AMERICAN CENTURY INVESTMENT MANAGEMENT INC
Form SC 13G/A
February 13, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 1)*

SYMMETRY MEDICAL INC.

(Name of Issuer)

COMMON STOCK

(Title of Class of Securities)

871546206

(CUSIP Number)

DECEMBER 31, 2006

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities and Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 871546206

1. Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

American Century Companies, Inc. 43-1325032

2. Check the Appropriate Box if a Member of a Group. (See Instructions)

(a) [ ]

(b) [ ]

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3. SEC Use Only.

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4. Citizenship or Place of Organization.

Delaware

Number of Shares Beneficially Owned by Each Reporting Person With:	5. Sole Voting Power.	4,238,966
	6. Shared Voting Power.	N/A
	7. Sole Dispositive Power.	4,273,242
	8. Shared Dispositive Power.	N/A

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9. Aggregate Amount Beneficially Owned by Each Reporting Person. 4,273,242

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares. (See Instructions) [ ]

11. Percent of Class Represented by Amount in Row. (9) 12.2%

12. Type of Reporting Person. (See Instructions) HC

CUSIP No. 871546206

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1. Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

American Century Investment Management, Inc. 44-0640487

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2. Check the Appropriate Box if a Member of a Group. (See Instructions)

(a) [ ]

(b) [ ]

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3. SEC Use Only.

---

4. Citizenship or Place of Organization.

Delaware

Number of Shares Beneficially Owned by Each Reporting Person With:	5. Sole Voting Power.	4,238,966
	6. Shared Voting Power.	N/A
	7. Sole Dispositive Power.	4,273,242
	8. Shared Dispositive Power.	N/A

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9. Aggregate Amount Beneficially Owned by Each Reporting Person. 4,273,242

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares. (See Instructions) [ ]

11. Percent of Class Represented by Amount in Row. (9) 12.2%

12. Type of Reporting Person. (See Instructions) IA

CUSIP No. 871546206

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1. Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

American Century Capital Portfolios, Inc.

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2. Check the Appropriate Box if a Member of a Group. (See Instructions)

(a) [ ]

(b) [ ]

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3. SEC Use Only.

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4. Citizenship or Place of Organization.

Maryland

Number of Shares Beneficially Owned by Each Reporting Person With:	5. Sole Voting Power.	2,059,296
	6. Shared Voting Power.	N/A
	7. Sole Dispositive Power.	2,059,296
	8. Shared Dispositive Power.	N/A

9. Aggregate Amount Beneficially Owned by Each Reporting Person. 2,059,296

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares. (See Instructions) [ ]

11. Percent of Class Represented by Amount in Row. (9) 5.9%

12. Type of Reporting Person. (See Instructions) IV

Item 1.

(a) Name of Issuer.

Symmetry Medical Inc.

(b) Address of Issuer's Principal Executive Offices.

220 W. Market Street
Warsaw, Indiana 46580

Item 2.

(a) Name of Person Filing.

(1) American Century Companies, Inc.

(2) American Century Investment Management, Inc.

(3) American Century Capital Portfolios, Inc.

(b) Address of Principal Business Office or, if none, Residence.

4500 Main Street
9th Floor
Kansas City, MO 64111

(c) Citizenship.

(1) Delaware

(2) Delaware

(3) Maryland

(d) Title of Class of Securities.

Reference is made to the cover page of this filing.

(e) CUSIP Number.

Reference is made to the cover page of this filing.

Item 3. (1) American Century Companies, Inc. is a parent holding company or control person in accordance with Section 240.13d-1(b)(1)(ii)(G).

(2) American Century Investment Management, Inc. is an investment adviser in accordance with Section 240.13d-1(b)(1) (ii)(E).

(3) American Century Capital Portfolios, Inc. is an investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

Item 4. Ownership.

Reference is made to Items 5-9 and 11 on the cover pages of this filing.

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ].

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Various persons, including the investment companies and separate institutional investor accounts that American Century Investment Management, Inc. ("ACIM") serves as investment adviser, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities that are the subject of this schedule. Except as may be otherwise indicated if this is a joint filing, not more than 5% of the class of securities that is the subject of this schedule is owned by any one client advised by ACIM.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

See attached Exhibit A.

Item 8. Identification and Classification of Members of the Group.

Not applicable.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 13, 2007 AMERICAN CENTURY COMPANIES, INC. ("ACC")

AMERICAN CENTURY INVESTMENT MANAGEMENT, INC. ("ACIM")

AMERICAN CENTURY CAPITAL PORTFOLIOS, INC. ("ACCP")

By: /s/ Charles A. Etherington

Charles A. Etherington
Senior Vice President, ACIM and ACCP
Vice President, ACC

SCHEDULE 13G - TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(b) or 13d-2(b).

EXHIBIT A

This Exhibit has been prepared to identify each subsidiary of American Century Companies, Inc. ("ACC") that is a beneficial owner of securities that are the subject of this schedule (the "Subject Securities"). American Century Investment Management, Inc. ("ACIM") is a wholly-owned subsidiary of ACC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940.

SCHEDULE 13G - TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(b) or 13d-2(b) and Rule 13d-1(f)(1) Agreement.

EXHIBIT B

Rule 13d-1(f)(1)(iii) Agreement

Each of the undersigned hereby agrees and consents to the execution and joint filing on its behalf by American Century Investment Management, Inc. of this Schedule 13G respecting the beneficial ownership of the securities which are the subject of this schedule.

Dated this 13th day of February, 2007.

