UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 31, 2019

OR

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

For the transition period from ____________________________ to ______________________

Commission File No. 000-00209

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)

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

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock ($5.00 par value)	BSET	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 the past 90 days. Yes __X__ No ____

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes _X__ No _____

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	________	Accelerated Filer	___X___
Non-accelerated Filer	________	Smaller Reporting Company	________
		Emerging Growth Company	________

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ________

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ____ No __X___

At September 26, 2019, 10,110,196 shares of common stock of the Registrant were outstanding.

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

ITEM		PAGE
	PART I - FINANCIAL INFORMATION	
1.	Condensed Consolidated Financial Statements as of August 31, 2019 (unaudited) and November 24, 2018 and for the three and nine months ended August 31, 2019 (unaudited) and August 25, 2018 (unaudited)	
	Condensed Consolidated Statements of Income	3
	Condensed Consolidated Statements of Comprehensive Income	4
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
3.	Quantitative and Qualitative Disclosures About Market Risk	36
4.	Controls and Procedures	36
	PART II - OTHER INFORMATION	
1.	Legal Proceedings	38
2.	Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities	38
3.	Defaults Upon Senior Securities	38
6.	Exhibits	38

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED AUGUST 31, 2019 AND AUGUST 25, 2018 – UNAUDITED
(In thousands except per share data)

	Quarter Ended		Nine Months Ended	
	August 31, 2019	**August 25, 2018**	**August 31, 2019**	**August 25, 2018**
Sales revenue:				
Furniture and accessories	$ 98,369	$ 99,807	$ 301,550	$ 298,605
Logistics	11,050	13,149	36,900	41,603
Total sales revenue	109,419	112,956	338,450	340,208
Cost of furniture and accessories sold	42,246	44,821	133,953	133,750
Selling, general and administrative expenses excluding new store pre-opening costs	63,519	63,279	197,495	192,986
New store pre-opening costs	254	532	1,117	1,435
Early retirement program	-	-	835	-
Income from operations	3,400	4,324	5,050	12,037
Other loss, net	(298)	(492)	(566)	(1,352)
Income before income taxes	3,102	3,832	4,484	10,685
Income tax expense	945	887	1,274	4,364

	Quarter Ended		Nine Months Ended	
Net income	$ 2,157	$ 2,945	$ 3,210	$ 6,321
Basic earnings per share	$ 0.21	$ 0.28	$ 0.31	$ 0.59
Diluted earnings per share	$ 0.21	$ 0.28	$ 0.31	$ 0.59
Dividends per share	$ 0.125	$ 0.125	$ 0.375	$ 0.345

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

PART I – FINANCIAL INFORMATION – CONTINUED
ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AUGUST 31, 2019 AND AUGUST 25, 2018 – UNAUDITED
(In thousands)

	Quarter Ended		Nine Months Ended	
	August 31, 2019	**August 25, 2018**	**August 31, 2019**	**August 25, 2018**
Net income	$ 2,157	$ 2,945	$ 3,210	$ 6,321
Other comprehensive income:				
Amortization associated with Long Term Cash Awards (LTCA)	31	31	93	93
Income taxes related to LTCA	(8)	(8)	(24)	(24)
Amortization associated with supplemental executive retirement defined benefit plan (SERP)	47	76	139	228
Income taxes related to SERP	(12)	(19)	(36)	(57)
Other comprehensive income, net of tax	58	80	172	240
Total comprehensive income	$ 2,215	$ 3,025	$ 3,382	$ 6,561

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

PART I – FINANCIAL INFORMATION – CONTINUED
ITEM 1. FINANCIAL STATEMENTS
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2019AND NOVEMBER 24, 2018
(In thousands)

	(Unaudited) August 31, 2019	**November 24, 2018**
Assets		
Current assets		
Cash and cash equivalents	$ 14,638	$ 33,468
Short-term investments	17,643	22,643
Accounts receivable, net	20,640	19,055
Inventories	65,465	64,192
Other current assets	13,417	9,189
Total current assets	131,803	148,547
Property and equipment, net	104,908	104,863
Deferred income taxes	3,251	3,266
Goodwill and other intangible assets	28,196	28,480
Other	7,258	6,485
Total long-term assets	38,705	38,231

Total assets	$	275,416	$	291,641
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable	$	20,363	$	27,407
Accrued compensation and benefits		11,046		12,994
Customer deposits		22,484		27,157
Other current liabilites and accrued expenses		11,821		14,261
Total current liabilities		65,714		81,819
Long-term liabilities				
Post employment benefit obligations		12,716		13,173
Other long-term liabilities		13,040		6,340
Total long-term liabilities		25,756		19,513
Stockholders' equity				
Common stock		50,578		52,638
Retained earnings		135,533		140,009
Accumulated other comprehensive loss		(2,165)		(2,338)
Total stockholders' equity		183,946		190,309
Total liabilities and stockholders' equity	$	275,416	$	291,641

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

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED AUGUST 31, 2019 AND AUGUST 25, 2018 – UNAUDITED
(In thousands)

	Nine Months Ended			
	August 31, 2019		**August 25, 2018**	
Operating activities:				
Net income	$	3,210	$	6,321
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization		10,092		9,920
Gain on sale of property and equipment		(98)		(130)
Deferred income taxes		22		2,620
Other, net		161		1,084
Changes in operating assets and liabilities:				
Accounts receivable		(1,760)		1,183
Inventories		(2,105)		(5,349)
Other current assets		(1,986)		(496)
Customer deposits		(4,673)		(5,939)
Accounts payable and other liabilities		(4,922)		2,416
Net cash provided by (used in) operating activities		(2,059)		11,630
Investing activities:				
Purchases of property and equipment		(10,651)		(12,632)
Proceeds from sales of property and equipment		119		2,488
Cash paid for business acquisition		-		(15,556)
Proceeds from maturities of investments		5,000		482
Other		(506)		(672)
Net cash used in investing activities		(6,038)		(25,890)
Financing activities:				
Cash dividends		(3,867)		(7,462)
Proceeds from the exercise of stock options		25		27
Other issuance of common stock		246		264
Repurchases of common stock		(6,845)		(2,848)
Taxes paid related to net share settlement of equity awards		-		(674)
Repayments of notes payable		(292)		(3,233)
Net cash used in financing activities		(10,733)		(13,926)
Change in cash and cash equivalents		(18,830)		(28,186)
Cash and cash equivalents - beginning of period		33,468		53,949
Cash and cash equivalents - end of period	$	14,638	$	25,763

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

References to "ASC" included hereinafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative GAAP.

The condensed consolidated financial statements include the accounts of Bassett Furniture Industries, Incorporated ("Bassett", "we", "our", or the "Company") and our wholly-owned subsidiaries of which we have a controlling interest. In accordance with ASC Topic 810, we have evaluated our licensees and certain other entities to determine whether they are variable interest entities ("VIEs") of which we are the primary beneficiary and thus would require consolidation in our financial statements. To date we have concluded that none of our licensees nor any other of our counterparties represent VIEs.

Revenue from the sale of furniture and accessories is reported in the accompanying condensed consolidated statements of income net of estimates for returns and allowances.

Revenues from logistical services are generated by our wholly-owned subsidiary, Zenith Freight Lines, LLC ("Zenith"). Sales of logistical services from Zenith to our wholesale and retail segments have been eliminated in consolidation, and Zenith's operating costs and expenses are included in selling, general and administrative expenses in our condensed consolidated statements of income.

Our fiscal year, which ends on the last Saturday of November, periodically results in a 53-week year instead of the normal 52 weeks. The current fiscal year ending November 30, 2019 is a 53-week year, with the additional week being included in our first fiscal quarter. Accordingly, the information presented below includes 40 weeks of operations for the nine months ended August 31, 2019 as compared with 39 weeks included in the nine months ended August 25, 2018.

Lane Venture Acquisition

On December 21, 2017, we purchased certain assets and assumed certain liabilities of Lane Venture from Heritage Home Group, LLC. Lane Venture is being operated as a component of our wholesale segment (see Note 3, Business Combinations). Results of operations for the Lane Venture business are included in our condensed consolidated statements of income since the date of acquisition.

Recently Adopted Accounting Pronouncements

Effective as of the beginning of fiscal 2019, we have adopted Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. Among the types of cash flows addressed are payments for costs related to debt prepayments or extinguishments, payments representing accreted interest on discounted debt, payments of contingent consideration after a business combination, proceeds from insurance claims and company-owned life insurance, and distributions from equity method investees, among others. The amendments in ASU 2016-15 are to be adopted retrospectively with comparative amounts in prior period cash flow statements reclassified to conform to the current period presentation. Accordingly, for the nine months ended August 25, 2018 we have reclassified investments in Company-owned life insurance (net of death benefits received) of $672 from cash flows from operating activities to cash flows from investing activities, and we have reclassified $78 representing the portion of a debt payment attributable to discount accretion from cash flows from financing activities to cash flows from operating activities.

As of the beginning of fiscal 2019, we also adopted Accounting Standards Update No. 2014-09, Revenue – Revenue from Contracts with Customers (Topic 606 or "ASC 606"). Refer to Note 14, Revenue Recognition, for more information regarding the impact of ASC 606 on our financial statements.

2. Interim Financial Presentation

All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. The results of operations for the three and nine months ended August 31, 2019 are not necessarily indicative of results for the full fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended November 24, 2018.

Income Taxes and Impact of the Tax Cuts and Jobs Act

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income could have a significant impact on our effective tax rate for the respective quarter.

On December 22, 2017, The Tax Cuts and Jobs Act (the "Act") was signed into law. The Act reduced the federal statutory corporate income tax rate from 35% to 21% effective January 1, 2018 for all corporate taxpayers. Our effective tax rates of 30.5% and 28.4% for the three and nine months ended August 31, 2019, respectively, differ from the federal statutory rate of 21% primarily due to the effects of state income taxes and various permanent differences.

Because the Act specified the new 21% tax rate beginning on January 1, 2018, we were only subject to the reduced rate for 11 months of fiscal 2018. Therefore, we computed our income tax expense for fiscal 2018 using a blended federal statutory rate of 22.2%. Our effective tax rates for the three and nine months ended August 25, 2018 were 23.1% and 40.8%, respectively. The effective tax rate for the nine months ended August 25, 2018 differs from the blended statutory rate primarily due to a discrete charge of $2,032 arising from the re-measurement of our deferred tax assets at the lower statutory rate. Other items impacting our effective tax rate for the three and nine months ended August 25, 2018 included the effects of state income taxes and various permanent differences including the favorable impacts of excess tax benefits on stock-based compensation of $26 and $223, respectively, non-taxable life insurance proceeds of $266 during the nine months ended August 25, 2018, and the Section 199: Domestic Production Activities Deduction, which was eliminated by the Act for our fiscal 2019 tax return.

