United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended August 31, 2006

Commission file number 000-25349

HOOKER FURNITURE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia **(State or other jurisdiction of incorporation or organization)**	**54-0251350** **(IRS employer identification no.)**

440 East Commonwealth Boulevard, Martinsville, VA 24112
(Address of principal executive offices, zip code)

(276) 632-0459
(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated Filer ☐ Accelerated Filer ☒ 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of **October 4, 2006**.

Common stock, no par value	**14,429,367**
(Class of common stock)	*(Number of shares)*

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands, including share data)

	August 31, 2006	November 30, 2005
Assets		
Current assets		
Cash and cash equivalents	**$ 10,512**	$ 16,365
Trade accounts receivable, less allowance for doubtful accounts of **$1,874** and $1,352 on each date	**43,226**	43,993
Inventories	**83,784**	68,718
Prepaid expenses and other current assets	**4,065**	4,042
Assets held for sale	**2,195**	1,656
Total current assets	**143,782**	134,774
Property, plant and equipment, net	**33,195**	37,006
Goodwill	**2,396**	2,396
Intangible assets	**4,458**	4,590
Cash surrender value of life insurance policies	**11,129**	9,880
Other assets	**862**	406
Total assets	**$195,822**	$ 189,052
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	**$ 11,315**	$ 13,872
Accrued salaries, wages and benefits	**6,988**	6,272
Other accrued expenses	**2,957**	2,628
Current maturities of long-term debt	**2,412**	2,283
Total current liabilities	**23,672**	25,055
Long-term debt, excluding current maturities	**9,186**	11,012
Deferred compensation	**3,915**	3,516
Other long-term liabilities	**329**	857
Total liabilities	**37,102**	40,440
Shareholders' equity		
Common stock, no par value, **20,000** shares authorized, **14,429** and 14,425 shares issued and outstanding on each date	**10,868**	9,516
Unearned ESOP and restricted stock award shares, **2,416** and 2,538 shares on each date	**(15,106)**	(15,861)
Retained earnings	**163,049**	155,183
Accumulated other comprehensive loss	**(91)**	(226)
Total shareholders' equity	**158,720**	148,612
Total liabilities and shareholders' equity	**$195,822**	$ 189,052

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

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2006	2005	2006	2005
Net sales	**$83,006**	$82,398	**$259,039**	$251,622
Cost of sales	**59,546**	61,165	**185,794**	185,219
Gross profit	**23,460**	21,233	**73,245**	66,403
Selling and administrative expenses	**18,588**	15,364	**52,930**	46,784
Restructuring and asset impairment charges	**2,837**	4,673	**3,145**	5,039
Operating income	**2,035**	1,196	**17,170**	14,580
Other income, net	**258**	137	**843**	425
Income before interest and income taxes	**2,293**	1,333	**18,013**	15,005
Interest expense	**211**	236	**660**	1,009
Income before income taxes	**2,082**	1,097	**17,353**	13,996
Income taxes	**872**	433	**6,751**	5,523
Net income	**$ 1,210**	$ 664	**$ 10,602**	$ 8,473
Earnings per share:				
Basic and diluted	**$ 0.10**	$ 0.06	**$ 0.89**	$ 0.72
Weighted average shares outstanding:				
Basic	**11,973**	11,799	**11,930**	11,781
Diluted	**11,973**	11,799	**11,932**	11,781

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

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended	
	August 31, 2006	**August 31, 2005**
Cash flows from operating activities		
Cash received from customers	**$ 260,252**	$ 254,330
Cash paid to suppliers and employees	**(252,613)**	(237,986)
Income taxes paid	**(7,312)**	(7,371)
Interest paid, net	**(25)**	(695)
Net cash provided by operating activities	**302**	8,278
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,676)**	(3,246)
Proceeds from the sale of property and equipment	**954**	5,410
Net cash (used in) provided by investing activities	**(1,722)**	2,164
Cash flows from financing activities		
Payments on long-term debt	**(1,697)**	(9,327)
Cash dividends paid	**(2,736)**	(2,464)
Repurchase and retirement of common stock		(930)
Net cash used in financing activities	**(4,433)**	(12,721)
Net decrease in cash and cash equivalents	**(5,853)**	(2,279)
Cash and cash equivalents at beginning of year	**16,365**	9,230
Cash and cash equivalents at end of period	**$ 10,512**	$ 6,951
Reconciliation of net income to net cash provided by operating activities:		
Net income	**$ 10,602**	$ 8,473
Depreciation and amortization	**3,486**	5,108
Non-cash ESOP cost and restricted stock awards	**2,107**	2,435
Restructuring and asset impairment charges	**3,145**	5,039
Loss (gain) on disposal of property	**2**	(15)
Provision for doubtful accounts	**987**	547
Deferred income tax benefit	**(205)**	(1,857)
Changes in assets and liabilities:		
Trade accounts receivable	**(220)**	1,870
Inventories	**(15,066)**	(5,116)
Prepaid expenses and other assets	**(1,216)**	(2,488)
Trade accounts payable	**(2,557)**	(5,231)
Accrued salaries, wages and benefits	**(1,028)**	(1,633)
Other accrued expenses	**(73)**	470
Other long-term liabilities	**338**	676
Net cash provided by operating activities	**$ 302**	$ 8,278

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

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar and share amounts in tables, except per share amounts, in thousands unless otherwise indicated)
For the Quarterly Period Ended August 31, 2006

1. Preparation of Interim Financial Statements

The consolidated financial statements of Hooker Furniture Corporation and subsidiaries (referred to as "Hooker" or the "Company") have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with U.S. generally accepted accounting principles ("GAAP") are condensed or omitted pursuant to SEC rules and regulations. However, management believes that the disclosures made are adequate for a fair presentation of results of operations and financial position. Operating results for the interim periods reported herein may not be indicative of the results expected for the year. These financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K for the fiscal year ended November 30, 2005.