AMERICAN CENTURY COMPANIES, INC. ("ACC")

AMERICAN CENTURY INVESTMENT MANAGEMENT, INC. ("ACIM")

AMERICAN CENTURY CAPITAL PORTFOLIOS, INC. ("ACCP")

By: /s/ Charles A. Etherington

Charles A. Etherington
Senior Vice President, ACIM and ACCP
Vice President, ACC

erif; WIDTH: 1%; VERTICAL-ALIGN: bottom; BACKGROUND-COLOR: #ffffff"> 6,354 12,339 46,354 66,339

Total anti-dilutive securities

6,354 219,839 46,354 273,839

PART I – FINANCIAL INFORMATION – CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2015

(Dollars in thousands except share and per share data)

12. 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 long-term debt. 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. Our cost method investments generally involve entities for which it is not practical to determine fair values.

Investments

Our short-term investments of $23,125 at both May 30, 2015 and November 29, 2014 consisted of certificates of deposit (CDs) with original terms generally ranging from six to twelve months, bearing interest at rates ranging from 0.16% to 1.00%. At May 30, 2015, the weighted average remaining time to maturity of the CDs was approximately two months and the weighted average yield of the CDs was approximately 0.21%. Each CD is placed with a Federally insured financial institution and all deposits are within Federal deposit insurance limits. As the CDs mature, we expect to reinvest them in CDs of similar maturities of up to one year. Due to the nature of these investments and their relatively short maturities, the carrying amount of the short-term investments at May 30, 2015 and November 29, 2014 approximates their fair value.

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, and asset impairments (Note 13) which utilize Level 3 inputs.

13. Asset Disposition, Impairment Charges and Accrued Lease Exit Costs, and Income from CDSOA

Asset Disposition

On March 12, 2015, we closed on the sale of our retail real estate investment property located in Sugarland, Texas and received cash in the amount of $2,835 which is included in proceeds from sales of property and equipment in the accompanying statement of condensed consolidated cash flows. This asset was included in other assets at November 29, 2014 along with our other investments in retail real estate. During the six months ended May 30, 2015, we recognized a non-cash charge of $182 to write down the carrying value of the Sugarland real estate to the selling price. This charge is included in other income (loss), net in our condensed consolidated income statement.

PART I – FINANCIAL INFORMATION – CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2015

(Dollars in thousands except share and per share data)

Asset Impairment Charges and Lease Exit Costs

During the first quarter of fiscal 2015 we announced the closing of our Company-owned retail store location in Memphis, Tennessee. In connection with this closing, we recognized non-cash charges for the six months ended May 30, 2015 of $419 for the accrual of lease exit costs and $106 for the write off of abandoned leasehold improvements and other store assets.

The following table summarized the activity related to our accrued lease exit costs:

Balance at November 29, 2014	$433
Provisions associated with Company-owned retail store closures	419
Payments and other	(82)
Balance at May 30, 2015	$770
Current portion included in other accrued liabilities	$404
Long-term portion included in other long-term liabilities	366
	$770

Management Restructuring Costs

During the three and six months ended May 30, 2015, we recognized $449 of expense related to severance payable to a former executive, who left the Company in April, 2015. Of the total severance amount, $170 had been paid during the second quarter with the remaining $278 included in other accrued liabilities in the condensed consolidated balance sheet at May 30, 2015.

Income from Continued Dumping & Subsidy Offset Act

During the three and six months ended May 30, 2015, we recognized income of $1,066 arising from distributions received from U.S. Customs and Border Protection (“Customs”) under the Continued Dumping and Subsidy Offset Act of 2000 (“CDSOA”). These distributions primarily represent amounts previously withheld by Customs pending the resolution of claims filed by certain manufacturers who did not support the antidumping petition (“Non-Supporting Producers”) challenging certain provisions of the CDSOA and seeking to share in the distributions. The Non-Supporting Producers’ claims were dismissed by the courts and all appeals were exhausted in 2014. While it is possible that we may receive additional distributions from Customs, we cannot estimate the likelihood or amount of any future distributions.

14. Recent Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08), which updated the guidance in ASC Topic 205, Presentation of Financial Statements, and ASC Topic 360, Property, Plant and Equipment. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations for all public and nonpublic entities. The amendments also require new disclosures about discontinued operations and disposals of components of an entity that do not qualify for discontinued operations reporting. This guidance will become effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years, and therefore will become effective for us as of the beginning of our 2016 fiscal year. The adoption of this guidance is not expected to have a material impact upon our financial condition or results of operations.

PART I – FINANCIAL INFORMATION – CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2015

(Dollars in thousands except share and per share data)

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), which creates ASC Topic 606, Revenue from Contracts with Customers, and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU 2014-09 supersedes the cost guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and creates new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early application is not permitted. Therefore the amendments in ASU 2014-09 will become effective for us as of the beginning of our 2018 fiscal year. The Company is currently assessing the impact of implementing the new guidance.

In January 2015, the FASB issued Accounting Standards Update No. 2015-01, *Income Statement — Extraordinary and Unusual Items* (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. ASU 2015-01 eliminates the concept of reporting extraordinary items, but retains current presentation and disclosure requirements for an event or transaction that is of an unusual nature or of a type that indicates infrequency of occurrence. Transactions that meet both criteria would now also follow such presentation and disclosure requirements. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2015. Early adoption is permitted; however, adoption must occur at the beginning of an annual period. Therefore the amendments in ASU 2015-01 will become effective for us as of the beginning of our 2017 fiscal year. The adoption of this guidance is not expected to have a material impact upon our financial condition or results of operations.

15. 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 stores retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations as well as all corporate selling, general and administrative expenses, including those corporate expenses related to both Company- and licensee-owned stores.

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.