(Dollars in thousands except share and per share data)

3. Business Combinations

Acquisition of Lane Venture

On December 21, 2017, we purchased certain assets and assumed certain liabilities of Lane Venture from Heritage Home Group, LLC for $15,556 in cash. Lane Venture is a manufacturer and distributor of premium outdoor furniture, and is now being operated as a component of our wholesale segment.

Under the acquisition method of accounting, the fair value of the consideration transferred was allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date with the remaining unallocated amount recorded as goodwill.

The allocation of the $15,556 all-cash purchase price to the acquired assets and liabilities of the Lane Venture business, was as follows:

Allocation of the fair value of consideration transferred:		
Identifiable assets acquired:		
Accounts receivable, net of reserve	$	1,507
Inventory, net of reserve		3,718
Prepaid expenses and other current assets		37
Intangible assets		7,360
Total identifiable assets acquired		12,622
Liabilities assumed:		
Accounts payable		(357)
Other accrued liabilities		(852)
Total liabilities assumed		(1,209)
Net identifiable assets acquired		11,413
Goodwill		4,143
Total net assets acquired	$	15,556

Goodwill was determined based on the residual difference between the fair value of the consideration transferred and the value assigned to the tangible and intangible assets and liabilities recognized in connection with the acquisition and is deductible for tax purposes. Among the factors that contributed to a purchase price resulting in the recognition of goodwill are the expected synergies arising from combining the Company's manufacturing and distribution capabilities with Lane Venture's position in the outdoor furnishings market, a segment of the market not previously served by Bassett.

A portion of the fair value of the consideration transferred was assigned to identifiable intangible assets as follows:

Description	**Useful Life In Years**		**Fair Value**
Trade name	Indefinite	$	6,848
Customer relationships	9		512
Total acquired intangible assets		$	7,360

The finite-lived intangible asset is being amortized on a straight-line basis over its estimated useful life. The indefinite-lived intangible asset and goodwill are not amortized but will be tested for impairment annually or between annual tests if an indicator of impairment exists.

The fair values of consideration transferred and net assets acquired were determined using a combination of Level 2 and Level 3 inputs as specified in the fair value hierarchy in ASC 820, *Fair Value Measurements and Disclosures*. See Note 4.

Acquisition costs related to the Lane Venture acquisition totaled $256 during the nine months ended August 25, 2018, and are included in selling, general and administrative expenses in the condensed consolidated statements of income. The acquisition costs are primarily related to legal, accounting and valuation services.

The pro forma results of operations for the acquisition of Lane Venture have not been presented because they are not material to our consolidated results of operations for the nine months ended August 25, 2018.

4. Financial Instruments and Fair Value Measurements

Financial Instruments

Our financial instruments include cash and cash equivalents, short-term investments in certificates of deposit, accounts receivable, cost method investments, accounts payable and notes payable. Because of their short maturities, the carrying amounts of cash and cash equivalents, short-term investments in certificates of deposit, accounts receivable, and accounts payable approximate fair value.

Investments

Our short-term investments of $17,643 at August 31, 2019 and $22,643 at November 24, 2018 consisted of certificates of deposit (CDs). At August 31, 2019, the CDs had original terms averaging nine months, bearing interest at rates ranging from 0.85% to 2.70%. At August 31, 2019, the weighted average remaining time to maturity of the CDs was approximately four months and the weighted average yield of the CDs was approximately 2.31%. Each CD is placed with a federally insured financial institution and all deposits are within federal deposit insurance limits. Due to the nature of these investments and their relatively short maturities, the carrying amount of the short-term investments at August 31, 2019 and November 24, 2018 approximates their fair value. During the three and nine months ended August 31, 2019 and August 25, 2018, CDs totaling $5,000 and $482, respectively, matured and the proceeds were not reinvested. These maturities are included in cash flows from investing activities in our condensed consolidated statements of cash flows.

Fair Value Measurement

The Company accounts for items measured at fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC 820's valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. ASC 820 classifies these inputs into the following hierarchy:

Level 1 *Inputs*– Quoted prices for identical instruments in active markets.

Level 2 *Inputs*– Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 *Inputs*– Instruments with primarily unobservable value drivers.

We believe that the carrying amounts of our current assets and current liabilities approximate fair value due to the short-term nature of these items. The recurring estimate of the fair value of our notes payable for disclosure purposes (see Note 8) involves Level 3 inputs. Our primary non-recurring fair value estimates typically involve business acquisitions (Note 3) which involve a combination of Level 2 and Level 3 inputs.

(Dollars in thousands except share and per share data)

5. Accounts Receivable

Accounts receivable consists of the following:

	August 31, 2019	November 24, 2018
Gross accounts receivable	$ 21,429	$ 19,809
Allowance for doubtful accounts	(789)	(754)
Accounts receivable, net	$ 20,640	$ 19,055

Activity in the allowance for doubtful accounts for the nine months ended August 31, 2019 was as follows:

Balance at November 24, 2018	$ 754
Additions to allowance, net	35
Balance at August 31, 2019	$ 789

We believe that the carrying value of our net accounts receivable approximates fair value. The inputs into these fair value estimates reflect our market assumptions and are not observable. Consequently, the inputs are considered to be Level 3 as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurements and Disclosures*. See Note 4.

6. Inventories

Domestic furniture inventories are valued at the lower of cost, which is determined using the last-in, first-out (LIFO) method, or market. Imported inventories and those applicable to Lane Venture are valued at the lower of cost, which is determined using the first-in, first-out (FIFO) method, or net realizable value.

Inventories were comprised of the following:

	August 31, 2019	November 24, 2018
Wholesale finished goods	$ 25,756	$ 30,750
Work in process	458	432
Raw materials and supplies	17,504	15,503
Retail merchandise	32,848	27,599
Total inventories on first-in, first-out method	76,566	74,284
LIFO adjustment	(8,545)	(8,326)
Reserve for excess and obsolete inventory	(2,556)	(1,766)
	$ 65,465	$ 64,192

(Dollars in thousands except share and per share data)

We estimate an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand, market conditions and the respective valuations at LIFO. The need for these reserves is primarily driven by the normal product life cycle. As products mature and sales volumes decline, we rationalize our product offerings to respond to consumer tastes and keep our product lines fresh. If actual demand or market conditions in the future are less favorable than those estimated, additional inventory write-downs may be required. In determining reserves, we calculate separate reserves on our wholesale and retail inventories. Our wholesale inventories tend to carry the majority of the reserves for excess quantities and obsolete inventory due to the nature of our distribution model. These wholesale reserves primarily represent design and/or style obsolescence. Typically, product is not shipped to our retail warehouses until a consumer has ordered and paid a deposit for the product. We do not typically hold retail inventory for stock purposes. Consequently, floor sample inventory and inventory for delivery to customers account for the majority of our inventory at retail. Retail reserves are based on accessory and clearance floor sample inventory in our stores and any inventory that is not associated with a specific customer order in our retail warehouses.

Activity in the reserves for excess quantities and obsolete inventory by segment are as follows:

	Wholesale Segment	Retail Segment	Total
Balance at November 24, 2018	$ 1,500	$ 266	$ 1,766
Additions charged to expense	1,481	272	1,753
Write-offs	(741)	(222)	(963)
Balance at August 31, 2019	$ 2,240	$ 316	$ 2,556

Additions charged to expense for our wholesale segment during the nine months ended August 31, 2019 includes a $390 inventory valuation charge arising from our decision to exit the juvenile furniture line of business.

Our estimates and assumptions have been reasonably accurate in the past. We have not made any significant changes to our methodology for determining inventory reserves in 2019 and do not anticipate that our methodology is likely to change in the future.

(Dollars in thousands except share and per share data)

7. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following:

	August 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangibles subject to amortization			
Customer relationships	$ 3,550	$ (1,023)	$ 2,527
Technology - customized applications	834	(546)	288
Total intangible assets subject to amortization	4,384	(1,569)	2,815
Intangibles not subject to amortization:			
Trade names	9,338	-	9,338
Goodwill	16,043	-	16,043
Total goodwill and other intangible assets	$ 29,765	$ (1,569)	$ 28,196

	November 24, 2018		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangibles subject to amortization			
Customer relationships	$ 3,550	$ (829)	$ 2,721
Technology - customized applications	834	(456)	378
Total intangible assets subject to amortization	4,384	(1,285)	3,099
Intangibles not subject to amortization:			
Trade names	9,338	-	9,338
Goodwill	16,043	-	16,043
Total goodwill and other intangible assets	$ 29,765	$ (1,285)	$ 28,480

There were no accumulated impairment losses on goodwill as of August 31, 2019 or November 24, 2018.

The carrying amounts of goodwill by reportable segment at both August 31, 2019 and November 24, 2018 were as follows:

Wholesale	$ 9,188
Retail	1,926
Logistical services	4,929
Total goodwill	$ 16,043

(Dollars in thousands except share and per share data)

Amortization expense associated with intangible assets during the three and nine months ended August 31, 2019 and August 25, 2018 was as follows:

	Quarter Ended		Nine Months Ended	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Intangible asset amortization expense	$ 95	$ 95	$ 285	$ 280

Estimated future amortization expense for intangible assets that exist at August 31, 2019 is as follows:

Remainder of fiscal 2019	$ 95
Fiscal 2020	379
Fiscal 2021	379
Fiscal 2022	279
Fiscal 2023	259
Fiscal 2024	259
Thereafter	1,165
Total	$ 2,815

8. Notes Payable and Bank Credit Facility

Real Estate Notes Payable

Certain of our retail real estate properties were financed through commercial mortgages with outstanding principal totaling $292 at November 24, 2018, which was included in other current liabilities and accrued expenses in the accompanying condensed consolidated balance sheet. These obligations were paid in full during the third quarter of fiscal 2019.

Fair Value

We believe that the carrying amount of our notes payable approximated fair value at November 24, 2018. In estimating the fair value, we utilize current market interest rates for similar instruments. The inputs into these fair value calculations reflect our market assumptions and are not observable. Consequently, the inputs are considered to be Level 3 as specified in the fair value hierarchy in ASC Topic 820, Fair Value Measurements and Disclosures. See Note 4.

Bank Credit Facility

Our credit facility with our bank provides for a line of credit of up to $25,000. This credit facility is unsecured and contains covenants requiring us to maintain certain key financial ratios. We are in compliance with all covenants under the agreement and expect to remain in compliance for the foreseeable future. The credit facility will mature in December 2021.