2. Inventories

	August 31, 2006	November 30, 2005
Finished furniture	**$ 82,488**	$ 68,985
Furniture in process	**1,703**	1,961
Materials and supplies	**10,166**	9,531
Inventories at FIFO	**94,357**	80,477
Reduction to LIFO basis	**10,573**	11,759
Inventories	**$ 83,784**	$ 68,718

At the beginning of the 2006 fiscal year, the Company adopted Statement of Financial Accounting Standards No. 151, Inventory Costs: an Amendment to ARB No. 43 ("SFAS 151"). This statement clarifies the types of costs that should be expensed rather than capitalized as inventory; and it also clarifies the circumstances under which fixed overhead costs, such as abnormal amounts of idle facility expense, freight, handling costs and wasted material, associated with operating facilities involved in inventory processing should be expensed or capitalized. The adoption of SFAS 151 did not have a material impact on the Company's financial position or results of operations.

3. Property, Plant and Equipment

	August 31, 2006	November 30, 2005
Buildings and land improvements	**$ 36,602**	$ 42,413
Machinery and equipment	**20,418**	31,539
Furniture and fixtures	**26,649**	25,708
Other	**3,013**	3,263
Total depreciable property at cost	**86,682**	102,923
Less accumulated depreciation	**57,405**	68,631
Total depreciable property, net	**29,277**	34,292
Land	**1,472**	1,715
Construction in progress	**2,446**	999
Property, plant and equipment, net	**$ 33,195**	$ 37,006

4. Goodwill and Intangible Assets

	August 31, 2006	November 30, 2005
Goodwill	**$ 2,396**	$ 2,396
Non-amortizable Intangible Assets		
Trademarks and trade names	**$ 4,400**	$ 4,400
Amortizable Intangible Assets		
Non-compete agreements	**$ 700**	$ 700
Less accumulated amortization	**642**	510
Net carrying value	**58**	190
Intangible assets	**$ 4,458**	$ 4,590

5. Long-Term Debt

	August 31, 2006	November 30, 2005
Long-term debt outstanding: Term Loan A	**$ 11,598**	$ 13,295
Less current maturities	**2,412**	2,283
Long-term debt, excluding current maturities	**$ 9,186**	$ 11,012

In April 2006, the Company did not renew a $20 million line of credit available exclusively for commercial letters of credit issued to collateralize purchases of imported inventory. The Company is now acquiring the majority of its imported inventory on open account with suppliers who do not require letters of credit.

A standby letter of credit in the amount of $1.3 million, used exclusively for collateralizing certain insurance arrangements, was outstanding under the Company's revolving credit facility as of August 31, 2006 and November 30, 2005.

6. Restructuring and Asset Impairment Charges and Assets Held for Sale

	Severance and Related Benefits	Asset Impairment	Other	Total
Accrued balance at November 30, 2005	$ 789		$218	$ 1,007
Restructuring charges accrued during 2006 for the:				
Pleasant Garden, N.C. manufacturing and Martinsville, Va. plywood facilities	**(316)**	**$ 42**	**130**	**(144)**
High Point, N.C. showroom		**140**		**140**
Roanoke, Va. facility	**2,060**	**1,089**		**3,149**
Non-cash charges		**(1,271)**		**(1,271)**
Cash payments	**(1,358)**		**(85)**	**(1,443)**
Accrued balance at **August 31, 2006**	**$ 1,175**	**$**	**$263**	**$ 1,438**

During the 2006 nine-month period, the Company recorded $3.1 million ($1.9 million after tax or $0.16 per share) in restructuring charges (net of restructuring credits) principally related to:

- the August 2006 closing of its Roanoke, Va. manufacturing facility ($3.1 million);
- a restructuring credit to reverse previously accrued health care benefits for terminated employees at the former Pleasant Garden, N.C. facility that are not expected to be paid ($316,000);
- the final sale of its Pleasant Garden, N.C. wood furniture plant ($172,000); and
- the planned sale of two showrooms in High Point, N.C. formerly operated by Bradington-Young ($140,000).

The restructuring charges related to the closing of the Roanoke, Va. facility consisted of $2.1 million in severance and related benefits to be paid to the approximately 260 terminated hourly and salaried employees affected by the closing and $1.1 million in asset impairment charges. Substantially all of the severance benefits were paid in August 2006.

The Company will continue to support and service all product lines formerly made in Roanoke. Domestic wood furniture production will be centralized at the Company's 760,000-square-foot plant and warehouse facility located next to its headquarters in Martinsville, Va. There has been little impact on delivery schedules to dealers as a result of the plant closing. Shipments of all domestically manufactured wood furniture have continued on a timely basis.

On July 26, 2006, the Company entered into a definitive agreement for the sale of the Roanoke property and plant and substantially all of the facility's machinery and equipment for an aggregate purchase price of $2.2 million, net of selling costs. The sale of the facility is expected to close by the end of the 2006 fourth quarter, subject to customary closing conditions, including satisfactory completion of the buyer's due diligence.