Logistical services. With our acquisition of Zenith on February 2, 2015, we created the logistical services operating segment which reflects the operations of Zenith. In addition to providing shipping, delivery 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 logistics revenue in our condensed consolidated statement of income. Zenith's operating costs are included in selling, general and administrative expenses and total $6,007 from the date of acquisition through May 30, 2015. Amounts charged by Zenith to the Company for logistical services prior to the date of acquisition are included in selling, general and administrative expenses, and our equity in the earnings of Zenith prior to the date of acquisition is included in other income (loss), net, in the accompanying statements of income.

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.

PART I – FINANCIAL INFORMATION – CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 30, 2015

(Dollars in thousands except share and per share data)

Prior to the beginning of fiscal 2015, our former investments and real estate segment included our short-term investments, our holdings of retail real estate previously leased as licensee stores, and our former equity investment in Zenith prior to acquisition. This segment has been eliminated and the assets formerly reported therein are now considered to be part of our wholesale segment. The earnings and costs associated with these assets, including our equity in the income of Zenith prior to the date of acquisition, will continue to be included in other income (loss), net, in our condensed consolidated statements of income.

The following table presents our segment information:

	Quarter Ended		Six Month's Ended	
	May 30, 2015	May 31, 2014	May 30, 2015	May 31, 2014
Sales Revenue				
Wholesale	$66,705	$56,184	$125,510	$107,270
Retail - Company-owned stores	63,921	53,290	121,104	100,414
Logistical services	21,958	-	27,957	-
Inter-company eliminations:				
Furniture and accessories	(31,159)	(24,289)	(57,600)	(46,852)
Logistical services	(9,872)	-	(12,611)	-
Consolidated	$111,553	$85,185	$204,360	$160,832
Income (loss) from Operations				
Wholesale	$4,796	$4,257	$7,723	$6,605
Retail - Company-owned stores	1,971	(666)	1,929	(2,438)
Logistical services	1,027	-	1,019	-
Inter-company elimination	(631)	300	(106)	810
Management restructuring costs	(449)	-	(449)	
Lease exit costs	-	-	(419)	-
Asset impairment charges	-	-	(106)	-

Consolidated	$6,714	$3,891	$9,591	$4,977
Depreciation and Amortization				
Wholesale	$504	$446	$1,038	$881
Retail - Company-owned stores	1,343	1,300	2,698	2,557
Logistical services	736	-	993	-
Consolidated	$2,583	$1,746	$4,729	$3,438
Capital Expenditures				
Wholesale	$1,384	$1,788	$2,345	$3,225
Retail - Company-owned stores	1,767	3,522	3,878	8,984
Logistical services	873	-	1,719	-
Consolidated	$4,024	$5,310	$7,942	$12,209

Identifiable Assets	As of May 30, 2015	As of November 29, 2014
Wholesale	$136,553	$154,275
Retail - Company-owned stores	90,550	86,471
Logistical services	44,880	-
Consolidated	$271,983	$240,746

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

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

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, specialty stores and mass merchants. We were founded in 1902 and incorporated under the laws of Virginia in 1930. Our rich 113-year history has instilled the principles of quality, value, and integrity in everything that we do, while simultaneously providing us with the expertise to respond to ever-changing consumer tastes and to meet the demands of a global economy.

With 92 BHF stores at May 30, 2015, we have leveraged our strong brand name in furniture into a network of corporate and licensed stores that focus on providing consumers with a friendly environment for buying furniture and accessories. We created our store program in 1997 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. The store features custom order furniture ready for delivery in less than 30 days, more than 1,000 upholstery fabrics, free in-home design visits, and coordinated decorating accessories. We believe that our capabilities in custom upholstery have become unmatched in recent years. Our manufacturing team takes great pride in the breadth of its options, the precision of its craftsmanship, and the speed of its delivery. The selling philosophy in the stores is based on building strong long-term relationships with each customer. Sales people are referred to as Design Consultants and are each trained to evaluate customer needs and provide comprehensive solutions for their home decor. We continue to strengthen the sales and design talent within our Company-owned retail stores. Our Design Consultants undergo extensive Design Certification training. This training has strengthened their skills related to our house call and design business, and is intended to increase business with our most valuable customers.

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, specialty stores and mass merchants. We use a network of over 25 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.

For many years we have owned 49% of Zenith Freight Lines, LLC ("Zenith"). During that time the strategic significance of our partnership with Zenith has risen to include the over-the-road transportation of furniture, the operation of regional wholesale distribution centers in eight states, and the management of various home delivery facilities that service Bassett Home Furnishings stores and other clients in local markets around the United States. On February 2, 2015, we acquired the remaining 51% of Zenith, which now operates as a wholly-owned subsidiary of Bassett. Our acquisition of Zenith brings to our Company the ability to deliver best-of-class shipping and logistical support services that are uniquely tailored to the needs of the furniture industry, as well as the ability to provide the expedited delivery service which is increasingly demanded by our industry. We believe that our ownership of Zenith will not only enhance our own wholesale and retail distribution capabilities, but will provide additional growth opportunities as Zenith continues to expand its service to other customers.

In September of 2011, we announced the formation of a strategic partnership with HGTV (Home and Garden Television), a division of Scripps Networks, LLC, which combines our 113 year heritage in the furniture industry with the penetration of 96 million households in the United States that HGTV enjoys today. As part of this alliance, the in-store design centers have been co-branded with HGTV to more forcefully market the concept of a "home makeover", an important point of differentiation for our stores that also mirrors much of the programming content on the HGTV network. We believe the new co-branded design centers coupled with the targeted national advertising on HGTV have played a key role in our improved comparable store sales since their introduction following the third quarter of 2012.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

At May 30, 2015, our BFH store network included 59 Company-owned stores and 33 licensee-owned stores. Due to the improved operating performance of our retail network along with continued improvement in underlying economic factors such as the housing market and consumer confidence, we have been expanding our retail presence in various parts of the country. As part of this expansion we opened six new stores during fiscal 2014 as well as relocated two others.