At August 31, 2019, we had $2,798 outstanding under standby letters of credit against our line, leaving availability under our credit line of $22,202. In addition, we have outstanding standby letters of credit with another bank totaling $325.

(Dollars in thousands except share and per share data)

9. Post Employment Benefit Obligations

Defined Benefit Plans

We have an unfunded Supplemental Retirement Income Plan (the "Supplemental Plan") that covers one current and certain former executives. The liability for the Supplemental Plan was $10,065 and $10,574 as of August 31, 2019 and November 24, 2018, respectively.

We also have the Bassett Furniture Industries, Incorporated Management Savings Plan (the "Management Savings Plan") which was established in the second quarter of fiscal 2017. The Management Savings Plan is an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees. As part of the Management Savings Plan, we have made Long Term Cash Awards ("LTC Awards") totaling $2,000 to certain management employees in the amount of $400 each. The liability for the LTC Awards was $1,147 and $1,078 as of August 31, 2019 and November 24, 2018, respectively.

The combined pension liability for the Supplemental Plan and LTC Awards is recorded as follows in the condensed consolidated balance sheets:

	August 31, 2019	November 24, 2018
Accrued compensation and benefits	$ 798	$ 798
Post employment benefit obligations	10,414	10,854
Total pension liability	$ 11,212	$ 11,652

Components of net periodic pension costs for our defined benefit plans for the three and nine months ended August 31, 2019 and August 25, 2018 are as follows:

	Quarter Ended		Nine Months Ended	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Service cost	$ 47	$ 49	$ 141	$ 147
Interest cost	110	105	331	315
Amortization of prior service costs	31	31	94	93
Amortization of transition obligation	-	11	-	33
Amortization of loss	46	65	138	195
Net periodic pension cost	$ 234	$ 261	$ 704	$ 783

The components of net periodic pension cost other than the service cost component are included in other loss, net in our condensed consolidated statements of income.

Deferred Compensation Plans

We have an unfunded deferred compensation plan that covers one current executive and certain former executives and provides for voluntary deferral of compensation. This plan has been frozen with no additional participants or deferrals permitted. Our liability under this plan was $1,782 and $1,837 as of August 31, 2019 and November 24, 2018, respectively.

We also have an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees which was established under the Management Savings Plan. Our liability under this plan, including both accrued Company contributions and participant salary deferrals, was $786 and $611 as of August 31, 2019 and November 24, 2018, respectively.

(Dollars in thousands except share and per share data)

Our combined liability for all deferred compensation arrangements, including Company contributions and participant deferrals under the Management Savings Plan, is recorded as follows in the condensed consolidated balance sheets:

	August 31, 2019	November 24, 2018
Accrued compensation and benefits	$ 266	$ 266
Post employment benefit obligations	2,302	2,053
Total deferred compensation liability	$ 2,568	$ 2,319

We recognized expense under our deferred compensation arrangements during the three and nine months ended August 31, 2019 and August 25, 2018 as follows:

	Quarter Ended		Nine Months Ended	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Deferred compensation expense	$ 84	$ 161	$ 267	$ 320

10. Other Operating Gains and Losses

Fiscal 2019

Early Retirement Program

During the first quarter of fiscal 2019, we offered a voluntary early retirement package to certain eligible employees of the Company. Twenty-three employees accepted the offer, which expired on February 28, 2019. These employees are to receive pay equal to one-half their current salary plus benefits over a period of one year from the final day of each individual’s active employment. Accordingly, we recognized a charge of $835 during the nine months ended August 31, 2019. The unpaid obligation of $564 is included in other current liabilities and accrued expenses in our condensed consolidated balance sheet as of August 31, 2019.

Fiscal 2018

Sale of Retail Location

In May 2018 we sold the land and building occupied by our Spring, Texas retail store in connection with the eventual relocation of the store to another site in the Houston market. We received net cash proceeds of $2,463 from the sale, resulting in a gain of $165 recognized during the nine months ended August 25, 2018 which is included in income from operations in our accompanying condensed consolidated statements of income.

(Dollars in thousands except share and per share data)

11. Commitments and Contingencies

We are involved in various legal and environmental matters, which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, we believe that the final resolution of these matters will not have a material adverse effect on our financial position or future results of operations.

We lease land and buildings that are used in the operation of our Company-owned retail stores as well as in the operation of certain of our licensee-owned stores, and we lease land and buildings at various locations throughout the continental United States for warehousing and distribution hubs used in our retail and logistical services segments. We also lease tractors and trailers used in our logistical services segment, and local delivery trucks used in our retail segment. Our real estate lease terms range from one to 15 years and generally have renewal options of between five and 15 years. Some store leases contain contingent rental provisions based upon sales volume. Our transportation equipment leases have terms ranging from two to seven years with fixed monthly rental payments plus variable charges based upon mileage. The following schedule shows future minimum lease payments under non-cancellable operating leases with terms in excess of one year as of August 31, 2019:

	Retail Stores	Warehousing & Distribution Centers	Transportation Equipment	All Other	Total
Remainder of fiscal 2019	$ 6,243	$ 1,413	$ 1,271	$ 465	$ 9,392
Fiscal 2020	24,305	5,378	4,878	1,741	36,302
Fiscal 2021	21,734	4,748	3,700	1,048	31,230
Fiscal 2022	19,242	4,551	2,557	525	26,875
Fiscal 2023	17,419	3,100	1,251	11	21,781
Fiscal 2024	13,445	1,299	989	5	15,738
Thereafter	41,008	676	340	-	42,024
Total future minimum lease payments	$ 143,396	$ 21,165	$ 14,986	$ 3,795	$ 183,342

Improvement allowances received from lessors at the inception of a lease are deferred and amortized over the term of the lease. The unamortized balance of such amounts was $8,016 and $6,716 at August 31, 2019 and November 24, 2018, respectively, with the non-current portion of $6,793 and $5,715, respectively, included in other long term liabilities in our condensed consolidated balance sheets and the remaining current portion included in other current liabilities and accrued expenses. At August 31, 2019 and November 24, 2018 prepaid rent of $3,079 and $245, respectively, was included in other current assets in our condensed consolidated balance sheets.

We also have guaranteed certain lease obligations of licensee operators. Lease guarantees range from one to ten years. We were contingently liable under licensee lease obligation guarantees in the amount of $1,818 and $2,021 at August 31, 2019 and November 24, 2018, respectively.

(Dollars in thousands except share and per share data)

In the event of default by an independent dealer under the guaranteed lease, we believe that the risk of loss is mitigated through a combination of options that include, but are not limited to, arranging for a replacement dealer or liquidating the collateral (primarily inventory). The proceeds of the above options are expected to cover the estimated amount of our future payments under the guarantee obligations, net of recorded reserves. The fair value of lease guarantees (an estimate of the cost to the Company to perform on these guarantees) at August 31, 2019 and November 24, 2018 was not material.

12. Earnings Per Share

The following reconciles basic and diluted earnings per share:

	Net Income	Weighted Average Shares	Net Income Per Share
For the quarter ended August 31, 2019:			
Basic earnings per share	$ 2,157	10,212,259	$ 0.21
Add effect of dilutive securities:			
Options and restricted shares	-	28,276	-
Diluted earnings per share	$ 2,157	10,240,535	$ 0.21
For the quarter ended August 25, 2018:			
Basic earnings per share	$ 2,945	10,666,529	$ 0.28
Add effect of dilutive securities:			
Options and restricted shares	-	33,188	-
Diluted earnings per share	$ 2,945	10,699,717	$ 0.28
For the nine months ended August 31, 2019:			
Basic earnings per share	$ 3,210	10,368,891	$ 0.31
Add effect of dilutive securities:			
Options and restricted shares	-	26,914	-
Diluted earnings per share	$ 3,210	10,395,805	$ 0.31
For the nine months ended August 25, 2018:			
Basic earnings per share	$ 6,321	10,684,720	$ 0.59
Add effect of dilutive securities:			
Options and restricted shares	-	46,632	-
Diluted earnings per share	$ 6,321	10,731,352	$ 0.59

(Dollars in thousands except share and per share data)

For the three and nine months ended August 31, 2019 and August 25, 2018, the following potentially dilutive shares were excluded from the computations as their effect was anti-dilutive:

	Quarter Ended		Nine Months Ended	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Unvested shares	45,653	-	45,653	5,292

13. Segment Information

We have strategically aligned our business into three reportable segments as defined in ASC 280, *Segment Reporting*, and as described below:

- **Wholesale.** The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of Bassett stores (Company-owned and licensee-owned retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations, which now include Lane Venture (see Note 3, Business Combinations), as well as all corporate selling, general and administrative expenses, including those corporate expenses related to both Company- and licensee-owned stores. Our wholesale segment also includes our holdings of short-term investments and retail real estate previously leased as licensee stores. The earnings and costs associated with these assets are included in other loss, net, in our condensed consolidated statements of income.

- **Retail – Company-owned stores.** Our retail segment consists of Company-owned stores and includes the revenues, expenses, assets and liabilities and capital expenditures directly related to these stores and the Company-owned distribution network utilized to deliver products to our retail customers.

- **Logistical services.** Our logistical services segment reflects the operations of Zenith. In addition to providing shipping and warehousing services for the Company, Zenith also provides similar services to other customers, primarily in the furniture industry. Revenue from the performance of these services to other customers is included in logistical services revenue in our condensed consolidated statements of income. Zenith's total operating costs, including those associated with providing logistical services to the Company as well as to third-party customers, are included in selling, general and administrative expenses and were $18,289 and $59,298 for the three and nine months ended August 31, 2019, and $19,979 and $62,011 for the three and nine months ended August 25, 2018, respectively.

During the fourth quarter of fiscal 2018, we substantially completed transferring operational control of home delivery services for BHF stores from Zenith to our retail segment, including the transfer of the assets and many of the employees used in providing that service. Accordingly, the results for the retail and logistical services segments for all periods presented have been restated to present the depreciation and amortization, capital expenditures and identifiable assets associated with home delivery services formerly provided by Zenith to the Bassett retail segment as though they had been incurred within the retail segment, and intercompany revenues for those services are no longer included in the logistical services segment. The impact of the restatement upon the income (loss) from operations for both the logistical services and retail segments was not material. Concurrently with the transfer of home delivery operations to retail, Zenith also ceased providing such services to third party customers. Revenues from Zenith's home delivery services formerly provided to third party customers and the associated costs thereof continue to be reported in the logistical services segment. Zenith continues to provide other intercompany shipping and warehousing services to Bassett which are eliminated in consolidation.