In connection with the disposition of the Pleasant Garden facility, the Company recorded charges of $172,000 for costs to prepare that facility for sale and for additional asset impairment. In May 2006, the Company completed the sale of the Pleasant Garden facility. Aggregate proceeds from that sale, including proceeds from an equipment auction held in December 2005, amounted to $1.4 million ($1.0 million in cash and a note receivable for $400,000), net of selling expenses.

Prior to the Spring 2006 International Home Furnishings Market, the Company moved its Bradington-Young showroom to leased space proximate to the Hooker's wood furniture showroom in High Point, N.C. In connection with the relocation, the Company decided to sell two showrooms formerly operated by Bradington-Young in High Point, N.C. and recorded an asset impairment charge of $140,000 to write-down one of these showrooms to estimated market value less cost to sell.

7. Supplemental Schedule of Non-cash Investing and Financing Activities

	Nine Months Ended August 31, 2006
Note received in connection with the sale of the Pleasant Garden, N.C. facility	**$ 400**

8. Other Comprehensive Income

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2006	**2005**	**2006**	**2005**
Net income	**$ 1,210**	$ 664	**$10,602**	$8,473
(Loss) gain on interest rate swaps	**(49)**	59	**128**	100
Portion of swap agreements' fair value reclassified to interest expense	**14**	81	**87**	490
Other comprehensive (loss) income before tax	**(35)**	140	**215**	590
Income tax benefit (expense)	**15**	(53)	**(80)**	(224)
Other comprehensive (loss) income, net of tax	**(20)**	87	**135**	366
Comprehensive net income	**$ 1,190**	$ 751	**$10,737**	$8,839

9. Employee Stock Ownership Plan (“ESOP”) Cost

	Three Months Ended August 31, 2006	Three Months Ended August 31, 2005	Nine Months Ended August 31, 2006	Nine Months Ended August 31, 2005
Average closing market price per share	**$ 15.54**	$ 18.01	**$ 16.63**	$ 20.05
Number of shares committed to be released (in whole shares)	**41,498**	39,813	**125,878**	121,464
Non-cash ESOP cost	**$ 645**	$ 717	**$ 2,093**	$ 2,435
Administrative cost	**34**	102	**64**	144
Total ESOP cost	**$ 679**	$ 819	**$ 2,157**	$ 2,579

10. Share-Based Compensation

At the beginning of 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, Share-Based Payments (“SFAS 123R”). The Company issued restricted stock awards to non-employee members of the board of directors in January 2006 and expects to issue restricted stock or other forms of stock-based compensation awards to eligible directors and employees in the future under the Hooker Furniture Corporation 2005 Stock Incentive Plan (“Stock Plan”), which will be accounted for in accordance with SFAS 123R.

The Company’s Stock Plan permits incentive awards of restricted stock, restricted stock units, stock appreciation rights and performance grants to key employees and non-employee directors. A maximum of 750,000 shares of the Company’s common stock is available for issuance under the Stock Plan. On January 16, 2006, a total of 4,851 shares of restricted common stock were granted to the six non-employee members of the board of directors. These shares will vest if each director remains on the board through a 36-month service period or may vest earlier in accordance with terms specified in the Stock Plan. During the 2006 nine-month period, 784 of these shares were forfeited and 147 shares vested. The grant-date fair value of stock awards issued during the 2006 first quarter was $15.81 per share.

In accordance with SFAS 123R, the Company accounts for these awards as “non-vested equity shares.” These shares have an aggregate grant-date fair value of $46,000, after taking actual and projected forfeitures into account. During the 2006 nine-month period, the Company recognized non-cash compensation expense of approximately $14,000 related to these non-vested awards. The remaining $32,000 of grant-date fair value will be recognized over the remaining 28 months of the vesting period for these awards.

Shares awarded under the Stock Plan that have not yet vested are considered when computing diluted earnings per share. Basic and diluted earnings per share are calculated using the following share data:

	Three Months Ended August 31, 2006	Three Months Ended August 31, 2005	Nine Months Ended August 31, 2006	Nine Months Ended August 31, 2005
Weighted average shares outstanding for basic earnings per share	**11,973**	11,799	**11,930**	11,781
Dilutive effect of restricted stock awards			**2**	
Weighted average shares outstanding for diluted earnings per share	**11,973**	11,799	**11,932**	11,781

11. **Executive Benefits**

On September 5, 2006, the Company announced that Douglas C. Williams, the Company's President and Chief Operating Officer, had decided to retire effective October 31, 2006. Mr. Williams was offered early retirement in late August 2006. On August 30, 2006, Mr. Williams informed the Company of his decision to accept this early retirement offer. On August 31, 2006, the Compensation Committee of the Company's Board of Directors met and authorized in concept an early retirement arrangement for Mr. Williams. Consequently, the Company recorded $1.4 million in compensation expense in the 2006 third quarter in connection with this early retirement arrangement. On September 27, 2006, the Compensation Committee met again and, in consideration of his thirty-five years of outstanding service and his willingness to take early retirement, approved the specific terms of Mr. Williams's early retirement arrangement based on substantially the same terms as authorized in concept at its August 31, 2006 meeting.