We plan to continue opening new stores, primarily in underpenetrated markets where we currently have stores. The Company and certain of our licensees are actively engaged in site selection and lease negotiations for several new stores. One new corporate store in Woodland Hills, California is expected to open during 2015, with another new corporate store in Dulles, Virginia scheduled to open during the first half of fiscal 2016. We also expect two new licensee stores to open over the remainder of fiscal 2015. We completed store relocations in San Antonio and Southlake, Texas during the first quarter of 2015 and expect to relocate the Newport News, Virginia store during the first quarter of 2016. During the second quarter of 2015, we completed the closure of an underperforming store in Memphis, Tennessee, for which we incurred lease exit costs and asset impairment charges totaling $525.

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 $100 to $300 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 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 $300 to $500 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 and the depth of penetration in a particular market. 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.

Our wholesale operations include an upholstery plant in Newton, North Carolina that produces a wide range of upholstered furniture. We believe that we are an industry leader with our quick-ship custom upholstery offerings. We also operate a custom dining manufacturing facility in Martinsville, Virginia. Most of our wood furniture and certain of our upholstery offerings are sourced through several foreign plants, primarily in Vietnam, Indonesia and China. We define imported product as fully finished product that is sourced internationally. For the first half of fiscal 2015, approximately 38% of our wholesale sales were of imported product compared to 42% for the first half of fiscal 2014. Our plans for 2015 include the launch of several significant new product categories. During the first quarter of 2015 we introduced the “Bassett Baby and Kids” program in an effort to leverage our 70 year history in the juvenile and youth furniture products category. The products in this new program are initially available solely on our website and in BHF retail stores. Another important new product program for 2015 is “Bench Made”, a selection of American dining furniture that appeared in retail showrooms during the second quarter of 2015. Partnering with nearby hardwood component manufacturers, we are preparing, distressing, finishing, and assembling an assortment of solid maple tables and chairs in our newly renovated Company-owned facility in Bassett, Virginia. Finally, we have undertaken a major makeover of our imported wood product assortment in 2015. All of these new products have been carefully designed in coordination with our merchants, designers, engineers and finishing technicians to achieve the upscale casual decor that we believe speaks to today’s consumer . These new products are appearing in our stores in phases coinciding with key holiday selling periods throughout 2015. This will result in the replacement of approximately one third of our imported wood product offering. Our operating results for the first half of 2015 reflect the start-up costs associated with this increased level of product development activity.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

Results of Operations – Periods ended May 30, 2015 compared with periods ended May 31, 2014:

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 periods ended May 30, 2015 and May 31, 2014:

	Quarter Ended May 30, 2015			May 31, 2014			Six Months Ended May 30, 2015			May 31, 2014		
Sales revenue:												
Furniture and accessories	$ 99,467	89.2	%	$ 85,185	100.0	%	$ 189,015	92.5	%	$ 160,832	100.0	%
Logistics revenue	12,086	10.8	%	-	0.0	%	15,345	7.5	%	-	0.0	%
Total sales revenue	111,553	100.0	%	85,185	100.0	%	204,360	100.0	%	160,832	100.0	%
Cost of furniture and accessories sold	46,921	42.1	%	39,872	46.8	%	88,851	43.5	%	75,266	46.8	%
SG&A expenses	57,425	51.5	%	40,901	48.0	%	104,900	51.3	%	79,481	49.4	%
New store pre-opening costs	44	0.0	%	521	0.6	%	44	0.0	%	1,108	0.7	%
Other charges	449	0.4	%	-	0.0	%	974	0.5	%	-	0.0	%
Income from operations	$ 6,714	6.0	%	$ 3,891	4.6	%	$ 9,591	4.7	%	$ 4,977	3.1	%

Quarterly Analysis of Results

On a consolidated basis, we reported total sales revenue for the second quarter of 2015 of $111,553 as compared to $85,185 for the second quarter of 2014, an increase or $26,368, or 31%. Total revenues for the second quarter of 2015 include $12,086 of logistics revenue for Zenith from customers outside of the Company. Revenue from sales of furniture and accessories, net of estimates for returns and allowances, for the second quarter of 2015 were $99,467, an increase of $14,282, or 17%, over the second quarter of 2014. Gross margin on the sale of furniture and accessories for the second quarter of 2015 was $52,546, or 52.8% of the revenue from the sale of furniture and accessories, as compared with $45,313, or 53.2%, for the comparable prior year period. Operating income was $6,714 for the second quarter of 2015 as compared to $3,891 for the second quarter of 2014, an increase of $2,823 driven primarily by greater leveraging of fixed costs and lower new store related costs (both pre- and post- opening). In addition, Zenith's operations made a positive contribution to our operating results of $1,027 for the second quarter of 2015 and have been accretive to our overall operating margin percentage.