(Dollars in thousands except share and per share data)

Inter-company net sales elimination represents the elimination of wholesale sales to our Company-owned stores and the elimination of Zenith logistics revenue from our wholesale and retail segments. Inter-company income elimination includes the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when merchandise is delivered to the retail consumer. The inter-company income elimination also includes rent paid by our retail stores occupying Company-owned real estate, and the elimination of shipping and handling charges from Zenith for services provided to our wholesale and retail operations.

The following table presents our segment information:

	Quarter Ended		Nine Months Ended	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Sales Revenue				
Wholesale	$ 62,690	$ 63,847	$ 198,602	$ 190,735
Retail - Company-owned stores	66,539	65,430	198,736	198,773
Logistical services	18,899	20,119	60,743	62,770
Inter-company eliminations:				
Furniture and accessories	(30,860)	(29,470)	(95,789)	(90,903)
Logistical services	(7,849)	(6,970)	(23,842)	(21,167)
Consolidated	$ 109,419	$ 112,956	$ 338,450	$ 340,208
Income from Operations				
Wholesale	$ 3,044	$ 3,298	$ 10,399	$ 9,401
Retail - Company-owned stores	(431)	858	(6,430)	971
Logistical services	610	139	1,574	758
Inter-company elimination	177	29	342	907
Early retirement program	-	-	(835)	-
Consolidated	$ 3,400	$ 4,324	$ 5,050	$ 12,037
Depreciation and Amortization				
Wholesale	$ 752	$ 793	$ 2,397	$ 2,253
Retail - Company-owned stores	1,612	1,333	4,661	4,602
Logistical services	993	1,106	3,034	3,065
Consolidated	$ 3,357	$ 3,232	$ 10,092	$ 9,920
Capital Expenditures				
Wholesale	$ 670	$ 1,154	$ 2,810	$ 3,484
Retail - Company-owned stores	1,482	3,519	6,872	8,002
Logistical services	186	297	969	1,146
Consolidated	$ 2,338	$ 4,970	$ 10,651	$ 12,632

Identifiable Assets	As of August 31, 2019	As of November 24, 2018
Wholesale	$ 129,639	$ 144,209
Retail - Company-owned stores	105,124	96,241
Logistical services	40,653	51,191
Consolidated	$ 275,416	$ 291,641

Wholesale shipments by type

	Quarter Ended				Nine Months Ended			
	August 31, 2019		August 25, 2018		August 31, 2019		August 25, 2018	
Bassett Custom Upholstery	$ 36,809	58.7%	$ 35,186	55.1%	$ 115,200	58.0%	$ 105,259	55.2%
Bassett Leather	4,480	7.1%	4,748	7.4%	14,714	7.4%	16,356	8.6%
Bassett Custom Wood	11,757	18.8%	11,273	17.7%	33,958	17.1%	33,443	17.5%
Bassett Casegoods	9,644	15.4%	11,710	18.3%	32,263	16.2%	32,455	17.0%
Accessories (1)	-	0.0%	930	1.5%	2,467	1.2%	3,222	1.7%
Total	$ 62,690	100.0%	$ 63,847	100.0%	$ 198,602	100.0%	$ 190,735	100.0%

(1) Beginning with the third quarter of fiscal 2019, our wholesale segment no longer purchases accessory items for resale to our retail segment or to third party customers such as licensees or independent furniture retailers. Our retail segment and third party customers now source their accessory items directly from the accessory vendors.

14. Revenue Recognition

We adopted ASU 2014-09, Revenue - Revenue from Contracts with Customers (ASC Topic 606 or "ASC 606") effective as of November 25, 2018, the beginning of our 2019 fiscal year. ASC 606 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. For our wholesale and retail segments, revenue is recognized when the risks and rewards of ownership and title to the product have transferred to the buyer.

At wholesale, transfer occurs and revenue is recognized upon the shipment of goods to independent dealers and licensee-owned BHF stores. We offer payment terms varying from 30 to 60 days for wholesale customers. Estimates for returns and allowances have been recorded as a reduction of revenue based on our historical return patterns. The contracts with our licensee store owners do not provide for any royalty or license fee to be paid to us.

At retail, transfer occurs and revenue is recognized upon delivery of goods to the customer. We typically collect a significant portion of the purchase price as a customer deposit upon order, with the balance typically collected upon delivery. These deposits are carried on our balance sheet as a current liability until delivery is fulfilled and amounted to $22,484 and $27,157 as of August 31, 2019 and November 24, 2018, respectively. Substantially all of the customer deposits held at November 24, 2018 related to performance obligations satisfied during the current period and have therefore been recognized in revenue for the nine months ended August 31, 2019. Estimates for returns and allowances have been recorded as a reduction of revenue based on our historical return patterns. We also sell furniture protection plans to our retail customers on behalf of a third party which is responsible for the performance obligations under the plans. Revenue from the sale of these plans is recognized upon delivery of the goods net of amounts payable to the third party service provider.

For our logistical services segment, line-haul freight revenue is recognized as services are performed and are billed to the customer upon the completion of delivery to the destination. Because the customer receives the benefits of these services as the freight is in transit from point of origin to destination, we recognize revenue using a percentage of completion method based on our estimate the amount of time freight has been in transit as of the reporting date compared with our estimate total required time for the deliveries. We recognize an asset for the amount of line-haul revenue earned but not yet billed which is included in other current assets. The balance of this asset was $466 at August 31, 2019 and $512 at the beginning of the first quarter of fiscal 2019. Warehousing services revenue is based upon warehouse space occupied by a customer’s goods and inventory movements in and out of a warehouse and is recognized as such services are provided and billed to the customer concurrently in the same period. All invoices for logistical services are due 30 days from invoice date.

Sales commissions are expensed as part of selling, general and administrative expenses at the time revenue is recognized because the amortization period would have been one year or less. Sales commissions at wholesale are accrued upon the shipment of goods. Sales commissions at retail are accrued at the time a sale is written (i.e. – when the customer’s order is placed) and are carried as prepaid commissions in other current assets until the goods are delivered and revenue is recognized. At August 31, 2019 and November 24, 2018, our balance of prepaid commissions included in other current assets was $2,184 and $2,739, respectively. We do not incur sales commissions in our logistical services segment.

We adopted ASC 606 using the modified retrospective method and applied the standard only to contracts that were not completed as of initial application. Results for reporting periods beginning after November 24, 2018 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. Our adoption of ASC 606 did not have a material impact on our consolidated financial statements except for our enhanced presentation and disclosures. We also expect the impact of the adoption of ASC 606 to be immaterial to our net income and financial position on an ongoing basis.

Upon adoption of ASC 606, we have adopted the following policy elections and practical expedients:

- We exclude from revenue amounts collected from customers for sales tax, which is consistent with our policy prior to the adoption of ASC 606.

(Dollars in thousands except share and per share data)

- We do not adjust the promised amount of consideration for the effects of a significant financing component since the period of time between transfer of our goods or services and the collection of consideration from the customer is less than one year.

- We do not disclose the value of unsatisfied performance obligations because the transfer of goods or services is made within one year of the placement of customer orders.

See Note 13, Segment Information, for disaggregated revenue information.

15. Changes to Stockholders' Equity

The following changes in our stockholders' equity occurred during the three and nine months ended August 31, 2019 and August 25, 2018:

	Quarter Ended		Nine Months Ended	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Common Stock:				
Beginning of period	$ 52,262	$ 53,736	$ 52,638	$ 53,690
Issuance of common stock	58	19	339	273
Purchase and retirement of common stock	(1,742)	(429)	(2,399)	(637)
End of period	$ 50,578	$ 53,326	$ 50,578	$ 53,326
Common Shares Issued and Outstanding:				
Beginning of period	10,452,345	10,747,122	10,527,636	10,737,950
Issuance of common stock	11,734	3,838	67,935	54,644
Purchase and retirement of common stock	(348,383)	(85,683)	(479,875)	(127,317)
End of period	10,115,696	10,665,277	10,115,696	10,665,277
Additional Paid-in Capital:				
Beginning of period	$ -	$ 382	$ -	$ 962
Issuance of common stock	28	71	(69)	18
Purchase and retirement of common stock	(270)	(713)	(649)	(1,849)
Stock based compensation	242	260	718	869
End of period	$ -	$ -	$ -	$ -
Retained Earnings:				
Beginning of period	$ 137,127	$ 140,934	$ 140,009	$ 139,378
Cumulative effect of a change in accounting principal	-	-	(21)	-
Reclassification of certain tax effects from accumulated other comprehensive loss	-	-	-	545
Net income for the period	2,157	2,945	3,210	6,321
Purchase and retirement of common stock	(2,487)	(1,036)	(3,798)	(1,036)
Cash dividends	(1,264)	(1,338)	(3,867)	(3,703)
End of period	$ 135,533	$ 141,505	$ 135,533	$ 141,505
Accumulated Other Comprehensive Loss:				
Beginning of period	$ (2,223)	$ (2,956)	$ (2,338)	$ (2,570)
Reclassification of certain tax effects from accumulated other comprehensive loss	-	-	-	(545)
Amortization of pension costs, net of tax	58	80	173	239
End of period	$ (2,165)	$ (2,876)	$ (2,165)	$ (2,876)

16. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position. ASU 2016-02 leaves the accounting for leases by lessors largely unchanged from previous GAAP. The transitional guidance for adopting the requirements of ASU 2016-02 calls for a modified retrospective approach that includes a number of optional practical expedients that entities may elect to apply. In addition, ASU 2018-11 provides for an additional (and optional) transition method by which entities may elect to initially apply the transition requirements in Topic 842 at that Topic's effective date with the effects of initially applying Topic 842 recognized as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption and without retrospective application to any comparative prior periods presented. Also, ASU 2018-20 provides certain narrow-scope improvements to Topic 842 as it relates to lessors. The guidance in ASU 2016-02 will become effective for us as of the beginning of our 2020 fiscal year. We are currently evaluating the impact that the adoption of ASU 2016-02 will have on our consolidated financial statements, which we expect will have a material effect on our statement of financial position (refer to Note 11 for information regarding our leases currently classified as operating leases under ASC Topic 840). We have acquired a lease accounting software package and are currently in the process of entering lease data into the system and testing outputs against the requirements of Topic 842. We currently anticipate that we will adopt the guidance of ASU 2016-02 as of the beginning of our 2020 fiscal year using the optional transition method as provided by ASU 2018-11.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles – Goodwill and Other (Topic* 350*): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 eliminates Step 2 from the goodwill impairment test. Under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in ASU 2017-04 will become effective for us as of the beginning of our 2021 fiscal year. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this guidance is not expected to have a material impact upon our financial condition or results of operations.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Accounting Standards Update* No. 2018-15 – *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic* 350-40*): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,* to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments in ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in ASU 2018-15. The amendments in ASU 2018-15 will become effective for us as of the beginning of our 2021 fiscal year. Early adoption is permitted, including adoption in any interim period. We are currently evaluating the impact that this guidance will have upon our financial position and results of operations, if any.

