

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934**

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-12

Bassett Furniture Industries, Incorporated

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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Bassett Investor Presentation

April 2008

NASDAQ: BSET

Agenda

- Business Overview & Industry Update
- Retail Growth Strategy
- Rollout & Repositioning Plan
- Balance Sheet
- Costa Brava's Bid for Control

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Business Overview

- 130 stores – 32 corporate & 98 licensed
- 75% of sales through store network
- 3 regional distribution centers
- Wholesale sales nearly 60% import, 40% domestic
 - 2 domestic manufacturing facilities focused on executing our unique merchandising strategy
- 1,420 employees – 570 in corporate retail stores
- Becoming a hybrid between specialty & furniture store
- Offering alternative to more expensive competition
 - Local design center
 - Ethan Allen
 - Thomasville

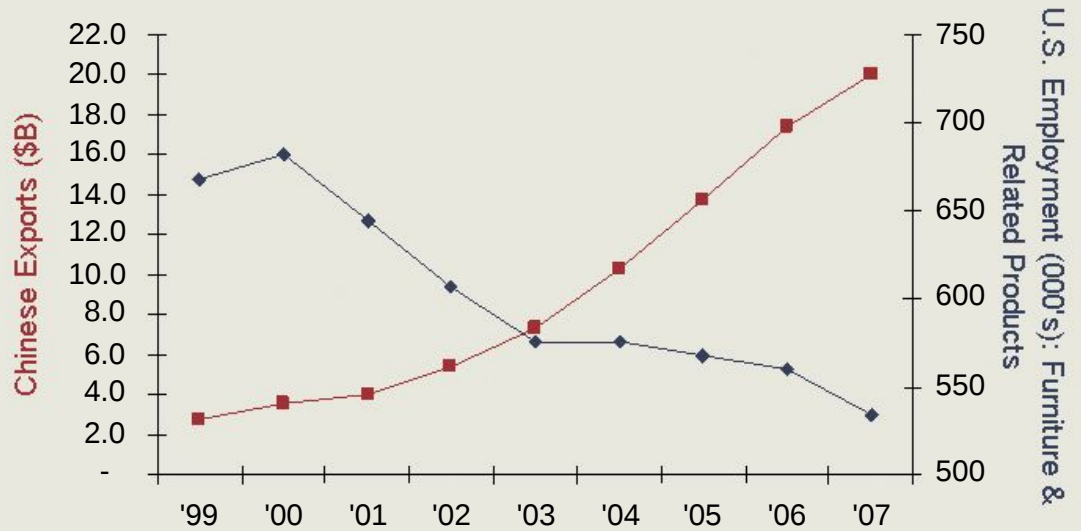
Furniture Industry Update

- From 1999 – 2007, China's furniture exports ⁽¹⁾ have grown 640% from approximately \$3bn to over \$20bn
- Mass merchandisers (e.g., Wal-Mart, Target, Costco) have taken share and pressured margins of pure Home Furnishings retailers
- Slowdown within the housing industry has put added pressure on the home furnishings industry

Source – U.S. Dept. of Labor

China Furniture Exports & U.S. Furniture Employment 1999 - 2007

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*Chinese exports data per the China National Furniture Association.
U.S. employment data per the U.S. Bureau of Labor Statistics.*

Home Furnishing Consolidatio

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- Difficult industry conditions have led to consolidation
 - 209 bankruptcies since 1999; 171 in the last five years (*)
 - Numerous M&A transactions
- November 8, 2007 - Levitz Furniture Inc. declared its third bankruptcy in ten years
 - The furniture chain is undergoing outright liquidation of its assets
- February 4, 2008 – Wickes Furniture, retail furniture chain with 40 stores across the country, filed for Chapter 11 bankruptcy

(*) Source - CapitalIQ

Industry Undergoing Change

- Numerous domestic manufacturing closures; companies shift to outsourced production
- Renewed retail focus with dedication to improving/attaining profitability, store presentation and improved customer service
- New financial strategies
 - Capital raise (e.g., STLY's \$25m private placements)
 - Credit facilities refinanced (e.g., FNB and LZB)
 - Dividend decreases (e.g., FBN 75% decrease and LZB 67% decrease)
 - Share repurchase authorization and purchase (e.g., ETH, HOFT, LEG and STLY)

