BASSETT FURNITURE INDUSTRIES INC
Form 10-Q
October 04, 2007
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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 25, 2007

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. 0-209

BASSETT FURNITURE INDUSTRIES, INCORPORATED

(Exact name of Registrant as specified in its charter)

Virginia	**54-0135270**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**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)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer ¨ Accelerated Filer x Non-accelerated Filer ¨

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 August 25, 2007, 11,806,334 shares of common stock of the Registrant were outstanding.

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BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

FOR THE PERIODS ENDED AUGUST 25, 2007 AND AUGUST 26, 2006-UNAUDITED

(In thousands except per share data)

	Quarter Ended		Nine Months Ended	
	August 25, 2007	As restated August 26, 2006	August 25, 2007	As restated August 26, 2006
Net sales	$ 70,497	$ 77,560	$ 219,349	$ 251,712
Cost of sales	45,847	54,226	148,442	173,264
Gross profit	24,650	23,334	70,907	78,448
Selling, general and administrative	27,123	24,854	79,005	77,947
Restructuring and asset impairment charges			5,544	
Lease exit costs			1,934	
Income (loss) from operations	(2,473)	(1,520)	(15,576)	501
Other income, net	785	1,175	4,477	5,974
Income (loss) before income taxes	(1,688)	(345)	(11,099)	6,475
Income tax (provision) benefit	2,364	402	5,168	(1,405)
Net income (loss)	$ 676	$ 57	$ (5,931)	$ 5,070
Retained earnings-beginning of period	140,201	155,840	151,535	155,555
Dividends declared	(2,362)	(2,360)	(7,089)	(7,088)
Retained earnings-end of period	$ 138,515	$ 153,537	$ 138,515	$ 153,537
Basic earnings (loss) per share	$ 0.06	$ 0.01	$ (0.50)	$ 0.43
Diluted earnings (loss) per share	$ 0.06	$ 0.01	$ (0.50)	$ 0.43
Dividends per share	$ 0.20	$ 0.20	$ 0.60	$ 0.60

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

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PART I-FINANCIAL INFORMATION-CONTINUED

ITEM 1. FINANCIAL STATEMENTS

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

AUGUST 25, 2007 AND NOVEMBER 25, 2006

(In thousands)

	(Unaudited) August 25, 2007	November 25, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 4,360	$ 6,051
Accounts receivable, net	40,704	38,253
Inventories	44,049	48,880
Deferred income taxes	4,915	6,391
Assets held for sale		1,091
Other current assets	10,297	6,812
Total current assets	104,325	107,478
Property and equipment		
Cost	155,225	169,100
Less accumulated depreciation	103,199	110,175
Property and equipment, net	52,026	58,925
Investments	78,193	78,617
Retail real estate	31,200	33,501
Notes receivable, net	14,296	13,391
Deferred income taxes	11,081	5,657
Other	13,429	12,368
	148,199	143,534
Total assets	$ 304,550	$ 309,937
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 18,954	$ 16,927
Customer deposits	7,594	8,310
Short-term revolving debt	6,000	
Other accrued liabilities	20,915	18,323
Total current liabilities	53,463	43,560
Long-term liabilities		
Post employment benefit obligations	15,051	15,263
Long-term revolving debt		4,000

Real estate notes payable	19,022	19,522
Distributions in excess of affiliate earnings	13,427	11,726
Other long-term liabilities	1,517	
	49,017	50,511
Commitments and Contingencies		
Stockholders equity		
Common stock	59,032	59,018
Retained earnings	138,515	151,535
Additional paid-in-capital	2,100	1,993
Accumulated other comprehensive income	2,423	3,320
Total stockholders equity	202,070	215,866
Total liabilities and stockholders equity	$ 304,550	$ 309,937

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

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ITEM 1. FINANCIAL STATEMENTS

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED AUGUST 25, 2007 AND AUGUST 26, 2006-UNAUDITED