(Dollars in thousands except share and per share data)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our fiscal year, which ends on the last Saturday of November, periodically results in a 53-week year instead of the normal 52 weeks. The current fiscal year ending November 30, 2019 is a 53-week year, with the additional week being included in our first fiscal quarter. Accordingly, the information presented below includes 40 weeks of operations for the nine months ended August 31, 2019 as compared to 39 weeks included in the nine months ended August 25, 2018.

Overview

Bassett is a leading retailer, manufacturer and marketer of branded home furnishings. Our products are sold primarily through a network of Company-owned and licensee-owned branded stores under the Bassett Home Furnishings ("BHF") name, with additional distribution through other wholesale channels including multi-line furniture stores, many of which feature Bassett galleries or design centers. We were founded in 1902 and incorporated under the laws of Virginia in 1930. Our rich 117-year history has instilled the principles of quality, value, and integrity in everything we do, while simultaneously providing us with the expertise to respond to ever-changing consumer tastes and meet the demands of a global economy.

With 104 BHF stores at August 31, 2019, we have leveraged our strong brand name in furniture into a network of Company-owned and licensed stores that focus on providing consumers with a friendly environment for buying furniture and accessories. Our store program is designed to provide a single source home furnishings retail store that provides a unique combination of stylish, quality furniture and accessories with a high level of customer service. In order to reach markets that cannot be effectively served by our retail store network, we also distribute our products through other wholesale channels including multi-line furniture stores, many of which feature Bassett galleries or design centers. We use a network of over 30 independent sales representatives who have stated geographical territories. These sales representatives are compensated based on a standard commission rate. We believe this blended strategy provides us the greatest ability to effectively distribute our products throughout the United States and ultimately gain market share.

The BHF stores feature custom order furniture, free in-home design visits ("home makeovers"), and coordinated decorating accessories. Our philosophy is based on building strong long-term relationships with each customer. Sales people are referred to as "Design Consultants" and are trained to evaluate customer needs and provide comprehensive solutions for their home decor. Until a rigorous training and design certification program is completed, Design Consultants are not authorized to perform in-home design services for our customers.

We have factories in Newton, North Carolina and Grand Prairie, Texas that manufacture custom upholstered furniture, a factory in Martinsville, Virginia that primarily assembles and finishes our custom casual dining offerings and a factory in Bassett, Virginia that assembles and finishes our "Bench Made" line of custom, solid hardwood furniture. Our manufacturing team takes great pride in the breadth of its options, the precision of its craftsmanship, and the speed of its process, with custom pieces often manufactured within two weeks of taking the order in our stores. Our logistics team then promptly ships the product to one of our home delivery hubs or to a location specified by our licensees. In addition to the furniture that we manufacture domestically, we source most of our formal bedroom and dining room furniture (casegoods) and certain leather upholstery offerings from several foreign plants, primarily in Vietnam and China. Over 75% of the products we currently sell are manufactured in the United States.

We also own Zenith Freight Lines, LLC ("Zenith") which provides logistical services to Bassett along with other furniture manufacturers and retailers. Zenith delivers best-of-class shipping and logistical support services that are uniquely tailored to the needs of Bassett and the furniture industry. Approximately 60% of Zenith's revenue is generated from services provided to non-Bassett customers.

On December 21, 2017, we purchased certain assets and assumed certain liabilities of Lane Venture from Heritage Home Group, LLC for $15,556 in cash. Lane Venture is a manufacturer and distributor of premium outdoor furniture, and is now being operated as a component of our wholesale segment. This acquisition marked our entry into the market for outdoor furniture and we believe that Lane Venture has provided a foundation for us to become a significant participant in this category. We plan to distribute this brand outside of our Bassett store network with plans to introduce a Bassett-branded line in the stores in the first quarter of fiscal 2020. See Note 3 to our consolidated financial statements for additional details regarding this acquisition.

At August 31, 2019, our BHF store network included 71 Company-owned stores and 33 licensee-owned stores. During the third quarter of fiscal 2019, we opened one new store in Princeton, New Jersey. Subsequent to August 31, 2019, we closed one underperforming store in Gulfport, Mississippi.

We continue to execute our strategy of growing the Company through opening new stores, repositioning stores to improved locations within a market and closing underperforming stores. The following table shows planned store openings where leases have been executed:

Location	Type	Size Sq. Ft.	Planned Opening
New Stores:			
Thornton, CO	Licensee	23,000	Q4 2019/Q1 2020
Repositionings:			

Palm Beach, FL	Corporate	15,000	Q4 2019

Following the planned openings shown above, we will have completed our three year store expansion program and have no further openings planned at this time. We will continue to assess the economic and competitive environment in various markets and may consider future expansion should viable opportunities arise.

As with any retail operation, prior to opening a new store we incur such expenses as rent, training costs and other payroll related costs. These costs generally range between $200 to $400 per store depending on the overall rent costs for the location and the period between the time when we take physical possession of the store space and the time of the store opening. Generally, rent payments during a buildout period between delivery of possession and opening of a new store are deferred and therefore straight line rent expense recognized during that time does not require cash. Inherent in our retail business model, we also incur losses in the two to three months of operation following a new store opening. Like other furniture retailers, we do not recognize a sale until the furniture is delivered to our customer. Because our retail business model generally does not involve maintaining a stock of retail inventory that would result in quick delivery and because of the custom nature of many of our furniture offerings, delivery to our customers usually occurs about 30 days after an order is placed. We generally require a deposit at the time of order and collect the remaining balance when the furniture is delivered, at which time the sale is recognized. Coupled with the previously discussed store pre-opening costs, total start-up losses can range from $400 to $600 per store. While our retail expansion is initially costly, we believe our site selection and new store presentation will generally result in locations that operate at or above a retail break-even level within a reasonable period of time following store opening. Factors affecting the length of time required to achieve this goal on a store-by-store basis may include the level of brand recognition, the degree of local competition, the depth of penetration in a particular market and the overall health of the local and U.S. economy. Even as new stores ramp up to break-even, we do realize additional wholesale sales volume that leverages the fixed costs in our wholesale business.

Today's customers expect their digital experiences and communications to be personalized, highly-relevant and catered to match their specific needs and preferences. We continue to invest in our digital effort to improve our customers' journey from the time they begin on our website to the final step of delivering the goods to their homes. We view the combination of website traffic and store traffic in a holistic fashion where our customer generally experiences our brand on our website before visiting a store. While store traffic has been decreasing over the last few years, traffic to our website has been increasing this year with web visits up 16% for the quarter ended August 31, 2019 as compared to the prior year period. We plan to invest more in new digital outreach strategies on a store market by market basis. We also are in the process of establishing a centralized customer care center that will track each customer's path from initial engagement through point of sale and ultimately to their post-delivery experience with the furniture using customer relationship management (CRM) software. We believe that the data captured during the customer's journey will provide valuable insights and result in driving operational best practices in the future.

Results of Operations – Periods ended August 31, 2019 compared with the periods ended August 25, 2018:

Net sales of furniture and accessories, logistics revenue, cost of furniture and accessories sold, selling, general and administrative (SG&A) expense, other charges and income from operations were as follows for the three and nine month periods ended August 31, 2019 and August 25, 2018:

	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent
Sales revenue:												
Furniture and accessories	$ 98,369	89.9%	$ 99,807	88.4%	$ (1,438)	-1.4%	$ 301,550	89.1%	$ 298,605	87.8%	$ 2,945	1.0%
Logistics revenue	11,050	10.1%	13,149	11.6%	(2,099)	-16.0%	36,900	10.9%	41,603	12.2%	(4,703)	-11.3%
Total sales revenue	109,419	100.0%	112,956	100.0%	(3,537)	-3.1%	338,450	100.0%	340,208	100.0%	(1,758)	-0.5%
Cost of furniture and accessories sold	42,246	38.6%	44,821	39.7%	(2,575)	-5.7%	133,953	39.6%	133,750	39.3%	203	0.2%
SG&A expenses	63,519	58.1%	63,279	56.0%	240	0.4%	197,495	58.4%	192,986	56.7%	4,509	2.3%
New store pre-opening costs	254	0.2%	532	0.5%	(278)	-52.3%	1,117	0.2%	1,435	0.4%	(318)	-22.2%
Other charges	-	0.0%	-	0.0%	-	100.0%	835	0.3%	-	0.0%	835	100.0%
Income from operations	$ 3,400	3.1%	$ 4,324	3.8%	$ (924)	-21.4%	$ 5,050	1.6%	$ 12,037	3.5%	$ (6,987)	-58.0%

*40 weeks for fiscal 2019 as compared with 39 weeks for fiscal 2018.

Refer to the segment information which follows for a discussion of the significant factors and trends affecting our results of operations for the three and nine months ended August 31, 2019 as compared with the prior year periods.

(Dollars in thousands except share and per share data)

Segment Information

We have strategically aligned our business into three reportable segments as described below:

Wholesale. The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of Bassett stores (Company-owned and licensee-owned retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations, which now include Lane Venture, as well as all corporate selling, general and administrative expenses, including those corporate expenses related to both Company- and licensee-owned stores. We eliminate the sales between our wholesale and retail segments as well as the imbedded profit in the retail inventory for the consolidated presentation in our financial statements. Also included in our wholesale segment are our short-term investments and our holdings of retail real estate previously leased as licensee stores. The earnings and costs associated with these assets are included in other loss, net, in our condensed consolidated statements of income.

Retail – Company-owned stores. Our retail segment consists of Company-owned stores and includes the revenues, expenses, assets and liabilities (including real estate) and capital expenditures directly related to these stores and the Company-owned distribution network utilized to deliver products to our retail customers.

Logistical services. Our logistical services segment reflects the operations of Zenith. In addition to providing shipping and warehousing services for the Company, Zenith also provides similar services to other customers, primarily in the furniture industry. Revenue from the performance of these services to other customers is included in logistical services revenue in our condensed consolidated statements of income. Zenith's operating costs are included in selling, general and administrative expenses.