12. **Casualty Loss**

During the weekend of June 24 and 25, 2006, the Martinsville, Virginia area experienced severe storms and heavy rain. One of the Company's finished goods warehouses experienced significant water damage, confined primarily to finished goods inventory and real property. The Company incurred $1.2 million in damaged inventory (at net sales value) and other related costs, and $363,000 in damage to its warehouse. After taking into account the expected insurance settlement ($1.0 million of which has been received), the Company recorded a net casualty loss of $111,000 in the 2006 third quarter, reflecting a deductible of $250,000 less the amount by which the final insurance settlement is expected to exceed the Company's cost basis in the damaged property.

13. **Accounting Pronouncements**

In June 2006, the Financial Standards Accounting Board (FASB) issued FASB Interpretation No. 48—Accounting for Uncertainty in Income Taxes ("FIN 48") — an interpretation of FASB Statement No. 109 ("SFAS 109"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, Accounting for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. Consequently, the Company will adopt the standard in its 2007 first quarter, which will begin January 29, 2007. The adoption of FIN 48 is not expected to have a material impact on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis

Overview

The principal factors that impacted the Company's results of operations during the 2006 three and nine-month periods compared to the same prior year periods include the following:

- Net sales of imported wood, metal and upholstered furniture continued to increase year-over-year while net sales of domestically manufactured wood and upholstered furniture continued to decline.
- A larger proportion of sales from higher margin imported wood, metal and upholstered furniture improved gross profit margin year-over-year. This improvement was partially offset by a decline in gross profit for domestically produced wood furniture attributed to higher manufacturing costs as a percentage of net sales and higher sales discounts.
- Increases in selling, general and administrative expenses attributed to higher warehousing and distribution costs to support increased imported furniture demand and supply chain initiatives, early retirement benefits for a key executive of the Company and higher bad debt expense, partially offset by lower selling expenses.
- A decline in restructuring and asset impairment charges related to manufacturing facility closings.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items included in the statements of income.

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2006	**2005**	**2006**	**2005**
Net sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**71.7**	74.2	**71.7**	73.6
Gross profit	**28.3**	25.8	**28.3**	26.4
Selling and administrative expenses	**22.4**	18.6	**20.4**	18.6
Restructuring and related asset impairment charge	**3.4**	5.7	**1.2**	2.0
Operating income	**2.5**	1.5	**6.7**	5.8
Other income, net	**0.3**	0.1	**0.3**	0.2
Income before interest and income taxes	**2.8**	1.6	**7.0**	6.0
Interest expense	**0.3**	0.3	**0.3**	0.4
Income before income taxes	**2.5**	1.3	**6.7**	5.6
Income taxes	**1.0**	0.5	**2.6**	2.2
Net income	**1.5%**	0.8%	**4.1%**	3.4%

2006 Third Quarter Compared to the 2005 Third Quarter

Net sales increased 0.7% or $608,000, to $83.0 million for the quarter ended August 31, 2006, from $82.4 million in the prior year quarter. Net sales of the Company’s wood and metal furniture during the 2006 third quarter increased 1.1% or $770,000, to $68.4 million from $67.6 million in the 2005 third quarter. Higher unit volume for imported wood and metal furniture was partially offset by lower unit volume for domestically produced wood furniture. The Company’s imported wood and metal furniture shipments continued to grow at a double-digit rate during the 2006 third quarter, with strong growth in both “container-direct” shipments, principally from China, and “ship-from-stock” serviced out of its Virginia distribution centers. Average selling prices decreased for imported and domestically manufactured wood and metal products principally due to the mix of products shipped and higher sales discounting offered on overstocked products.

Net sales of Bradington-Young’s upholstered furniture declined slightly to $14.7 million in the 2006 third quarter from $14.8 million during the 2005 third quarter, due to a decline in domestic upholstery units sold. However, increased unit sales in the imported Seven Seas Seating category and an increase in average selling prices for both imported and domestically produced upholstered furniture largely offset this decline.

Overall, unit volume increased in the 2006 three-month period compared to the same 2005 period principally due to the higher volume of imported wood and metal units shipped. Average selling prices declined in the 2006 third quarter compared to the 2005 third quarter due to the mix of products shipped (principally the larger proportion of lower priced imported furniture) and as a result of higher sales discounts offered on overstocked wood furniture products.

Gross profit margin increased to 28.3% of net sales in the 2006 third quarter compared to 25.8% in the 2005 third quarter principally due to the higher proportion of higher margin imported wood, metal and upholstered products shipped. Margins continued to decline on domestic wood furniture, attributed to higher material, labor and overhead costs as a percentage of net sales.

Selling and administrative expenses increased by 21.0% or $3.2 million, to $18.6 million in the 2006 third quarter from $15.4 million in the 2005 period. As a percentage of net sales, selling and administrative expenses increased to 22.4% in the current quarter from 18.6% in the prior year period. Higher warehousing and distribution costs, early retirement benefits for a key executive of the Company and higher bad debt expense related to the potential default by an important customer account for this increase in expenses. These cost increases were partially offset by lower selling expenses, principally advertising and sample costs, and lower legal and professional expenses and depreciation.

The Company continued to incur higher year over year warehousing and distribution costs associated with the growth in imported furniture demand, coupled with increased spending for supply chain initiatives. Contributing to these costs were continuing high receipts of imported product, which increased the cost of temporary warehousing and port storage. The Company expects these costs to trend higher through the fourth quarter. The Company plans to lower these costs by reducing inventory levels, vacating excess warehousing and improving the scheduled receipt of inbound goods over the next several quarters. By January 2007, the Company expects these costs to begin declining from current levels.