(In thousands)

	Nine Months Ended	
		As restated
	August 25, 2007	August 26, 2006
Operating activities:		
Net income (loss)	$ (5,931)	$ 5,070
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	6,864	6,886
Equity in undistributed income of investments and unconsolidated affiliated companies	(6,358)	(7,193)
Provision for restructuring and asset impairment costs	5,544	
Provision for lease exit costs	1,934	
Realized income from investments	(2,393)	(1,844)
Net loss from sales of property and equipment	33	
Provision for losses on trade accounts receivable	2,205	2,633
Deferred income taxes	(3,693)	(238)
Changes in post employment benefit obligations	(18)	(407)
Cash received on licensee notes for operating activities	100	28
Changes in operating assets and liabilities (exclusive of assets acquired in business combinations)		
Accounts receivable	(9,660)	(7,707)
Inventories	5,465	(1,897)
Other current assets	(3,283)	828
Accounts payable and accrued liabilities	2,487	(3,496)
Net cash used in operating activities	(6,704)	(7,337)
Investing activities:		
Purchases of property and equipment	(2,842)	(2,712)
Purchases of retail real estate	(40)	(3,552)
Proceeds from sales of property and equipment	3,111	1,826
Proceeds from sales of investments	13,134	18,227
Purchases of investments	(8,590)	(11,678)
Dividends from an affiliate	6,091	6,559
Proceeds from sale of certain assets of Weiman division		1,300
Net cash received (paid) on licensee notes	920	(465)
Other, net	(322)	(304)
Net cash provided by investing activities	11,462	9,201
Financing activities:		
Borrowings under revolving credit facility	2,000	5,000
Repayments of long-term debt	(770)	(372)
Repayments of real estate notes payable	(500)	(372)

Issuance of common stock	385	510
Repurchases of common stock	(476)	(910)
Cash dividends	(7,088)	(7,088)
Net cash used in financing activities	(6,449)	(3,232)
Change in cash and cash equivalents	(1,691)	(1,368)
Cash and cash equivalents - beginning of period	6,051	7,109
Cash and cash equivalents - end of period	$ 4,360	$ 5,741

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

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PART I-FINANCIAL INFORMATION-CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

AUGUST 25, 2007

(Dollars in thousands except share and per share data)

Note 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 for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated financial statements include the accounts of Bassett Furniture Industries, Incorporated (Bassett , we , our , the Company) and our majority owned subsidiaries of which we have operating control. The equity method of accounting is used for our investments in affiliated companies in which we exercise significant influence but do not maintain control, unless consolidated pursuant to Financial Accounting Standards Board (FASB) Revised Interpretation No. 46, Consolidation of Variable Interest Entities (FIN46R).

In order to drive price consistency throughout the Company s store network, the Company began, in July of 2007, invoicing certain wholesale customers on a fully landed basis such that the invoice price includes the freight charge for delivery. This business change resulted in approximately $1,020 of additional reported revenue and selling, general and administrative expenses for the quarter ended August 25, 2007.

As more fully discussed in our 2006 Form 10-K, the fiscal 2006 quarterly financial information was restated based on our review of the accounting treatment associated with our acquisition of three retail licensee operations in fiscal 2005 and the classification of certain notes receivable activity in the statement of cash flows. The effects of those restatements on the condensed consolidated financial statements for the quarter and nine months ended August 26, 2006 included herein are summarized below:

	Increase (Decrease)	
	Quarter Ended August 26, 2006	Nine Months Ended August 26, 2006
Gross profit	$ (627)	$ (1,176)
Operating income	(627)	(929)
Net income	(376)	(558)
Cash flow from operations	$	$ 28
Cash flow from investing activities		(28)

Note 2. Interim Financial Presentation:

All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. The results of operations for the quarter and nine months ended August 25, 2007, are not necessarily indicative of results for the fiscal year. It is suggested that the interim condensed consolidated financial statements 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 25, 2006.