The following tables illustrate the effects of various intercompany eliminations on income from operations in the consolidation of our segment results:

	Quarter Ended August 31, 2019				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$ 62,690	$ 66,539	$ -	$ (30,860) (1)	$ 98,369
Logistics	-	-	18,899	(7,849) (2)	11,050
Total sales revenue	62,690	66,539	18,899	(38,709)	109,419
Cost of furniture and accessories sold	41,072	31,849	-	(30,675) (3)	42,246
SG&A expense	18,574	34,867	18,289	(8,211) (4)	63,519
New store pre-opening costs	-	254	-	-	254
Income from operations	$ 3,044	$ (431)	$ 610	$ 177	$ 3,400

	Quarter Ended August 25, 2018				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$ 63,847	$ 65,430	$ -	$ (29,470) (1)	$ 99,807
Logistics	-	-	20,119	(6,970) (2)	13,149
Total sales revenue	63,847	65,430	20,119	(36,440)	112,956
Cost of furniture and accessories sold	42,604	31,350	-	(29,133) (3)	44,821
SG&A expense	17,945	32,690	19,980	(7,336) (4)	63,279
New store pre-opening costs	-	532	-	-	532
Income from operations	$ 3,298	$ 858	$ 139	$ 29	$ 4,324

	Nine Months Ended August 31, 2019*				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$ 198,602	$ 198,736	$ -	$ (95,788) (1)	$ 301,550
Logistics	-	-	60,743	(23,843) (2)	36,900
Total sales revenue	198,602	198,736	60,743	(119,631)	338,450
Cost of furniture and accessories sold	131,413	97,578	-	(95,038) (3)	133,953
SG&A expense	56,790	106,471	59,169	(24,935) (4)	197,495
New store pre-opening costs	-	1,117	-	-	1,117
Income from operations (5)	$ 10,399	$ (6,430)	$ 1,574	$ 342	$ 5,885

	Nine Months Ended August 25, 2018*				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$ 190,735	$ 198,773	$ -	$ (90,903) (1)	$ 298,605
Logistics	-	-	62,770	(21,167) (2)	41,603

(Dollars in thousands except share and per share data)

Total sales revenue	190,735	198,773	62,770	(112,070)	340,208
Cost of furniture and accessories sold	128,069	96,273	-	(90,592) (3)	133,750
SG&A expense	53,265	100,094	62,012	(22,385) (4)	192,986
New store pre-opening costs	-	1,435	-	-	1,435
Income from operations	$ 9,401	$ 971	$ 758	$ 907	$ 12,037

(1) Represents the elimination of sales from our wholesale segment to our Company-owned BHF stores.
(2) Represents the elimination of logistical services billed to our wholesale segment.
(3) Represents the elimination of purchases by our Company-owned BHF stores from our wholesale segment, as well as the change for the period in the elimination of intercompany profit in ending retail inventory.
(4) Represents the elimination of rent paid by our retail stores occupying Company-owned real estate, and the elimination of logisitcal services charged by Zenith to Bassett's wholesale segment as follows:

	Quarter Ended		Nine Months Ended*	
	August 31, 2019	August 25, 2018	August 31, 2019	August 25, 2018
Intercompany logistical services	$ (7,849)	$ (6,970)	$ (23,843)	$ (21,167)
Intercompany rents	(362)	(366)	(1,092)	(1,218)
Total SG&A expense elimination	$ (8,211)	$ (7,336)	$ (24,935)	$ (22,385)

(5) Excludes the effects of the early retirement program, which is not allocated to our segments.

*40 weeks for fiscal 2019 as compared with 39 weeks for fiscal 2018.

Wholesale Segment

Results for the wholesale segment for the three and nine months ended August 31, 2019 and August 25, 2018 are as follows:

	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent
Net sales	$ 62,690	100.0%	$ 63,847	100.0%	$ (1,157)	-1.8%	$ 198,602	100.0%	$ 190,735	100.0%	$ 7,867	4.1%
Gross profit	21,618	34.5%	21,243	33.3%	375	1.8%	67,189	33.8%	62,666	32.9%	4,523	7.2%
SG&A expenses	18,574	29.6%	17,945	28.1%	629	3.5%	56,790	28.6%	53,265	27.9%	3,525	6.6%
Income from operations	$ 3,044	4.9%	$ 3,298	5.2%	$ (254)	-7.7%	$ 10,399	5.2%	$ 9,401	4.9%	$ 998	10.6%

*40 weeks for fiscal 2019 as compared with 39 weeks for fiscal 2018.

Quarterly Analysis of Results - Wholesale

The 1.8% decrease in the net sales for the third quarter of 2019 as compared to the third quarter of 2018 was primarily driven by a 62% decrease in juvenile furniture shipments as we continue to exit this furniture line and a 4.4% decrease to the other open market dealers (outside the Bassett Home Furnishings network). In addition, the wholesale segment ceased selling accessories to the BHF network beginning at the start of the third quarter of 2019. Both the corporate- and licensee-owned stores now purchase accessories directly from third-party accessory providers. Wholesale sales of accessory items during the third quarter of 2018 were $930. These decreases were partially offset by a 2.2% increase in shipments to the BHF network and a $680 increase in Lane Venture shipments. Gross margin for the wholesale segment was 34.5% for the third quarter of 2019 as compared to 33.3% for the prior year quarter due to improved margins in both the wood and upholstery operations resulting from certain raw material cost decreases, improved manufacturing efficiencies and realized container freight savings on imported wood product. Wholesale SG&A for the third quarter of 2019 increased to 29.6% as compared to 28.1% for the third quarter of 2018. This increase was primarily driven by higher over-the-road freight costs along with higher marketing and other brand development costs, partially offset by lower incentive compensation costs.

(Dollars in thousands except share and per share data)

Year-to-date Analysis of Results - Wholesale

On an average weekly basis (normalizing for 40 weeks compared to 39 weeks), net sales increased $2,902 or 1.5%. This increase was primarily driven by a $2,837 increase in Lane Venture shipments over the prior year period when we were then in the process of integrating the newly acquired operations into the Company, along with a 1.4% increase in shipments to the BHF network, partially offset by a 3.3% decrease in furniture shipments to the open market (outside the BHF network). The decrease in the open market shipments was primarily the result of a 35.5% decrease in juvenile furniture shipments as we continue to exit this furniture line. In addition, the wholesale segment ceased selling accessories to the BHF network beginning at the start of the third quarter of 2019. Both the corporate- and licensee-owned stores now purchase accessories directly from third-party accessory providers. This resulted in a $755 decrease in the sale of accessories. Gross margin for the wholesale segment was 33.8% for the first nine months of 2019 as compared to 32.9% for the prior year period. This increase was primarily driven by higher margins in domestic custom upholstery operations as price increases implemented during the third quarter of 2018 offset the increased raw material costs experienced late in 2017 and early 2018. Margins in the imported wood operations increased due to lower realized container freight costs and improved margins on the sales of discontinued product, partially offset by the $390 inventory valuation charge associated with our exit from the juvenile line of business. In addition, both the upholstery and wood operations were negatively impacted by higher labor costs due to higher employee health care expenses from unfavorable claim experience, primarily in the first quarter of 2019. The increase in SG&A as a percentage of sales was primarily driven by higher marketing and other brand development costs, partially offset by lower incentive compensation costs.

Wholesale shipments by type:	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent
Bassett Custom Upholstery	$ 36,809	58.7%	$ 35,186	55.1%	$ 1,623	4.6%	$ 115,200	58.0%	$ 105,259	55.2%	$ 9,941	9.4%
Bassett Leather	4,480	7.1%	4,748	7.4%	(268)	-5.6%	14,714	7.4%	$ 16,356	8.6%	(1,642)	-10.0%
Bassett Custom Wood	11,757	18.8%	11,273	17.7%	484	4.3%	33,958	17.1%	33,443	17.5%	515	1.5%
Bassett Casegoods	9,644	15.4%	11,710	18.3%	(2,066)	-17.6%	32,263	16.2%	32,455	17.0%	(192)	-0.6%
Accessories	-	0.0%	930	1.5%	(930)	-100.0%	2,467	1.2%	3,222	1.7%	(755)	-23.4%
Total	$ 62,690	100.0%	$ 63,847	100.0%	$ (1,157)	-1.8%	$ 198,602	100.0%	$ 190,735	100.0%	$ 7,867	4.1%

*40 weeks for fiscal 2019 as compared with 39 weeks for fiscal 2018.

Wholesale Backlog

The dollar value of wholesale backlog, representing orders received but not yet shipped to dealers and Company stores, was $11,580 at August 31, 2019 as compared with $13,422 at August 25, 2018.

Retail – Company-owned Stores Segment

Results for the retail segment for the three and nine months ended August 31, 2019 and August 25, 2018 are as follows:

	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent
Net sales	$ 66,539	100.0%	$ 65,430	100.0%	$ 1,109	1.7%	$ 198,736	100.0%	$ 198,773	100.0%	$ (37)	0.0%
Gross profit	34,690	52.1%	34,080	52.1%	610	1.8%	101,158	50.9%	102,500	51.6%	(1,342)	-1.3%
SG&A expenses	34,867	52.4%	32,690	50.0%	2,177	6.7%	106,471	53.6%	100,094	50.4%	6,377	6.4%
New store pre-opening costs	254	0.4%	532	0.8%	(278)	-52.3%	1,117	0.6%	1,435	0.7%	(318)	-22.2%
Income (loss) from operations	$ (431)	-0.6%	$ 858	1.3%	$ (1,289)	N/M	$ (6,430)	-3.2%	$ 971	0.5%	$ (7,401)	N/M

Results for comparable stores† (61 and 56 stores for the three and nine month periods, respectively) are as follows:

	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent
Net sales	$ 60,018	100.0%	$ 64,179	100.0%	$ (4,161)	-6.5%	$ 174,538	100.0%	$ 188,067	100.0%	$ (13,529)	-7.2%
Gross profit	31,332	52.2%	33,529	52.2%	(2,197)	-6.6%	88,966	51.0%	97,150	51.7%	(8,184)	-8.4%
SG&A expenses	30,975	51.6%	31,750	49.5%	(775)	-2.4%	90,557	51.9%	91,937	48.9%	(1,380)	-1.5%
Income (loss) from operations	$ 357	0.6%	$ 1,779	2.8%	$ (1,422)	-79.9%	$ (1,591)	-0.9%	$ 5,213	2.8%	$ (6,804)	N/M

† "Comparable" stores include only those locations that have been open and operated by the Company for all of each respective comparable period.