During the 2006 third quarter, the Company also recorded $1.4 million in compensation expense, which increased selling and administrative expenses, in connection with the early retirement of Douglas C. Williams, the Company's President and Chief Operating Officer, announced on September 5, 2006. During Mr. Williams's distinguished thirty-five year career with Hooker Furniture, he has helped lead the Company as it has transitioned from being predominately a domestic wood furniture manufacturer to a design, sourcing and marketing company with an emphasis on imported wood and upholstered furniture products. As part of this transition, he has guided the Company in adding managers having specific skills and experience in importing, logistics and supply chain management. Additionally, he redeployed certain executives and managers formerly focused on manufacturing to address these new areas. As a result of a recent evaluation of management needs, particularly in light of the Company's current business model, Mr. Williams was offered early retirement in late August 2006. On August 30, 2006, Mr. Williams informed the Company of his decision to accept this early retirement offer.

The cost of the Company's ESOP for the 2006 third quarter decreased $140,000 to $679,000 compared to $819,000 in the third quarter of 2005 due to the decline in the average market price of the Company's common stock and lower administrative expenses. The Company records non-cash ESOP cost for the number of shares that it commits to release to eligible employees at the average closing market price of the Company's common stock during each respective period. The Company committed to release 41,498 shares during the 2006 third quarter, having an average closing market price of $15.54 per share, and 39,813 shares during the 2005 third quarter, having an average closing market price of $18.01 per share. The cost of the plan is allocated to cost of goods sold and selling and administrative expenses based on employee compensation.

During the 2006 third quarter, the Company recorded $2.8 million ($1.8 million after tax or $0.15 per share) in restructuring charges (net of restructuring credits) principally related to:

- the August 2006 closing of its Roanoke, Va. manufacturing facility ($3.1 million); and
- a restructuring credit to reverse previously accrued health care benefits for terminated employees at the former Pleasant Garden, N.C. facility that are not expected to be paid ($316,000).

The restructuring charges related to the closing of the Roanoke, Va. facility consisted of $2.1 million in severance and related benefits to be paid to the approximately 260 terminated hourly and salaried employees affected by the closing and $1.1 million in asset impairment charges. Substantially all of the severance benefits were paid in August 2006.

The Company will continue to support and service all product lines formerly made in Roanoke. Domestic wood furniture production will be centralized at the Company's 760,000-square-foot plant and warehouse facility located next to its headquarters in Martinsville, Va. There has been little impact on delivery schedules to dealers as a result of the plant closing. Shipments of all domestically manufactured wood furniture have continued on a timely basis.

On July 26, 2006, the Company entered into a definitive agreement for the sale of the Roanoke property and plant and substantially all of the facility's machinery and equipment for an aggregate purchase price of $2.2 million, net of selling costs. The sale of the facility is expected to close by the end of the 2006 fourth quarter, subject to customary closing conditions, including satisfactory completion of the buyer's due diligence.

During the 2005 third quarter, the Company recorded aggregate restructuring and asset impairment charges of $4.7 million ($2.9 million after tax, or $0.25 per share), principally related to:

- the closing of its Pleasant Garden, N.C. manufacturing facility ($4.1 million);
- consolidation of plywood production at its Martinsville, Va. manufacturing facility ($404,000); and
- additional costs ($220,000 principally for environmental monitoring) related to its Kernersville, N.C. facility (which closed in 2002) and its Maiden, N.C. facility (which closed in 2003).

As a result of the improvement in gross profit and lower restructuring charges, operating income in the 2006 third quarter increased 70.2%, to $2.0 million from $1.2 million in the prior year period. As a percentage of net sales, operating income increased to 2.5% in the current quarter, compared to 1.5% for the 2005 third quarter.

Increases in interest income also contributed to the quarterly improvement in net income. Other income, net, increased 88.3% or $121,000, to $258,000 in the 2006 third quarter from $137,000 in the 2005 period, principally as a result of increased interest income resulting from higher cash balances compared to the prior year.

The Company's effective tax rate increased to 41.9% for the 2006 third quarter compared to 39.5% for the same 2005 period. The increase is principally attributed to a decline in the Company's extraterritorial income exclusion related to exports.

Third quarter 2006 net income of $1.2 million or $0.10 per share increased 82.2% from $664,000, or $0.06 per share, in the prior year period.

<u>2006 Nine Month Period Compared to the 2005 Nine Month Period</u>

Year-to-date, the Company reported net sales of $259.0 million, an increase of $7.4 million or 2.9%, compared to $251.6 million in the 2005 nine-month period. Net sales of Hooker's wood and metal furniture increased $8.4 million or 4.1%, to $211.5 million during the first nine months of 2006 compared to net sales of $203.1 million in the 2005 period. Higher unit volume for imported wood and metal furniture was partially offset by lower unit volume for domestically produced wood furniture. Average selling prices increased for imported wood and metal products but declined for domestically manufactured wood products principally due to the mix of products shipped and higher sales discounting offered on overstocked products.

Shipments of Bradington-Young upholstered furniture declined by $969,000 or 2.0%, to $47.5 million during the first nine months of 2006 compared to $48.5 million during the prior year period, due to lower unit sales of domestically produced upholstered furniture, partially offset by an increase in unit shipments of imported upholstered furniture. Average selling prices increased during the first nine months of 2006 compared to the same 2005 period for both domestically produced and imported upholstered furniture products.