Year-to-date Analysis of Results

On a consolidated basis, we reported total sales revenue for the first half of 2015 of $204,360 as compared to $160,832 for the first half of 2014, an increase of $43,528, or 27%. Total revenues for the first six months of 2015 include $15,345 of logistics revenue from customers outside of the Company since February 2, 2015, the date of our acquisition of Zenith. Revenue from sales of furniture and accessories, net of estimates for returns and allowances, for the first half of 2015 were $189,015, an increase of $28,183, or 18%, over the first half of 2014. Gross margin on the sale of furniture and accessories for the first half of 2015 was $100,164, or 53.0% of the revenue from the sale of furniture and accessories, as compared with $85,566, or 53.2%, for the comparable prior year period. Operating income was $9,591 for the first half of 2015 as compared to $4,977 for the first half of 2014, an increase of $4,614 driven primarily by greater leveraging of fixed costs and lower new store related costs (both pre- and post- opening), partially offset by $525 of charges taken in the first quarter of 2015 related to the closing of our Company-owned retail store in Memphis, Tennessee, and a management restructuring charge of $449 taken in the second quarter for severance costs related to the departure of a senior marketing executive. In addition, Zenith's operations since acquisition made a positive contribution to our operating results of $1,019 during the first half of 2015 and have been accretive to our overall operating margin percentage.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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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 (licensee-owned stores and Company-owned stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations 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.

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.

Logistical services. With our acquisition of Zenith on February 2, 2015, we created the logistical services operating segment which reflects the operations of Zenith. In addition to providing shipping, delivery 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 logistics revenue in our condensed consolidated statement of income. Zenith's operating costs are included in selling, general and administrative expenses. Amounts charged by Zenith to the Company for transportation and logistical services prior to February 2, 2015 are included in selling, general and administrative expenses, and our equity in the earnings of Zenith prior to the date of acquisition is included in other income (loss), net, in the accompanying statements of income.

Prior to the beginning of fiscal 2015, our former investments and real estate segment included our short-term investments, our holdings of retail real estate previously leased as licensee stores, and our former equity investment in Zenith prior to acquisition. This segment has been eliminated and the assets formerly reported therein are now considered to be part of our wholesale segment. The earnings and costs associated with these assets, including our equity in the income of Zenith prior to the date of acquisition, will continue to be included in other income (loss), net, in our condensed consolidated statements of income.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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

	Quarter Ended May 30, 2015				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$66,705	$63,921	$-	$ (31,159)	$ 99,467
Logistics	-	-	21,958	(9,872)	12,086
Total sales revenue	66,705	63,921	21,958	(41,031)	111,553
Cost of furniture and accessories sold	44,816	32,164	-	(30,056)	46,921
SG&A expense	17,093	29,742	20,931	(10,341)	57,425
New store pre-opening costs	-	44	-	-	44
Income (loss) from operations (5)	$4,796	$1,971	$1,027	$ (634)	$ 7,163

	Quarter Ended May 31, 2014				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$56,184	$53,290	$ -	$ (24,289)	$ 85,185
Logistics	-	-	-	-	-
Total sales revenue	56,184	53,290	-	(24,289)	85,185
Cost of furniture and accessories sold	37,156	26,828	-	(24,112)	39,872
SG&A expense	14,771	26,607	-	(477)	40,901
New store pre-opening costs	-	521	-	-	521
Income (loss) from operations	$4,257	$(666)	$ -	$ 300	$ 3,891

	Six Months Ended May 30, 2015				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$125,510	$121,104	$-	$ (57,599)	$ 189,015
Logistics	-	-	27,957	(12,612)	15,345
Total sales revenue	125,510	121,104	27,957	(70,211)	204,360
Cost of furniture and accessories sold	84,798	60,564	-	(56,511)	88,851

SG&A expense	32,989	58,567	26,938	(13,594)	104,900
New store pre-opening costs		44		-	44
Income (loss) from operations (5)	$7,723	$1,929	$1,019	$ (106)	$ 10,565

	Six Months Ended May 31, 2014				
	Wholesale	Retail	Logistics	Eliminations	Consolidated
Sales revenue:					
Furniture & accessories	$107,270	$100,414	$ -	$ (46,852)	$ 160,832
Logistics	-	-	-	-	-
Total sales revenue	107,270	100,414	-	(46,852)	160,832
Cost of furniture and accessories sold	71,711	50,293	-	(46,738)	$ 75,266
SG&A expense	28,954	51,451	-	(924)	$ 79,481
New store pre-opening costs	-	1,108	-	-	1,108
Income (loss) from operations	$6,605	$(2,438)	$ -	$ 810	$ 4,977

(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 and retail segments.

(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 for the periods ended May 30, 2015, logisitcal services expense incurred from Zenith by our retail and wholesale segments.

(5) Excludes the effects of asset impairment charges, lease exit costs and management restructuring costs which are not allocated to our segments.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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The following is a discussion of operating results for our wholesale, retail and logistical services segments:

Wholesale segment

Results for the wholesale segment for the periods ended May 30, 2015 and May 31, 2014 are as follows:

	Quarter Ended						Six Months Ended					
	May 30, 2015			May 31, 2014			May 30, 2015			May 31, 2014		
Net sales	$ 66,705	100.0	%	$ 56,184	100.0	%	$ 125,510	100.0	%	$ 107,270	100.0	%
Gross profit	21,889	32.8	%	19,028	33.9	%	40,712	32.4	%	35,559	33.1	%
SG&A expenses	17,093	25.6	%	14,771	26.3	%	32,989	26.3	%	28,954	27.0	%
Income from operations	$ 4,796	7.2	%	$ 4,257	7.6	%	$ 7,723	6.2	%	$ 6,605	6.2	%

Quarterly Analysis of Results - Wholesale

Net sales for the wholesale segment were $66,702 for the second quarter of 2015 as compared to $56,184 for the second quarter of 2014, an increase of $10,518 or 19%. This sales increase was driven by a 27% increase in shipments to the BHF store network and a 6.8% increase in open market shipments (outside the BHF store network). Gross margins for the wholesale segment decreased to 32.8% for the second quarter of 2015 as compared to 33.9% for the second quarter of 2014, driven largely by increased discounting of wood products as we are implementing a significant makeover of our imported wood furniture line. Wholesale SG&A increased $2,322 to $17,093 for the second quarter of 2015 as compared to $14,771 for the second quarter of 2014. SG&A as a percentage of sales decreased to 25.6% as compared to 26.3% for the second quarter of 2014 primarily due to greater leverage of fixed costs from higher sales volumes. Included in SG&A is an additional $600 in incentive compensation costs as well as $88 in costs associated with the acquisition of Zenith. Operating income was $4,796 or 7.2% of sales as compared to $4,257 or 7.6% of sales in the prior year quarter.