Results for all other stores are as follows:

	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent

(Dollars in thousands except share and per share data)

Net sales	$ 6,521	100.0%	$ 1,251	100.0%	$ 5,270	421.3%	$ 24,198	100.0%	$ 10,706	100.0%	$ 13,492	126.0%
Gross profit	3,358	51.5%	551	44.0%	2,807	509.4%	12,192	50.4%	5,350	50.0%	6,842	127.9%
SG&A expenses	3,892	59.7%	940	75.1%	2,952	314.0%	15,914	65.8%	8,157	76.2%	7,757	95.1%
New store pre-opening costs	254	3.9%	532	42.5%	(278)	-52.3%	1,117	4.6%	1,435	13.4%	(318)	-22.2%
Loss from operations	$ (788)	-12.1%	$ (921)	-73.6%	$ 133	-14.4%	$ (4,839)	-20.0%	$ (4,242)	-39.6%	$ (597)	14.1%

*40 weeks for fiscal 2019 as compared with 39 weeks for fiscal 2018.

Quarterly Analysis of Results - Retail

The increase in net sales for the 71 Company-owned BHF stores was driven by a $5,270 increase in non-comparable store sales as we have opened 9 stores over the last 18 months, partially offset by a 6.5% decline in sales for the 61 comparable stores.

While we do not recognize sales until goods are delivered to the consumer, management tracks written sales (the retail dollar value of sales orders taken, rather than delivered) as a key store performance indicator. Written sales for comparable stores decreased by 8.7% for the third quarter of 2019 as compared to the third quarter of 2018.

Comparable store gross margins for the third quarter of 2019 were unchanged compared to the prior year period. The increase in SG&A expenses for comparable stores as a percentage of sales to 51.6% was primarily due to a de-leveraging of fixed costs from lower sales volumes and higher financing costs as more of our retail customers chose to finance their purchases through our third-party credit provider. These increases were partially offset by various fixed cost decreases that resulted from changes to our cost structure.

The $133 decrease in the operating loss from non-comparable stores for the third quarter of 2019 includes new store pre-opening costs of $254 compared to $532 for the prior year period. We incur losses in the first two to three months of operation following a store opening as sales are not recognized in the income statement until the furniture is delivered to its customers resulting in operating expenses without the normal sales volume. Because we do not maintain a stock of retail inventory that would result in quick delivery, and because of the custom nature of the furniture offerings, such deliveries are generally not made until after 30 days from when the furniture is ordered by the customer. Coupled with the pre-opening costs, total start-up losses typically amount to $400 to $600 per store. During the third quarter of 2019 we incurred $65 of post-opening losses associated with one new store opened during the second quarter of 2019 compared to $57 of post-opening losses associated with other locations during the third quarter of 2018.

Each addition to our Company-owned store network results in incremental fixed overhead costs, primarily associated with local store personnel, occupancy costs and warehousing expenses. The incremental SG&A expenses associated with each new store will be ongoing.

Year-to-date Analysis of Results - Retail

The decrease in net sales for the 71 Company-owned BHF stores was driven by a 7.2% decrease for the 56 comparable stores from the first nine months of fiscal 2018, offset by a $13,492 increase in non-comparable store sales as we have opened 14 stores over the last 24 months. On an average weekly basis (normalizing for the extra week in the first nine months of 2019), comparable store sales decreased 9.5%.

While we do not recognize sales until goods are delivered to the consumer, management tracks written sales (the retail dollar value of sales orders taken, rather than delivered) as a key store performance indicator. Written sales for comparable stores decreased by 6.3% for the first nine months of 2019 as compared to the first nine months of 2018. On an average weekly basis, comparable store written sales decreased 8.6%.

The decrease in comparable store gross margins was primarily due to increased wholesale costs as a result of tariffs on Chinese products instituted in late 2018 along with higher costs of freight, both of which were passed on in a wholesale price increase in January 2019. Although most of our goods are domestically made, and most of our other goods are imported from countries outside of China, the tariffs have had a significant impact on the cost of a portion of the fabric that we use in our upholstered furniture manufactured in the United States. We implemented a price increase late in the second quarter to mitigate these cost increases. Gross margins were also impacted by increased clearance activity primarily in the first quarter of 2019 due to the launch of the new custom upholstery program and the selloff of existing floor samples and other clearance product as a result of the repositioning of two stores in the Houston market late in 2018.

The increase in SG&A expenses for comparable stores as a percentage of sales to 51.9% was primarily due to a de-leveraging of fixed costs from lower sales volumes, inefficiencies in the warehouse and home delivery operation, higher employee health care expenses from unfavorable claim experience primarily in the first quarter of 2019 and higher financing costs as more of our retail customers chose to finance their purchases through our third-party credit provider. These increases were partially offset by various fixed cost decreases that resulted from changes to our cost structure.

The $597 increase in the operating loss from non-comparable stores for the first nine months of 2019 includes new store pre-opening costs of $1,117 compared to $1,435 for the prior year period. We incur losses in the first two to three months of operation following a store opening as sales are not recognized in the income statement until the furniture is delivered to its customers resulting in operating expenses without the normal sales volume. Because we do not maintain a stock of retail inventory that would result in quick delivery, and because of the custom nature of the furniture offerings, such deliveries are generally not made until after 30 days from when the furniture is ordered by the customer. Coupled with the pre-opening costs, total start-up losses typically amount to $400 to $600 per store. During the first nine months of 2019 we incurred $1,192 of post-opening losses associated with five of the new stores opened during the first nine months of 2019 compared to $1,208 of post-opening losses associated with other locations during the first nine months of 2018.

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
AUGUST 31, 2019
(Dollars in thousands except share and per share data)

Each addition to our Company-owned store network results in incremental fixed overhead costs, primarily associated with local store personnel, occupancy costs and warehousing expenses. The incremental SG&A expenses associated with each new store will be ongoing.

Retail Backlog

The dollar value of our retail backlog, representing orders received but not yet delivered to customers, was $28,247, or an average of $398 per open store, at August 31, 2019 as compared with a retail backlog of $28,411, or an average of $444 per open store, at August 25, 2018.

Logistical Services Segment

Results for our logistical services segment for the three and nine months ended August 31, 2019 and August 25, 2018 are as follows:

	Quarter Ended				Change		Nine Months Ended*				Change	
	August 31, 2019		August 25, 2018		Dollars	Percent	August 31, 2019		August 25, 2018		Dollars	Percent
Logistical services revenue	$ 18,899	100.0%	$ 20,119	100.0%	$ (1,220)	-6.1%	$ 60,743	100.0%	$ 62,770	100.0%	$ (2,027)	-3.2%
Operating expenses	18,289	96.8%	19,980	99.3%	(1,691)	-8.5%	59,169	97.4%	62,012	98.8%	(2,843)	-4.6%
Income from operations	$ 610	3.2%	$ 139	0.7%	$ 471	338.8%	$ 1,574	2.6%	$ 758	1.2%	$ 816	107.7%

*40 weeks for fiscal 2019 as compared with 39 weeks for fiscal 2018.

Quarterly Analysis of Operations – Logistical Services

The decrease in revenues was primarily due to the previously announced discontinuation of home delivery services to third-party customers along with lower over the road trucking revenue, partially offset by revenue increases in third-party warehousing operations. The decrease in Zenith's operating expenses as a percent of sales was primarily due to reduced expenses due to the elimination of the home delivery operation.

Year-to-date Analysis of Operations – Logistical Services

On an average weekly basis (normalizing for the extra week in the first nine months of fiscal 2019), revenues for Zenith decreased $3,545 or 5.7%. This decrease was primarily due to the previously announced discontinuation of home delivery services to third-party customers, partially offset by revenue increases in third-party warehousing operations. The decrease in Zenith's operating expenses as a percent of sales was primarily due to reduced expenses due to the elimination of the home delivery operation.

OtherItems Affecting NetIncome

Early Retirement Program

During the first quarter of fiscal 2019, we offered an early retirement package to certain eligible employees of the Company. Twenty-three employees accepted the offer, which expired on February 28, 2019. These employees are to receive pay equal to one-half their current salary plus benefits over a period of one year from the final day of each individual's active employment. Accordingly, we recognized a charge of $835 during the nine months ended August 31, 2019. The unpaid obligation of $564 at August 31, 2019 will substantially be paid out within one year.

PART I-FINANCIAL INFORMATION-CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
AUGUST 31, 2019
(Dollars in thousands except share and per share data)

Other Loss, Net

Other loss, net, for the three months ended August 31, 2019 was $298 as compared to $492 for the three months ended August 25, 2018. The decreased net loss is primarily attributable to lower net costs associated with Company-owned life insurance and increased interest income due to rising yields on our short-term investments compared to the prior year period.

Other loss, net, for the nine months ended August 31, 2019 was $566 as compared to $1,352 for the nine months ended August 25, 2018. The decreased net loss is primarily attributable to larger total death benefits received in fiscal 2019 from life insurance policies covering former executives, increased interest income due to rising yields on our short-term investments compared to the prior year period and lower interest expense due to overall lower levels of debt.

Income Taxes and Impact of Tax Cuts and Jobs Act

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income could have a significant impact on our effective tax rate for the respective quarter.

(Dollars in thousands except share and per share data)

On December 22, 2017, The Tax Cuts and Jobs Act (the "Act") was signed into law. The Act reduced the federal statutory corporate income tax rate from 35% to 21% effective January 1, 2018 for all corporate taxpayers. Our effective tax rates of 30.5% and 28.4% for the three and nine months ended August 31, 2019, respectively, differ from the federal statutory rate of 21% primarily due to the effects of state income taxes and various permanent differences.

Because the Act specified the new 21% tax rate beginning on January 1, 2018, we were only subject to the reduced rate for 11 months of 2018. Therefore, we computed our income tax expense for fiscal 2018 using a blended federal statutory rate of 22.2%. Our effective tax rates for the three and nine months ended August 25, 2018 of 23.1% and 40.8%, respectively. The effective tax rate for the nine months ended August 25, 2018 differs from the blended statutory rate primarily due to a discrete charge of $2,032 arising from the re-measurement of our deferred tax assets at the lower statutory rate. Other items impacting our effective tax rate for the three and nine months ended August 25, 2018 included the effects of state income taxes and various permanent differences including the favorable impacts of excess tax benefits on stock-based compensation of $26 and $223, respectively, non-taxable life insurance proceeds of $266 during the nine months ended August 25, 2018, and the Section 199: Domestic Production Activities Deduction, which was eliminated by the Act for our fiscal 2019 tax return.

