to be a director, the Company will deliver to you the stock power and stock certificates evidencing shares that have become Vested.

For both unvested and Vested Restricted Stock shares, you will have the right to vote the shares and receive dividends and other distributions thereon.

This award and the Restricted Stock shares will be adjusted in the event of a dividend, spin-off, stock split-up, subdivision or consolidation of shares of Company Stock or due to other transactions involving the Company as provided in the Plan.

The Board of the Company may, at any time and in its sole discretion, accelerate the time at which any or all restrictions on the Restricted Stock shares lapse or remove any and all such restrictions.

The Plan contains certain general terms applicable to all grants that are not repeated in this agreement; however, such terms are incorporated herein by reference. In the case of any conflict between the Plan and this letter, the terms of the Plan will control. Copies of the Company's annual report to shareholders, Form 10-K for fiscal year 2005, as well as copies of the Plan are available from [NAME], [TITLE], [PHONE NUMBER].

Please indicate your acceptance of the terms and conditions pertaining to the Restricted Stock shares granted herein by signing your name in the space provided below and returning one copy to:

(NAME)
(ADDRESS)

When signed by you, this letter will become the Company's agreement with you.

Sincerely,

(NAME)
(TITLE)

ACCEPTED:

Signature

Printed Name

Date: _____