Overall, unit volume increased in the 2006 nine-month period compared to the same 2005 period principally due to the higher volume of imported wood, metal and upholstered units shipped. Average selling prices declined in the 2006 first nine months compared to the 2005 nine months due to the mix of products shipped (principally the larger proportion of lower priced imported furniture) and as a result of larger discounts offered on overstocked products and the increased volume of imported wood and metal furniture shipped via container direct.

Year-to-date, gross profit margin increased to 28.3% of net sales compared to 26.4% in the comparable 2005 period, principally due to the larger proportion of sales of higher margin imported products.

In the first nine months of 2006, selling and administrative expenses increased $6.1 million or 13.1%, to $52.9 million compared with $46.8 million in the same 2005 period. As a percentage of net sales, selling and administrative expenses increased to 20.4% in the 2006 first nine months from 18.6% in the prior year period. Higher warehousing and distribution costs to support increased imported furniture demand and supply chain initiatives, early retirement benefits for a key executive of the Company and higher bad debt expense related to the potential default by an important customer, account for this increase in expenses. These cost increases were partially offset by lower selling expenses, principally advertising, sample costs and depreciation.

For the 2006 nine-month period, ESOP cost decreased $422,000 to $2.2 million compared to $2.6 million in the same 2005 period, principally due to a decline in the average market price of the Company's common stock and lower administrative expenses. The Company committed to release 125,878 shares during year-to-date 2006, having an average closing market price of $16.63 per share, and 121,464 shares during the 2005 period, having an average closing market price of $20.05 per share.

During the 2006 nine-month period, the Company recorded $3.1 million ($1.9 million after tax or $0.16 per share) in restructuring charges (net of restructuring credits), principally related to:

- the August 2006 closing of its Roanoke, Va. manufacturing facility ($3.1 million);
- a restructuring credit for previously accrued health care benefits for terminated employees at the former Pleasant Garden, N.C. facility that are not expected to be paid ($316,000);
- the final sale of its Pleasant Garden, N.C. wood furniture plant ($172,000); and
- the planned sale of two showrooms in High Point, N.C. formerly operated by Bradington-Young ($140,000).

The restructuring charges related to the closing of the Roanoke, Va. facility consisted of $2.1 million in severance and related benefits to be paid to the approximately 260 terminated hourly and salaried employees affected by the closing and $1.1 million in asset impairment charges.

In connection with the disposition of the Pleasant Garden facility, the Company recorded charges of $172,000 for costs to prepare that facility for sale and for additional asset impairment. In May 2006, the Company completed the sale of the Pleasant Garden facility. Aggregate proceeds from that sale, including proceeds from an equipment auction held in December 2005, amounted to $1.4 million ($1.0 million in cash and a note receivable for $400,000), net of selling expenses.

Prior to the Spring 2006 International Home Furnishings Market, the Company moved its Bradington-Young showroom to leased space proximate to the Company's wood furniture showroom in High Point, N.C. In connection with the relocation, the Company decided to sell two showrooms formerly operated by Bradington-Young in High Point, N.C. and recorded an asset impairment charge of $140,000 to write-down one of these showrooms to estimated market value less cost to sell.

During the 2005 nine-month period, the Company recorded aggregate restructuring and asset impairment charges of $5.0 million ($3.1 million after tax, or $0.27 per share) principally related to:

- the closing of its Pleasant Garden, N.C. manufacturing facility ($4.1 million);
- consolidation of plywood production at its Martinsville, Va. manufacturing facility ($404,000); and
- additional factory disassembly costs, health care benefits for terminated employees, environmental monitoring, and asset impairment charges of $586,000 related to the closing and sale of its Maiden, N.C. manufacturing facility (which closed in 2003) and its Kernersville, N.C. facility (which closed in 2002).

Operating income in the 2006 nine-month period increased 17.8%, to $17.2 million from $14.6 million in the prior year period. As a percentage of net sales, operating income increased to 6.7% in the current year period, compared to 5.8% for the same 2005 period. The improvement in operating income principally results from higher net sales and gross profit and lower restructuring charges. These factors were partially offset by an increase in selling and administrative expenses.

Other income, net increased 98.4% or $418,000, to $843,000 in the 2006 year-to-date period from $425,000 in the 2005 period, principally as a result of increased interest income from higher cash balances compared to the prior year.

For the 2006 nine-month period, interest expense declined $349,000, or 34.6%, to $660,000 from $1.0 million in the same 2005 period. The decrease is principally due to lower debt levels resulting from principal repayments, partially offset by higher weighted average interest rates on outstanding borrowings. Interest expense also includes the amortization of a $3.0 million payment made in 2003 to terminate an interest rate swap agreement related to Term Loan A. Amortization of this payment increased interest expense by $249,000 in the 2006 nine months and $294,000 in the 2005 period, effectively resulting in a fixed interest rate of 7.4% on Term Loan A.

The Company's effective tax rate decreased to 38.9% for year-to-date 2006 compared to 39.5% for the same 2005 period. The decrease is attributed to lower non-cash ESOP cost and lower state income taxes principally attributed to the higher apportionment of taxable income to Virginia, which has a lower income tax rate than North Carolina.

Year-to-date net income rose by 25.1%, or $2.1 million, to $10.6 million or $0.89 per share, from $8.5 million, or $0.72 per share, in the same prior year period. As a percent of net sales, net income rose to 4.1% in the 2006 nine months compared to 3.4% for the 2005 nine months.