Liquidity and Capital Resources

Cash Flows

Although we generated $6,883 in operating cash flow for the third quarter of 2019, cash used in operations for the first nine months of 2019 was $2,059 compared to $11,630 provided by operations for the first nine months of 2018, representing an increase in cash used of $13,689. This increase use of cash is primarily due to increased investment in inventory due to opening new stores, other changes in working capital due in part to the timing impact of the additional week in the current fiscal year and lower comparable store sales on an average weekly basis resulting in reduced cash flows.

Our overall cash position decreased by $18,830 during the first nine months of 2019. In addition to the cash used in operations, we had a net use of $6,038 of cash in investing activities, primarily consisting of capital expenditures associated with retail store expansion and relocations partially offset by the maturity of $5,000 of our investment in CDs. Net cash used in financing activities was $10,733, including dividend payments of $3,867 and stock repurchases of $6,845 under our existing share repurchase plan, of which $11,139 remains authorized at August 31, 2019. With cash and cash equivalents and short-term investments totaling $32,281 on hand at August 31, 2019, expected future operating cash flows, expected reduced capital expenditures from fewer store openings and the availability under our credit line noted below, we believe we have sufficient liquidity to fund operations for the foreseeable future.

Debt and Other Obligations

Our credit facility with our bank provides for a line of credit of up to $25,000. This credit facility is unsecured and contains covenants requiring us to maintain certain key financial ratios. We are in compliance with all covenants under the agreement and expect to remain in compliance for the foreseeable future. The credit facility will mature in December 2021. At August 31, 2019, we had $2,798 outstanding under standby letters of credit against our line, leaving availability under our credit line of $22,202. In addition, we have outstanding standby letters of credit with another bank totaling $325.

We lease land and buildings that are used in the operation of our Company-owned retail stores as well as in the operation of certain of our licensee-owned stores, and we lease land and buildings at various locations throughout the continental United States for warehousing and distribution hubs used in our logistical services segment. We also lease tractors, trailers and local delivery trucks used in our logistical services and retail segments. We had obligations of $183,342 at August 31, 2019 for future minimum lease payments under non-cancelable operating leases having remaining terms in excess of one year. We also have guaranteed certain lease obligations of licensee operators. Remaining terms under these lease guarantees range from approximately one to five years. We were contingently liable under licensee lease obligation guarantees in the amount of $1,818 at August 31, 2019. See Note 11 to our condensed consolidated financial statements for additional details regarding our leases and lease guarantees.

Investment in Retail Real Estate

We have a substantial investment in real estate acquired for use as retail locations. To the extent such real estate is occupied by Company-owned retail stores, it is included in property and equipment, net, in the accompanying condensed consolidated balance sheets and is considered part of our retail segment. The net book value of such retail real estate occupied by Company-owned stores was $19,554 at August 31, 2019. All other retail real estate that we own, consisting of locations formerly leased to our licensees and now leased to others, is included in other assets in the accompanying condensed consolidated balance sheets. The net book value of such real estate, which is considered part of our wholesale segment, was $1,577 at August 31, 2019.

The following table summarizes our total investment in retail real estate owned at August 31, 2019:

	Number of Locations	Aggregate Square Footage	Net Book Value
Real estate occupied by Company-owned and operated stores, included in property and equipment, net	9	223,570	$ 19,554
Investment real estate leased to others, included in other assets	2	41,021	1,577
Total Company investment in retail real estate	11	264,591	$ 21,131

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Annual Report on Form 10-K for the fiscal year ended November 24, 2018.

Off-Balance Sheet Arrangements

We utilize stand-by letters of credit in the procurement of certain goods in the normal course of business. We lease land and buildings that are primarily used in the operation of both Company-owned and licensee stores as well as land and buildings used in our logistical services segment. We also lease transportation equipment used in our logistical services segment. In addition, we have guaranteed certain lease obligations of licensee operators for some of their store locations. See Note 11 to our condensed consolidated financial statements for further discussion of operating leases and lease guarantees, including descriptions of the terms of such commitments and methods used to mitigate risks associated with these arrangements.

Contingencies

We are involved in various legal and environmental matters, which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, it is our opinion that the final resolution of these matters will not have a material adverse effect on our financial position or future results of operations. See Note 11 to our condensed consolidated financial statements for further information regarding certain contingencies as of August 31, 2019.

Item 3. Quantitative and Qualitative Disclosure about Market Risk:

We are exposed to market risk from changes in the value of foreign currencies. Substantially all of our imports purchased outside of North America are denominated in U.S. dollars. Therefore, we believe that gains or losses resulting from changes in the value of foreign currencies relating to foreign purchases not denominated in U.S. dollars would not be material to our results from operations in fiscal 2018.

We are exposed to market risk from changes in the cost of raw materials used in our manufacturing processes, principally wood, woven fabric, and foam products. The cost of foam products, which are petroleum-based, is sensitive to changes in the price of oil.

We are also exposed to commodity price risk related to diesel fuel prices for fuel used in our logistical services and retail segments. We manage our exposure to that risk primarily through the application of fuel surcharges to our customers.

We have potential exposure to market risk related to conditions in the commercial real estate market. Our retail real estate holdings of $1,577 at August 31, 2019 for stores formerly operated by licensees as well as our holdings of $19,554 at August 31, 2019 for Company-owned stores could suffer significant impairment in value if we are forced to close additional stores and sell or lease the related properties during periods of weakness in certain markets. Additionally, if we are required to assume responsibility for payment under the lease obligations of $1,818 which we have guaranteed on behalf of licensees as of August 31, 2019, we may not be able to secure sufficient sub-lease income in the current market to offset the payments required under the guarantees.

Item 4. Controls and Procedures:

The Company's principal executive officer and principal accounting officer have evaluated the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon their evaluation, the principal executive officer and principal accounting officer concluded that the Company's disclosure controls and procedures are effective. There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Safe-harbor, forward-looking statements:

The discussion in items 2 and 3 above 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 and subsidiaries. Such forward-looking statements are identified by use of forward-looking words such as *"anticipates"*, *"believes"*, *"plans"*, *"estimates"*, *"expects"*, *"aims"* and *"intends"* or words or phrases of similar expression. These forward-looking statements involve certain risks and uncertainties. No assurance can be given that any such matters will be realized. Important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include:

- competitive conditions in the home furnishings industry

- general economic conditions, including the strength of the housing market in the United States
- overall retail traffic levels and consumer demand for home furnishings
- ability of our customers and consumers to obtain credit
- Bassett store openings and store closings and the profitability of the stores (independent licensees and Company-owned retail stores)
- ability to implement our Company-owned retail strategies and realize the benefits from such strategies, including our initiatives to expand and improve our digital marketing capabilities, as they are implemented
- fluctuations in the cost and availability of raw materials, fuel, labor and sourced products, including those which may result from the imposition of new or increased duties, tariffs, retaliatory tariffs and trade limitations with respect to foreign-sourced products
- results of marketing and advertising campaigns
- effectiveness and security of our information and technology systems
- future tax legislation, or regulatory or judicial positions
- ability to efficiently manage the import supply chain to minimize business interruption
- concentration of domestic manufacturing, particularly of upholstery products, and the resulting exposure to business interruption from accidents, weather and other events and circumstances beyond our control
- general risks associated with providing freight transportation and other logistical services through our wholly-owned subsidiary, Zenith Freight Lines, LLC

Additionally, other risks that could cause actual results to differ materially from those contemplated by such forward-looking statements are set forth in Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for fiscal 2018.

You should keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as of the date on which such forward-looking statement is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this discussion after the date hereof, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that the events described in any forward-looking statement made in this report or elsewhere, might not occur.

PART II - OTHER INFORMATION
BASSETT FURNITURE INDUSTRIES INCORPORATED AND SUBSIDIARIES
AUGUST 31, 2019
(Dollars in thousands except share and per share data)

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table summarizes the stock repurchase activity by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act, for the three months ended August 31, 2019 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

	Total Shares Purchased	Average Price Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
June 2 - July 6, 2019	42,815	$ 13.99	42,815	$ 15,038
July 7 - August 3, 2019	282,868	$ 12.78	282,868	$ 11,422
August 4 - August 31, 2019	22,700	$ 12.47	24,700	$ 11,139

(1) The Company is authorized to repurchase Company stock under a plan which was originally announced in 1998. On October 3, 2018, the Board of Directors increased the remaining limit of the repurchase plan to $20,000. At August 31, 2019, $11,139 remains available for stock repurchases under the plan.

Item 3. Defaults Upon Senior Securities

None.

Item 6. Exhibits

a. Exhibits:

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

Exhibit 3b – By-laws as amended to date are incorporated herein by reference to Exhibit 3 to Form 8-K filed with the SEC on January 22, 2019.

Exhibit 4 – Registrant hereby agrees to furnish the SEC, upon request, other instruments defining the rights of holders of long-term debt of the Registrant.

Exhibit 31a – Chief Executive Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31b – Chief Financial Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32a – Chief Executive Officer's certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32b – Chief Financial Officer's certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 101.INS XBRL Instance

Exhibit 101.SCH XBRL Taxonomy Extension Schema

Exhibit 101.CAL XBRL Taxonomy Extension Calculation

Exhibit 101.DEF XBRL Taxonomy Extension Definition

Exhibit 101.LAB XBRL Taxonomy Extension Labels

Exhibit 101.PRE XBRL Taxonomy Extension Presentation

Exhibit 104. Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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 thereunto duly authorized.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

/s/ ROBERT H. SPILMAN, JR.
Robert H. Spilman, Jr., Chairman and Chief Executive Officer
October 3, 2019

/s/ J. MICHAEL DANIEL
J. Michael Daniel, Senior Vice President and Chief Financial Officer
October 3, 2019

Exhibit 31a

CERTIFICATIONS

I, Robert H. Spilman, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bassett Furniture Industries, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 3, 2019

/s/ Robert H. Spilman, Jr.
Robert H. Spilman, Jr., Chairman and Chief Executive Officer

Exhibit 31b

CERTIFICATIONS

I, J. Michael Daniel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bassett Furniture Industries, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 3, 2019

/s/ J. MICHAEL DANIEL
J. Michael Daniel, Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bassett Furniture Industries, Incorporated (the “Company”) on Form 10-Q for the period ending August 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert H. Spilman, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 3, 2019

/s/ ROBERT H. SPILMAN, JR.
Robert H. Spilman, Jr.,
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Bassett Furniture Industries, Incorporated and will be retained by Bassett Furniture Industries, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32b

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bassett Furniture Industries, Incorporated (the “Company”) on Form 10-Q for the period ending August 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Michael Daniel, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 3, 2019

/s/ J. MICHAEL DANIEL
J. Michael Daniel,
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Bassett Furniture Industries, Incorporated and will be retained by Bassett Furniture Industries, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.