Year-to-date Analysis of Results - Wholesale

Net sales for the wholesale segment were $125,510 for first half of 2015 as compared to $107,270 for the first half of 2014, an increase of $18,240 or 17%. This sales increase was driven by a 21% increase in shipments to the BHF store network and an 8.4% increase in open market shipments (outside the BHF store network). Gross margins for the wholesale segment decreased to 32.4% for the first half of 2015 as compared to 33.1% for the first half of 2014, driven largely by increased discounting of wood products as we are implementing a significant makeover of our imported wood furniture line. Wholesale SG&A increased $4,035 to $32,989 for the first half of 2015 as compared to $28,954 for the first half of 2014. SG&A as a percentage of sales decreased to 26.3% as compared to 27.0% for the first half of 2014 primarily due to greater leverage of fixed costs from higher sales volumes. Included in SG&A for the first half of 2015 is an additional $625 in incentive compensation costs as well as $209 of costs associated with the acquisition of Zenith. Operating income was $7,723 or 6.2% of sales for the first half of 2015 as compared to $6,605 or 6.2% of sales in the comparable prior year period.

Wholesale shipments by type:	Quarter Ended						Six Months Ended					
	May 30, 2015			May 31, 2014			May 30, 2015			May 31, 2014		
Wood	$24,878	37.3	%	$21,436	38.2	%	$45,191	36.0	%	$41,133	38.3	%
Upholstery	41,042	61.5	%	34,047	60.6	%	78,914	62.9	%	64,729	60.3	%
Other	785	1.2	%	700	1.2	%	1,405	1.1	%	1,408	1.3	%
Total	$66,705	100.0	%	$56,183	100.0	%	$125,510	100.0	%	$107,270	100.0	%

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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Wholesale Backlog

The dollar value of wholesale backlog, representing orders received but not yet shipped to dealers and Company stores, was $16,005 at May 30, 2015 as compared with $15,615 at May 31, 2014.

Retail – Company-owned stores segment

Results for the retail segment for the periods ended May 30, 2015 and May 31, 2014 are as follows:

	Quarter Ended				Six Months Ended			
	May 30, 2015		May 31, 2014		May 30, 2015		May 31, 2014	
Net sales	$63,921	100.0%	$53,290	100.0%	$121,104	100.0%	$100,414	100.0%
Gross profit	31,757	49.7 %	26,462	49.7 %	60,540	50.0 %	50,121	49.9 %
SG&A expenses	29,742	46.5 %	26,607	49.9 %	58,567	48.4 %	51,451	51.2 %
New store pre-opening costs	44	0.1 %	521	1.0 %	44	0.0 %	1,108	1.1 %
Income (loss) from operations	$1,971	3.1 %	$(666)	-1.2 %	$1,929	1.6 %	$(2,438)	-2.4 %

Results for the comparable stores[†](57 stores and 53 stores for the quarter and six months, respectively) are as follows:

	Quarter Ended				Six Months Ended			
	May 30, 2015		May 31, 2014		May 30, 2015		May 31, 2014	
Net sales	$60,608	100.0%	$51,597	100.0%	$109,317	100.0%	$93,894	100.0%
Gross profit	30,192	49.8 %	25,698	49.8 %	54,614	50.0 %	46,832	49.9 %

SG&A expenses	28,113	46.4 %	25,644	49.7 %	52,063	47.6 %	47,220	50.3 %
Income (loss) from operations	$2,079	3.4 %	$54	0.1 %	$2,551	2.3 %	$(388)	-0.3 %

†"Comparable" stores include 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				Six Months Ended			
	May 30, 2015		May 31, 2014		May 30, 2015		May 31, 2014	
Net sales	$3,313	100.0%	$1,693	100.0%	$11,787	100.0%	$6,520	100.0%
Gross profit	1,565	47.2 %	764	45.1 %	5,926	50.3 %	3,289	50.4 %
SG&A expenses	1,629	49.2 %	963	56.9 %	6,504	55.2 %	4,231	64.9 %
New store pre-opening costs	44	1.3 %	521	30.8 %	44	0.4 %	1,108	17.0 %
Loss from operations	$(108)	-3.3 %	$(720)	-42.5 %	$(622)	-5.3 %	$(2,050)	-31.4 %

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BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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Quarterly Analysis of Results - Retail

Net sales for the 59 Company-owned Bassett Home Furnishings stores were $63,921 for the second quarter of 2015 as compared to $53,290 for the second quarter of 2014, an increase of $10,631 or 20%. The increase was primarily due to a $9,011 or 18% increase in comparable store sales coupled with a $1,620 increase in non-comparable store sales from 2 new stores opened in the last 15 months.

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 increased by 15% for the second quarter of 2015 as compared to the second quarter of 2014.

The consolidated retail operating profit for the second quarter of 2015 was $1,971 as compared to a loss of $666 for the second quarter of 2014, a $2,637 improvement. The 57 comparable stores generated operating income of $2,079 for the quarter, or 3.4% of sales, as compared to $54, or 0.1% for the prior year quarter. Gross margins for comparable stores were 49.8% for the second quarter of both 2015 and 2014. SG&A expenses for comparable stores increased $2,469 to $28,113 or 46.4% of sales as compared to 49.7% of sales for the second quarter of 2014. This decrease is primarily due to greater leverage of fixed costs due to higher sales volumes.