Outlook

The Company expects continuing strength in demand for its imported wood, metal and upholstered furniture products and continuing challenges for domestically produced wood and upholstered furniture and has responded to this environment in the following ways:

- Coordinating wood and upholstered furniture more closely in designing, marketing and selling.
- Developing viable product niches for domestically-produced furniture that are less "price sensitive" and delivering a compelling value in function and upscale style and quality. Noteworthy examples include the Simply American "premier house brand" bedroom collection produced in the Martinsville plant and "motorized pop-up" consoles for plasma televisions.
- Adding design features and materials such as brass and antiqued glass and upgrading wood finishes to provide a more sophisticated look and feel for the Company's domestically produced wood furniture that enhances appeal and value to customers, such as with Kimball Bridge and Brookhaven home theater wall units and Simply American bedroom.
- Developing national sales events that focus on key product categories and include domestically-produced furnishings. Two national sales promotions focus exclusively on the domestically-produced bedrooms and plasma television consoles. These sales events are supported by dealer discounts and internet and direct mail dealer-to-consumer marketing.
- Adjusting domestic production capacity to changing consumer demand with the closure of four wood furniture plants between 2002 and 2006.

As of August 31, 2006, the Company had near record amounts of finished goods inventory and warehouse space utilization. On the positive side, the Company currently has over 80% of its best selling items in stock. After factoring in scheduled receipts and shipments over the next 30 days, the Company's stock position improves to over 90%. At the same time, the Company's inventory management goal is to re-align inventory levels with projected sales growth. The Company is beginning to see improvement in forecasting, logistics and systems that will continue to increase product availability and delivery to customers while decreasing finished goods inventory carrying requirements. Management expects to reduce finished goods inventory from August 2006 levels by 8-12% by the end of the 2006 fourth quarter and by 25% over the next six months, without compromising service to our customers. Although recent introductions for domestically manufactured products have been well received, the Company expects to work shorter production schedules over the next three to four months in order to help rebalance its inventory of existing products with sales. Also, during the upcoming fourth quarter, through an early retirement program and the release of temporary employees, the Company expects to reduce its Martinsville production workforce by 20%.

The market environment for leather seating has been weak during most of the 2006 nine-month period. Retail is sluggish, and leather upholstery sales have been negatively impacted by lower-priced imports. The Company is meeting the import challenge with its Seven Seas imported leather seating line, which has experienced strong net sales growth during the 2006 nine-month period. In addition, the Company has initiatives underway that it believes will improve opportunities to expand upholstery sales and profits. Compared to January 2003, when the Company acquired Bradington-Young, the leather seating product line is stronger and more diverse, delivery schedules have shortened, the dealer base has expanded and the price to value proposition has expanded with the addition of the Seven Seas imported leather seating line. Prior to the Spring 2006 International Home Furnishings Market in High Point, N.C., the Company moved its Bradington-Young showroom to leased space proximate to the Company's wood furniture showroom, which offers greater visibility to dealers for the Company's upholstered furniture products. Additionally, Bradington-Young launched a number of new domestic and imported products, as well as a new marketing program aimed at the design trade.

Hooker continues to expand its "store within a store" displays with the Company's existing dealers through "SmartLiving ShowPlace" galleries dedicated exclusively to multi-category and whole-home collections under the Hooker and Bradington-Young brands. The Company is on target to reach its goal of having 35 SmartLiving ShowPlace galleries in place by the end of 2006.

While business has improved marginally since August, the upcoming 2006 fourth quarter will be challenging compared to the strong fourth quarter last year. Several factors, including a slowdown in housing and economic activity, continue to cause consumers to be cautious. On the positive side, energy prices are down, interest rates are stable, consumer confidence is improving and the stock market is performing well. During the near term, the Company is in a strong inventory position to capitalize immediately on any upturn. For the longer term, the Company expects business to improve into the upcoming fall and winter.

On August 29, 2006, the Company approved a change in its fiscal year. After completion of the current fiscal year, which will end November 30, 2006, the Company's fiscal years will end on the Sunday closest to January 31. In order to facilitate the change to a new fiscal year end, the Company will complete a transition period that begins December 1, 2006 and ends January 28, 2007. The Company plans to file a Transition Report on Form 10-Q covering that period. The first complete fiscal year under the new schedule will begin January 29, 2007 and end February 3, 2008.

In addition, starting with the fiscal year beginning January 29, 2007, the Company will adopt quarterly periods based on thirteen-week "reporting periods" (which will always end on a Sunday) rather than quarterly periods consisting of three calendar months. As a result, each quarterly period generally will be thirteen weeks, or 91 days, long. However, since the Company's fiscal year will always end on the Sunday closest to January 31, in some years (generally once every six years) the fourth quarter will be fourteen weeks long and the fiscal year will consist of 53 weeks (e.g. the fiscal year ending February 3, 2008 will be 53 weeks). For more information about the changes in the Company's fiscal year and quarterly periods, please refer to the Company's Form 8-K filed with the Securities and Exchange Commission on September 1, 2006.

Balance Sheet and Working Capital

As of August 31, 2006, assets totaled $195.8 million, increasing from $189.1 million at November 30, 2005, principally due to an increase in inventories, partially offset by a decrease in cash and cash equivalents. Shareholders' equity at August 31, 2006, was $158.7 million, compared to $148.6 million at November 30, 2005. The Company's long-term debt, including current maturities, declined to $11.6 million at August 31, 2006, compared to $13.3 million at November 30, 2005, as a result of scheduled debt repayments.