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Retail Growth Strategy

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Building a Specialty Furniture Retail Brand

- Strengthen retail talent
- Execute new product strategy
- A new store prototype
- Modernize marketing effort
- Strengthen our Design Services
- Build national consistency in our network

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Strengthen Retail Talent

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Retail Leadership

- Hired Jason Camp as SVP Retail
 - Restoration Hardware
- Hired Barbara Kurgan as Creative Advisor
 - Martha Stewart, Elle Decor
- Upgraded talent in key retail leadership roles.

Retail Store Talent

- Investing heavily in recruitment and development of high quality retail talent
- Leveraging monthly sessions of Bassett University for both retail managers and design consultants

New Product Strategy

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- Become a style leader within 4 lifestyles
- Strengthen offering in custom furniture
- Create a clear price / value point of differentiation from EA, Thomasville and Pottery Barn
- Strengthen design capabilities with a fully coordinated assortment
- Grow accessory / drapery business

A New Store Prototype

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- Create 3 custom workshops
 - Upholstery, Dining and Storage
- Showcase our 4 lifestyles
 - More residential scale and design
- Create authority in Design Services
- Create a Home Entertainment destination
 - Sectionals, Motion and Wall Units
- Build authority in Accessories
 - Drapery, Rugs, Lighting and Mirrors

New Store Format

- 3 custom workshops
 - 4 Lifestyles
 - More residential scale
- Design Services
- Authority in Accessories
- Home Entertainment



A New Store Prototype

Early results are very encouraging

- 5 new stores are now open
- Higher average volume
- Higher average transaction
- Higher conversion rate

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Modernize Marketing Effort

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Website

- A critical research tool for furniture shoppers
- Piloting web commerce this summer

Catalog

- Will mail 9m across 8 drops this year

Design Resource Guide

- Launch first bi-annual book this fall

Television

- Gain national strength and consistency through TV

Strengthen our Design Services

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- Thoughtful accents and accessories
 - Wall art and mirrors
 - Lighting & decorative accessories
- Fully coordinated textiles assortment
 - Upholstery Fabrics
 - Leather Assortment
 - Rugs / Rug Squares
 - Custom Drapery in 30 days
 - Stocked top of bed
 - Stocked pillows

Strengthen our Design Services

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- Talented Design Consultants
 - Aggressively recruiting and developing high quality Design Consultants
 - Launching Bassett University
- Tools, Technology and Resources
 - Presentation Rooms in new stores
 - Prevue & Room Planner in stores/web
 - Design Resource Guide
- Marketing the Capability
 - Web, catalog, DRG, TV and Stores

Retail Strategy Summary

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Early results are encouraging

- New products are selling briskly
- New stores are delivering better performance
- Design Services are increasing
- Our national network is gaining consistency

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Growth Strategy – Rollout Plan (2008 – 2010)

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- Closing underperforming stores
 - 20 to 25 stores over next three years
- Investing in new stores – 13 to 19
- Converting and remodeling a certain number of stores

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Retail Store Network

(includes both Corporate and Licensee owned stores)

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- Targeting improvement in average annual sales per store
 - \$3.1 million in 2007 to \$3.7 million in 2010
- Based on achieving a new store annual top line target of \$4.0 to \$4.6 million

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Rollout & Repositioning Plan

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	<u>Today</u>	<u>Targeted End of 2010</u>	
Corporate			
New prototype	3	15 to 20	
Old prototype	<u>29</u>	<u>16 to 18</u>	(100% remodeled)
	32	31 to 38	
Licensed			
New prototype	2	6 to 10	
Old prototype	<u>96</u>	<u>78 to 88</u>	(50% remodeled)
	98	84 to 98	
	<u>130</u>	<u>115 to 136</u>	

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Store Conversions & Remodels

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	<u>2008</u>	<u>Target 2009</u>	<u>Target 2010</u>
Corporate Conversions	2	2	2
Corporate Remodels	3	4	4
Licensee Remodels	10 to 12	10 to 15	10 to 15

- Conversion is a complete store redesign to incorporate all of the facets of the new store prototype. This represents a significant capital investment.
- Remodel is a redesign that is less in scope and incorporates only certain facets of the new store prototype. The capital investment is considerably less.