Losses associated with non-comparable stores were $108 for the quarter as compared to $720 for the prior year quarter. This decrease is primarily from $521 of pre-opening costs recognized in the second quarter of 2014 due to the two new store openings in the last 15 months. These costs included rent, training costs and other payroll-related costs specific to a new store location incurred during the period leading up to its opening and generally range between $100 to $300 per store based on the overall rent costs for the location and the period between the time when we take possession of the physical store space and the time of the store opening. Also included in the non-comparable store loss for the second quarter of 2014 was $211 in post-opening losses from three new stores. We incur losses in the 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 $300 to $500 per store.

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

Net sales for the 59 Company-owned Bassett Home Furnishings stores were $121,104 for the first half of 2015 as compared to $100,414 for the first half of 2014, an increase of $20,690 or 21%. The increase was primarily due to a $15,423 or 16% increase in comparable store sales coupled with a $5,267 increase in non-comparable store sales from 6 new stores opened in the last 18 months.

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 increased by 15% for the first half of 2015 as compared to the first half of 2014.

The consolidated retail operating income for the first half of 2015 was $1,929 as compared to a loss of $2,438 for the first half of 2014, a $4,367 improvement. The 53 comparable stores generated operating income of $2,551 for the period, or 2.3% of sales, as compared to a loss of $388 for the comparable prior year period. Gross margins were 50.0% for the first half of 2015 compared to 49.9% for the first half of 2014. SG&A expenses for comparable stores increased $4,843 to $52,063 or 47.6% of sales as compared to 50.3% of sales for the first half of 2014. This decrease is primarily due to greater leverage of fixed costs due to higher sales volumes.

PART I - FINANCIAL INFORMATION - CONTINUED

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Losses from the non-comparable stores in the first half of fiscal 2015 were $622 compared with $2,991 for the first half of fiscal 2014. This decrease is primarily from $1,108 of pre-opening costs recognized in the first half of 2014 due to the six new store openings in 2014. These costs included rent, training costs and other payroll-related costs specific to a new store location incurred during the period leading up to its opening and generally range between $100 to $300 per store based on the overall rent costs for the location and the period between the time when we take possession of the physical store space and the time of the store opening. Also included in the non-comparable store loss for the first half of 2014 was $724 in post-opening losses from five stores opened during the first half of 2014. We incur losses in the 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 $300 to $500 per store.

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 $30,225, or an average of $512 per open store at May 30, 2015 as compared with $25,548, or an average of $449 per open store at May 31, 2014.

Logistical services segment

Results for our logistical services segment for the periods ended May 30, 2015 are comprised of the results of Zenith from the date of acquisition, February 2, 2015, and are as follows:

	Quarter Ended		Six Months Ended	
	May 30, 2015		May 30, 2015	
Logistics revenue	$21,958	100.0%	$27,957	100.0%
Operating expenses	20,931	95.3 %	26,938	96.4 %
Income from operations	$1,027	4.7 %	$1,019	3.6 %

Operating expenses since the date of acquisition for the three and six months ended May 30, 2015 include depreciation and amortization of $736 and $993, respectively.

Other items affecting Net Income

Acquisition of Zenith

On February 2, 2015 we acquired the remaining 51% ownership interest in Zenith in exchange for cash, Bassett common stock and a note payable with a total fair value of $19,111 which, along with the fair value of our prior 49% interest in Zenith, results in a total enterprise value for Zenith of $35,803. In accordance with the acquisition method of accounting, we recognized a gain of $7,212 during the first half of fiscal 2015 for the remeasurement of our previous interest in Zenith. For additional information regarding our acquisition of Zenith, see Note 3 to our condensed consolidated financial statements.

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Income from Continued Dumping & Subsidy Offset Act

During the second quarter of 2015, we recognized income of $1,066 arising from distributions received from U.S. Customs and Border Protection ("Customs") under the Continued Dumping and Subsidy Offset Act of 2000 ("CDSOA"). These distributions primarily represent amounts previously withheld by Customs pending the resolution of claims filed by certain manufacturers who did not support the antidumping petition ("Non-Supporting Producers") challenging certain provisions of the CDSOA and seeking to share in the distributions. The Non-Supporting Producers' claims were dismissed by the courts and all appeals were exhausted in 2014. While it is possible that we may receive additional distributions from Customs, we cannot estimate the likelihood or amount of any future distributions.

Other income (loss), net

Other loss, net, for the second quarter of fiscal 2015 was $597 as compared to $272 for the second quarter of fiscal 2014, an increase of $325. This increase is primarily attributable to $278 of income from our investment in Zenith which is included in the prior year period when Zenith was accounted for under the equity method as an unconsolidated affiliate.

Other loss, net, for the first half of fiscal 2015 was $1,220 as compared to other income, net, of $13 for the first half of fiscal 2014, an increase of $1,233. This increase is primarily attributable to the recognition during the first half of fiscal 2014 of $662 in death benefits receivable from life insurance policies covering a former executive, a $182 charge taken during the first half of 2015 to write down the carrying value of retail real estate in Sugarland, Texas, which was sold in March of 2015, an increase in interest expense of $158 primarily associated with debt assumed in the acquisition of Zenith, and a $123 decline in income from unconsolidated affiliates due to the acquisition of Zenith in 2015.