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income or loss and use that effective rate to record our year-to-date income tax (provision) benefit. Any change in annual projections of pretax income or loss could have a significant impact on our effective tax rate for the respective quarter. Due to changes in our projected pretax loss, we recorded an additional tax benefit of $2,899 in the third quarter of 2007 to adjust the current tax benefit to the current anticipated effective tax rate.

Certain amounts in the 2006 condensed consolidated financial statements have been reclassified to more closely conform with the 2007 presentation.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

AUGUST 25, 2007

(Dollars in thousands except share and per share data)

Note 3. Inventories:

Inventories are valued at the lower of cost or market. Cost is determined for domestic furniture inventories using the last-in, first-out (LIFO) method. The costs for imported inventories are determined using the first-in, first-out (FIFO) method. During the quarter and nine months ended August 25, 2007 and August 26, 2006, we liquidated certain LIFO inventories which decreased cost of sales as follows:

	August 25, 2007	August 25, 2006
Quarter ended	$ 1,017	$ 770
Nine months ended	2,934	2,359

Inventories were comprised of the following:

	August 25, 2007	November 25, 2006
Finished goods	$ 31,407	$ 34,159
Work in process	384	987
Raw materials and supplies	7,461	10,111
Retail merchandise	12,830	14,472
Total inventories at FIFO	52,082	59,729
LIFO adjustment	(8,033)	(10,849)
	$ 44,049	$ 48,880

Note 4. Unconsolidated Affiliated Companies:

The International Home Furnishings Center (IHFC) owns and leases out floor space in a showroom facility in High Point, North Carolina. We owned 46.9% of IHFC at August 25, 2007, and August 26, 2006, and accounted for the investment using the equity method since we do not maintain operating control of IHFC. Our investment reflects a credit balance of $13,427 and $11,726 at August 25, 2007, and November 25, 2006, respectively, which is reflected in the liabilities section in the accompanying consolidated balance sheets as distributions in excess of affiliate earnings. Based on current and expected future earnings of IHFC, we believe the market value of this investment is positive and substantially greater than its negative book value of $13,427 at August 25, 2007. This negative book value resulted from IHFC s refinancing of its real estate based on the market value of the property and using the proceeds to pay a special dividend to its owners. We recorded income and received dividends from IHFC as follows:

	Quarter ended		Nine months ended	
	August 25, 2007	August 26, 2006	August 25, 2007	August 26, 2006
Income recorded	$ 1,404	$ 1,552	$ 4,390	$ 4,648
Dividends received	3,280	3,748	6,091	6,559

Summarized unaudited income statement information for IHFC for its first nine months of 2007 and 2006, respectively, is as follows:

	2007	2006
Revenue	$ 33,082	$ 33,061
Operating income	19,350	20,275
Net income	9,371	9,920

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(Dollars in thousands except share and per share data)

In addition to our investment in IHFC, we have a 49% ownership interest in Zenith Freight Lines, LLC (Zenith) and we recorded the following income (loss) in other income, net in our condensed consolidated statements of operations and retained earnings:

	Quarter ended		Nine months ended	
	August 25, 2007	August 26, 2006	August 25, 2007	August 26, 2006
Losses in other income, net	$ (203)	$ (159)	$ (323)	$ (35)

On February 28, 2007, we entered into an agreement with BFD Northeast, LLC (BFDNE) whereby we contributed our 30% interest in BFDNE to BFDNE in exchange for certain assets (primarily inventory and leasehold improvements) of BFDNE s two stores in Boston, Massachusetts with an estimated fair value of $2,031, and the assumption of $770 of BFDNE s outstanding bank debt. As part of the transaction, we also restructured amounts BFDNE previously owed us including converting $3,400 of accounts receivable into a long-term note receivable. As part of the purchase price allocation, we utilized existing accounts and notes receivable bad debt reserves. No goodwill or identified intangible assets were recorded as part of this transaction. The consolidated results include the operations of these two stores since March 1, 2007.