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Planned Capital Spending for New Prototype Stores

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	2008	Target 2009	Target 2010
Conversions/Remodels	\$ 2.6	\$3 to \$4	\$3 to \$4
New Stores	1.5	*7 to 8	*7 to 8
	<u>\$ 4.1</u>	<u>\$10 to \$12</u>	<u>\$10 to \$12</u>

- 2009 and 2010 targets based on new stores achieving targeted performance levels. Our Board has not approved 2009 and 2010 capital spending.
- Based on certain percentage of leases versus owned real estate on new stores. New store real estate could be financed with mortgages.

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Targeted Store Economics

- Assumes 16,000 square foot retail stores built for \$100 per square foot
- Approximately \$53 per square foot of tenant improvements and initial inventory costs of \$0.5 million
- Total new store investment of \$4.5 million
 - Buy \$4.5m, Lease \$1.4m
- Retail segment growth drives Wholesale revenue and enables the Company to capitalize on the Bassett brand
- Wholesale Contribution - \$400k on a \$4.4 million store
- Retail Contribution - \$200k to \$500k for store depending on real estate
- Targeted Pretax Returns
 - Buy 18 – 22%, Lease 35 to 40%
 - Conversion 18 – 22%

Actual & Targeted Store Performance

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	<u>Current Bassett Fleet</u>	<u>Targeted New Bassett Stores</u>	<u>Targeted Total Fleet - 2010</u>
Avg. Sales per sq.ft.	\$180	\$275	\$220
Average Size	17,200	16,000	16,800
Avg. Sales per store	\$3.1 mil.	\$4.4 mil.	\$3.7 mil.

Note - Five new stores are currently achieving targeted levels on average.

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Balance Sheet

- Our balance sheet is bolstered by two significant investments/assets

1. Investment Portfolio (Q1 est.)

	3/1/2008
▪ Marketable Securities	\$21.2
▪ Alternative Asset Fund	\$46.8
	<u>\$68.0</u>
2. International Home Furnishings Center
 - Listed on the balance sheet as a liability due to dividends received being in excess of earnings recorded

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Balance Sheet

- This strong balance sheet HAS allowed us to:
 - Pay out more than \$48 million in dividends over the past five years (very important to many of our long-term shareholders)
 - Invest in store real estate
 - Sign leases for store expansion
 - \$96 million commitment at 11/24/07
 - Guarantee leases for certain licensees
 - \$13 million at 11/24/07

Balance Sheet

- We anticipate our strong balance sheet WILL allow us to:
 - Continue paying an attractive dividend
 - Weather current difficult industry conditions
 - Prudently execute our long-term retail growth strategies
 - New stores
 - Conversions and remodels

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March 17, 2008 Release

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- Reinforces our belief in long-term viability of the furniture business and continued expansion of the retail program
- Will liquidate significant portion of our investment portfolio over the next two years to:
 - Invest in store program – real estate
 - \$10 – 12 million per year
 - Subject to the success of new stores
 - Return monies to shareholders
 - Increased dividend \$.225 for 6/1/08
 - Increased share repurchase authorization and more aggressive repurchase program

April Release

- Since the March 17 release, Bassett shareholders
 - have offered strong support for the increased ongoing dividend and aggressive continuation of share repurchase program
 - have expressed strong sentiment for immediate return
 - have noted concern over level of capital spending
- Bassett adjusts its financial plan by reducing capital spending by \$15 million over next four years
- Bassett's Board's intent is to support additional dividend of \$1.25 per share representing nearly \$15 million in additional shareholder return, for a total of \$35 million over the next year or so
- Bassett's Board and advisors conclude that a substantially larger dividend at this time would impair the Company's strong balance sheet and would be imprudent given the downturn in the furniture industry and tight credit conditions

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Who is Costa Brava?