Income taxes

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income or loss and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income or loss could have a significant impact on our effective tax rate for the respective quarter. Our effective tax rate for the three and six months ended May 30, 2015 differs from the federal statutory rate primarily due to the effects of state income taxes and various permanent differences. Our fiscal 2013 and 2012 income tax returns are currently under examination by the Internal Revenue Service.

Liquidity and Capital Resources

We are committed to maintaining a strong balance sheet in order to weather difficult industry conditions, to allow us to take advantage of opportunities as market conditions improve, and to execute our long-term retail strategies.

Cash Flows

Cash provided by operations for the first half of 2015 was $9,195 compared to $13,819 for the first half of 2014, a decrease of $4,624. The decline is primarily the result of increases in inventory levels due to the introduction of new products and increased purchase activity to support higher order volume and backlog levels. In addition, a significant amount of trade payables arising from inventory build-up that occurred during the fourth quarter of fiscal 2014 were paid in early 2015. During the second quarter of 2015 we generated $10,261 of cash flow from operating activities, which included the receipt of a $1,066 cash distribution from Customs under the CDSOA.

Our overall cash position decreased by $4,206 during the first half of 2015. Offsetting the cash provided by operations, we used $13,658 of cash in investing activities, primarily consisting of cash paid for the acquisition of Zenith (net of cash acquired), a capital contribution made to Zenith prior to the acquisition, and capital expenditures which were primarily for retail store relocations and retail store remodels. Net cash provided by financing activities was $257, including $4,034 of proceeds and excess tax benefits associated with the exercise of stock options, largely offset by dividend payments of $3,777. With cash and cash equivalents and short-term investments totaling $45,592 on hand at May 30, 2015, we believe we have sufficient liquidity to fund operations for the foreseeable future.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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Debt and Other Obligations

Our credit facility with our bank provides for a line of credit of up to $15,000 and is secured by our accounts receivable and inventory. The facility 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 line will mature in December 2015, at which time we expect to obtain a new line under substantially similar terms. At May 30, 2015, we had $216 outstanding under standby letters of credit, leaving availability under our credit line of $14,784.

At May 30, 2015 we have outstanding principal totaling $15,639, excluding discounts, under notes payable of which $4,428 matures within one year of the balance sheet date. See Note 8 to our condensed consolidated financial statements for additional details regarding these notes, including collateral and future maturities. We expect to satisfy these obligations as they mature using cash flow from operations or our available cash on hand.

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 segment. We had obligations of $114,737 at May 30, 2015 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 $2,856 at May 30, 2015. See Note 9 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 $27,539 at May 30, 2015. All other retail real estate that we own, consisting of locations leased to non-licensees, 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 $3,196 at May 30, 2015.

The following table summarizes our total investment in retail real estate owned at May 30, 2015:

	Number of Locations	Aggregate Square Footage	Net Book Value
Real estate occupied by Company-owned and operated stores, included in property and equipment, net (1)	11	276,887	$27,539
Investment real estate leased to others, included in other assets	2	41,021	3,196
Total Company investment in retail real estate	13	317,908	$30,735

(1) Includes two properties encumbered under mortgages totalling $2,062 at May 30, 2015.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

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 29, 2014.

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. We have guaranteed certain lease obligations of licensee operators of the stores, as part of our retail expansion strategy. See Note 9 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 9 to our condensed consolidated financial statements for further information regarding certain contingencies as of May 30, 2015.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

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 2015.

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. A recovery in home construction could result in increases in wood and fabric costs from current levels, and 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 segment. 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 $3,196 at May 30, 2015 for stores formerly operated by licensees as well as our holdings of $27,539 at May 30, 2015 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 $2,856 which we have guaranteed on behalf of licensees as of May 30, 2015, 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 at a reasonable assurance level. 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.

PART I - FINANCIAL INFORMATION - CONTINUED

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

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"*, *"aimed"* and *"intends"* or words 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 are listed in our Annual Report on Form 10-K for fiscal 2014 and include:

- competitive conditions in the home furnishings industry
- general economic conditions
- overall retail traffic levels and consumer demand for home furnishings
- ability of our customers and consumers to obtain credit
- Bassett store openings
- 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 as they are implemented

- fluctuations in the cost and availability of raw materials, fuel, labor and sourced products
- results of marketing and advertising campaigns
- information and technology advances
- 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
- the risk that we may not achieve the strategic benefits of our acquisition of Zenith.

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PART II – OTHER INFORMATION

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

	Total Shares Purchased	**Avg Price Paid**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)**
March 1, 2015 – April 4, 2015	2,600	$24.63	2,600	$19,745
April 5, 2015 – May 2, 2015	-	-	-	$19,745
May 3, 2015 – May 30, 2015	-	-	-	$19,745

(1) The Company is authorized to repurchase Company stock under a plan which was originally announced in 1998. On October 9, 2014, the Board of Directors increased the remaining limit of the repurchase plan to $20,000.

Item 3. Defaults Upon Senior Securities

None.

Item 6. Exhibits

a. Exhibits:

Exhibit 3a – Articles of Incorporation as amended 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 3b to Form 10-Q for the fiscal quarter ended August 25, 2012, filed October 4, 2012.

Exhibit 4 – Registrant hereby agrees to furnish the SEC, upon request, 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 Accounting 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 Accounting Officer’s certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

PART II – OTHER INFORMATION

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

MAY 30, 2015

(Dollars in thousands except share and per share data)

Exhibit 101 – The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 2015 formatted in Extensible Business Reporting Language (“XBRL”): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations and retained earnings, (iii) condensed consolidated statements of cash flows, and (iv) the notes to the condensed consolidated financial statements, tagged as blocks of text.

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

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., President and Chief Executive Officer

July 1, 2015

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

July 1, 2015