Prior to the BFDNE transaction, we accounted for our 30% investment in BFDNE using the equity method of accounting. Accordingly, we recorded the following losses in other income, net in our condensed consolidated statements of operations and retained earnings:

	Quarter ended		Nine months ended	
	August 25, 2007	August 26, 2006	August 25, 2007	August 26, 2006
Losses in other income, net	$	$ (519)	$ (595)	$ (1,179)

Note 5. Real Estate Notes Payable and Other Long-Term Debt:

Certain of our retail real estate properties have been financed through commercial mortgages which are payable over periods of four to twenty years and have interest rates ranging from 6.73% to 9.18%. These mortgages are collateralized by the respective properties with net book values totaling approximately $25,819 at August 25, 2007. The current portion of these mortgages, $658 and $622 as of August 25, 2007, and November 25, 2006, respectively, has been included as a current liability in other accrued liabilities in the accompanying condensed consolidated balance sheets. The long-term portion, $19,022 and $19,522 as of August 25, 2007, and November 25, 2006, respectively, is presented as real estate notes payable in the condensed consolidated balance sheets.

We amended our existing revolving credit facility in November 2005 by extending the agreement by one year to November 2007 and amending certain covenants. The credit facility provides for borrowings of up to $40,000 at a variable interest rate of LIBOR plus 1.5% (6.83% on August 25, 2007). The facility is secured by substantially all of our receivables and inventories. Borrowings under the facility, which matures November 30, 2007, totaled $6,000 and $4,000 at August 25, 2007, and November 25, 2006, respectively. Due to the maturity date, amounts as of August 25, 2007 are presented as a current liability in the consolidated balance sheet. We are in the process of finalizing an extension of the credit agreement and expect to have the amended facility in place by mid October 2007. After coverage for letters of credit and certain loan guarantees, we had $20,088 available for borrowing under the facility at August 25, 2007.

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(Dollars in thousands except share and per share data)

Note 6. Comprehensive Income:

For the quarters ended August 25, 2007, and August 26, 2006, total comprehensive income (loss) was $(215) and $574, respectively. For the nine months ended August 25, 2007 and August 26, 2006, total comprehensive income (loss) was $(6,828) and $5,066, respectively. Changes in accumulated other comprehensive income for the quarters and nine months ended August 25, 2007 and August 26, 2006 are as follows:

	Quarter ended		Nine months ended	
	August 25, 2007	August 26, 2006	August 25, 2007	August 26, 2006
Balance at beginning of period	$ 3,314	$ 2,131	$ 3,320	$ 2,652
Change in unrealized holding gains, net of tax	(893)	517	(902)	(4)
Amortization of minimum pension liability	2		5	
Balance at end of quarter	$ 2,423	$ 2,648	$ 2,423	$ 2,648

Note 7. Restructuring and asset impairment charges:

During the first quarter of 2007, we made the decision to cease operations at our wood manufacturing facility in Bassett, Va. The closure of the 323,000 square foot facility was completed during June of 2007 and affected approximately 280 employees or 15 percent of the Company s workforce. The Company will source the majority of the products previously produced at this facility from overseas suppliers, continue to produce certain custom bedroom products domestically and discontinue providing certain slower selling items. As a result of this decision, we recorded a $3,609 charge in the first quarter of 2007 to writedown the value of the plant and equipment and a $960 charge in the second quarter of 2007 for severance benefits. As of August 25, 2007, we have disbursed $643 leaving $317 to be paid primarily during the fourth quarter of 2007.

During the second quarter of 2007, we also reduced our leased showroom space in the International Home Furnishings Center by approximately 60%. Accordingly, we recorded a $975 charge to writeoff the net book value of the corresponding capitalized tenant improvements. Beginning in May of 2007, we began incurring reduced rental expenses for the remaining showroom space.