- A Bassett shareholder for less than four months
- Nominees appear to have no experience or expertise in the home furnishings or retail business of any kind
- Sought control without stating any plan for the future of the company
- Now presents a platform that unwisely promises unachievable short-term

What Costa Brava Doesn't Say

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- In just 10 years, while numerous furniture companies have failed, Bassett has moved from manufacturing to retailing with over \$400 million in annualized sales
- The Company's retail plan
 - Is the culmination of more than two years of extensive study and consultation
 - Has been cautiously implemented and will go forward based on demonstrated returns
 - Relies on a continued strong balance sheet and a measured approach to new liabilities
 - Capitalizes on high brand recognition and more than a century of consumer trust

Costa Brava's letter is wrong.

- Costa Brava says Bassett's plan is too uncertain and is based on a "very short observation period."
- Costa Brava is **wrong**. Bassett's plan is the culmination of more than two years of extensive study and consultation.
- Costa Brava says Bassett's plan involves "high price" and "high risk".
- Costa Brava is **wrong**. Bassett's plan has proceeded cautiously and will go forward based on demonstrated returns.
- Costa Brava says Bassett's plan will lead to increased liabilities.
- Costa Brava is **wrong**. Bassett's plan relies on a continued strong balance sheet and the measured assumption of new liabilities.
- Costa Brava says Bassett "has neither the brand recognition nor the scale necessary to execute its plan."
- Costa Brava is **wrong**. Bassett's plan relies on high name recognition and more than a century of building consumer trust. In just 10 years, Bassett has built one of the largest furniture retailing networks in the country with over \$400 million in annualized sales.

What the Company is already providing shareholders

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- Cautious execution of its business plan without depletion or deterioration of shareholder value
- Immediate return of nearly \$15 million of shareholder value through issuance of a \$1.25 dividend plus \$20 million to be used for share repurchases
- An increased and substantial regular quarterly dividend
- Continued evaluation of all strategic alternatives by the Board

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Bassett's Board of Directors Deserves Your Support

- Overwhelmingly independent (7/9); no insiders or affiliated outsiders on key committees
- Significant home furnishings and retail experience and expertise
- Detailed plan for maximizing and delivering value to shareholders; will use undervalued non-operating assets:
 - To return capital to shareholders in the form of an immediate dividend, increased regular dividends and aggressive stock repurchases
 - To invest prudently in the company's retail growth plan based on the success of the new prototype stores

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Summary

- Conditions are tough but your Board has experience and a plan to build shareholder value
- Retail strategies properly executed should allow Bassett to take market share without risking valuable assets
- Growth plan as outlined will allow Bassett to gain consistency and needed scale
- Recent Board action demonstrates commitment to providing immediate shareholder return while ensuring enhanced shareholder value over the long term
- Vote FOR the Bassett nominees on the Company's WHITE proxy card

Certain of the statements in this presentation, particularly those preceded by, followed by or including the words “believes,” “expects,” “anticipates,” “intends,” “should,” “estimates,” or similar expressions, or those relating to or anticipating financial results for periods beyond the fiscal year 2007, constitute “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended. For those statements, Bassett claims the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995. In many cases, Bassett cannot predict what factors would cause actual results or future actions to differ materially from those indicated in the forward looking statements. Expectations included in the forward-looking statements are based on preliminary information as well as certain assumptions which management believes to be reasonable at this time. The following important factors affect Bassett and could cause actual results or future actions to differ materially from those indicated in the forward looking statements: delays or difficulties in converting some of its non-operating assets to cash, tax planning considerations, negotiations with third parties who have an interest in some of the non-operating assets in which the Company has an interest, economic, competitive, governmental and other factors identified in Bassett’s filings with the Securities and Exchange Commission, and the effects of national and global economic or other conditions and future events on the retail demand for home furnishings. Financial estimates included in this presentation have been prepared in accordance with historical accounting practices and do not reflect the effect of any recent changes in accounting principles or guidance, including the effects, if any, of Statement of Financial Accounting Standards No. 157 – “Fair Value Measurements.”