Note 8. Lease exit costs:

As part of our expense reduction initiatives, we concluded during the second quarter of 2007 that three of our leased store locations would no longer be used by us as retail furniture locations. We have finalized sublease agreements for two of the stores thereby reducing our future cash outlays. Although no sublessee has been identified for the other store lease, we are actively marketing this location. In accordance with FASB Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities , we recorded a $1,934 charge to recognize the future obligations associated with the leases, net of estimated sublease income.

Note 9. 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 licensee-owned stores. We had obligations of $99,820 and $96,765 at August 25, 2007 and November 25, 2006, respectively, for future minimum lease payments under non-cancelable operating leases having remaining terms in excess of one year. As part of the expansion strategy for our store program, we 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 $12,985 and $20,566 at August 25, 2007, and November 25, 2006, respectively.

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(Dollars in thousands except share and per share data)

We have also guaranteed loans to certain of our licensees to finance initial inventory packages for those stores. The total contingent liabilities with respect to these loan guarantees as of August 25, 2007, and November 25, 2006, were $9,775 and $10,047, respectively.

In the event of default by an independent dealer under the guaranteed lease or loan, 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, liquidating the collateral (primarily inventory), and pursuing payment under the personal guarantees of the independent dealer. 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 and loan guarantees (an estimate of the cost to the Company to perform on these guarantees) at August 25, 2007, and November 25, 2006, was $324 and $410, respectively, and is recorded in accrued liabilities in the accompanying condensed consolidated balance sheets.

Note 10. Post Employment Benefit Obligations:

We have an unfunded Supplemental Retirement Income Plan (the Supplemental Plan) that covers two current and certain former executives. The liability for this plan was $11,581 and $11,730 as of August 25, 2007 and November 25, 2006, respectively, and is included in post employment benefit obligations in the condensed consolidated balance sheet.

	Quarter Ended		Nine Months Ended	
	August 25, 2007	**August 26, 2006**	**August 25, 2007**	**August 26, 2006**
Components of Net Periodic Pension Cost:				
Service cost	$ 25	$ 22	$ 75	$ 66
Interest cost	169	158	507	474
Amortization of transition obligation	11	11	33	33
Amortization of unrecognized actuarial loss	3		9	
Net periodic pension cost	$ 208	$ 191	$ 624	$ 573

We have an unfunded Deferred Compensation Plan that covers two current and certain former executives and provides for voluntary deferral of compensation. This plan has been frozen with no additional participants or deferrals permitted. We recognized expense of $113 and $117 for the third quarter of 2007 and 2006, respectively and $338 and $341 for the nine months ended August 25, 2007 and August 26, 2006, respectively. Our liability under this plan was $3,470 and $3,533 as of August 25, 2007 and November 25, 2006, respectively, and is reflected in post employment benefit obligations.

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AUGUST 25, 2007

(Dollars in thousands except share and per share data)

Note 11. Earnings per share:

The following reconciles basic and diluted earnings per share:

	Net Income (Loss)	Weighted Average Shares	Earnings (loss) per share
For the quarter ended August 25, 2007:			
Net income	$ 676	11,805,138	$ 0.06
Add effect of dilutive securities:			
Options		2,439	
Diluted earnings per share	$ 676	11,807,577	$ 0.06
For the quarter ended August 26, 2006 (as restated):			
Net income	$ 57	11,795,089	$ 0.01
Add effect of dilutive securities:			
Options		77,016	
Diluted earnings per share	$ 57	11,872,105	$ 0.01
For the nine months ended August 25, 2007:			
Net loss	$ (5,931)	11,811,352	$ (0.50)
Add effect of dilutive securities:			
Options		*	
Diluted loss per share	$ (5,931)	11,811,352	$ (0.50)
For the nine months ended August 26, 2006 (as restated):			
Net income	$ 5,070	11,810,991	$ 0.43
Add effect of dilutive securities:			
Options		105,364	
Diluted earnings per share	$ 5,070	11,916,355	$ 0.43

* Due to the net loss, the potentially dilutive securities would have been antidilutive and are therefore excluded.
Options to purchase approximately 1,342,000 and 1,431,000 shares of common stock at August 25, 2007 and August 26, 2006, respectively, were excluded from the computation as their effect is antidilutive.

Note 12. Sale of Macon Plant:

During the first quarter of 2007, we completed the sale of the Macon plant which was previously recorded in assets held for sale. Net cash proceeds, which were all received in the first quarter of 2007, were $1,009.

Note 13. Segment Information:

We have strategically aligned our business into three reportable segments: Wholesale, Retail and Investments/Real Estate. 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 (independently-owned stores, Company-owned retail stores and partnership licensees) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations as well as all corporate selling, general and administrative expenses. During the second quarter of 2006, we sold our contemporary furniture business (Weiman), which was previously included in this segment.

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BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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AUGUST 25, 2007

(Dollars in thousands except share and per share data)

Our retail segment consists of Company-owned stores. Our retail segment includes the revenues, expenses, assets and liabilities (including real estate) and capital expenditures directly related to these stores.

Our investments/real estate segment consists of our investments (Alternative Asset Fund and marketable securities), distributions in excess of affiliate earnings (IHFC) and retail real estate related to licensee stores. Although this segment does not have operating earnings, income from the segment is included in other income in our condensed consolidated statements of operations and retained earnings. Our equity investment in IHFC is not included in the identifiable assets of this segment since it has a negative book value and is therefore included in the long-term liabilities section of our condensed consolidated balance sheet. See Note 4 for a further discussion of IHFC.

Inter-company net sales elimination represents the elimination of wholesale sales to our Company-owned stores. Inter-company income elimination represents 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 end retail consumer.

The following table presents our segment information:

	Quarter Ended		Nine Months Ended	
		(As restated)		(As restated)
	August 25, 2007	August 26, 2006	August 25, 2007	August 26, 2006
Net Sales				
Wholesale	$ 58,482	$ 67,190	$ 184,216	$ 218,919
Retail	21,075	20,102	63,614	62,905
Inter-company elimination	(9,060)	(9,732)	(28,481)	(30,112)
Consolidated	$ 70,497	$ 77,560	$ 219,349	$ 251,712
Income (loss) from Operations				
Wholesale	$ 555	$ 2,433	$ 157	$ 9,623
Retail	(2,898)	(3,846)	(8,023)	(8,692)
Inter-company elimination	(130)	(107)	(232)	(430)
Restructuring, asset impairment and lease exit costs			(7,478)	
Consolidated	$ (2,473)	$ (1,520)	$ (15,576)	$ 501
Depreciation and Amortization				
Wholesale	$ 1,161	$ 1,505	$ 4,087	$ 4,263
Retail	487	462	1,469	1,328
Investments/real estate	437	475	1,308	1,295
Consolidated	$ 2,085	$ 2,442	$ 6,864	$ 6,886
Capital Expenditures				
Wholesale	$ 793	$ 230	$ 1,346	$ 2,327
Retail	1,202	198	1,496	385

Investments/real estate		32		208		40		3,552
Consolidated	$	2,027	$	636	$	2,882	$	6,264

	As of August 25, 2007		As of November 25, 2006	
Identifiable Assets				
Wholesale	$	144,761	$	147,261
Retail		50,396		50,558
Investments/real estate		109,393		112,118
Consolidated	$	304,550	$	309,937

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PART I-FINANCIAL INFORMATION-CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

August 25, 2007

(Dollars in thousands except share and per share data)

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

Overview

The following discussion should be read along with the unaudited condensed consolidated financial statements included in this Form 10-Q, as well as the company s 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission, which provides a more thorough discussion of the Company s p