Working capital increased $10.4 million or 9.5%, to $120.1 million as of August 31, 2006, from $109.7 million at the end of fiscal 2005, reflecting a $9.0 million or 6.7% increase in current assets, coupled with a $1.4 million or 5.5% decrease in current liabilities. The increase in current assets is principally due to an increase of $15.1 million in inventories, partially offset by decreases of $5.9 million in cash and cash equivalents. Inventories increased 21.9%, to $83.8 million as of August 31, 2006, from $68.7 million at November 30, 2005, principally due to higher receipts of imported wood and metal inventory. Trade accounts payable decreased to $11.3 million as of August 31, 2006, from $13.9 million at November 30, 2005, principally attributed to lower purchases of imported wood furniture.

Cash Flows – Operating, Investing and Financing Activities

During the nine months ended August 31, 2006, a decrease in cash and cash equivalents ($5.9 million), receipts from the sale of property and equipment ($1.0 million, principally from the sale of the Pleasant Garden, N.C. real and personal property) and cash generated from operations ($302,000) funded cash dividends ($2.7 million), the purchase of property, plant and equipment ($2.7 million) and payments on long-term debt ($1.7 million).

During the nine months ended August 31, 2005, cash generated from operations ($8.3 million), proceeds from the sale of property and equipment ($5.4 million) and a decrease in cash and cash equivalents ($2.3 million), funded the repayment of long-term debt ($9.3 million), capital expenditures ($3.3 million), dividend payments ($2.5 million) and the repurchase of common stock ($930,000).

Cash generated from operations during the first nine months of 2006 of $302,000 decreased $8.0 million from $8.3 million in the 2005 period. The decrease was due to higher payments made to suppliers and employees partially offset by an increase in cash received from customers, an increase in interest received, and a decrease in interest payments on outstanding debt. Payments to suppliers and employees were $14.6 million higher, principally due to increased purchases of imported furniture products. Cash received from customers increased $6.0 million principally as a result of higher net sales.

The Company used $1.7 million of cash for investing activities during the first nine months of 2006 compared to generating cash from investing activities in the amount of $2.2 million in the 2005 six-month period. Purchases of plant, equipment and other assets to maintain and enhance the Company's facilities and business operating systems declined $570,000 to $2.7 million in the 2006 period compared with $3.2 million in the same 2005 period principally as a result of declining investment requirements for wood furniture production facilities. Also, in the 2006 nine-month period the Company completed the sale of its Pleasant Garden, N.C. facility and substantially all of the machinery located at its former Martinsville, Va. plywood supply plant and other asset disposals for an aggregate cash consideration of $1.1 million, net of selling expenses. The Company also received a note in the amount of $400,000 as additional consideration from the sale of the Pleasant Garden facility. The plywood supply plant was converted to a warehouse during the 2006 first quarter. In the prior year period, the Company received cash of $5.4 million from the sale of all of the real and personal property located at the Maiden, N.C. wood furniture plant and from the sale of other assets.

The Company used $4.4 million of cash for financing activities during the 2006 nine months compared to $12.7 million in the prior year period. During 2006, the Company made scheduled principal repayments of $1.7 million on Term Loan A and paid cash dividends of $2.7 million. During 2005, the Company repaid long-term debt in the amount of $9.3 million (including the early redemption of the industrial revenue bonds for $4.6 million in cash), paid cash dividends of $2.5 million and repurchased 50,000 shares of common stock for $930,000, or $18.60 per share.

Swap Agreements

The aggregate fair market value of the Company's interest rate swap agreements decreases when interest rates decline and increases when interest rates rise. While interest rates have increased since the 2003 second quarter through the 2006 third quarter, overall, interest rates have declined since the inception of the Company's swap agreements. The aggregate decrease in the fair market value of the effective portion of these agreements amounting to $91,000 ($147,000 pre-tax) as of August 31, 2006, and $226,000 ($364,000 pre-tax) as of November 30, 2005, is reflected under the caption "accumulated other comprehensive loss" in the consolidated balance sheets. Approximately $53,000 of the aggregate pre-tax decrease in fair market value of these agreements is expected to be reclassified into interest expense during the next twelve months.

Debt Covenant Compliance

The credit agreement for Term Loan A and the Company's revolving credit facility contains, among other requirements, financial covenants as to minimum tangible net worth; debt service coverage; the ratio of funded debt to earnings before interest, taxes, depreciation, and amortization; and maximum capital expenditures. The Company was in compliance with these covenants as of August 31, 2006.

Liquidity and Capital Expenditures

In April 2006, the Company did not renew a $20 million line of credit available exclusively for commercial letters of credit issued to collateralize purchases of imported inventory. The Company is now acquiring the majority of its imported inventory on open account with suppliers who do not require letters of credit.

As of August 31, 2006, the Company had $13.7 million available under its revolving credit line to fund working capital requirements. The Company believes it has the financial resources (including available cash and cash equivalents, expected cash flow from operations, and lines of credit) needed to meet business requirements for the foreseeable future, including working capital, repayment of outstanding debt, dividends on the Company's common stock, capital expenditures and repurchases under the Company's stock repurchase program. Cash flow from operations is highly dependent on customer order rates and the Company's operating performance. The Company plans to spend an aggregate of $2.4 to $3.0 million in capital expenditures during the remainder of fiscal 2006 to maintain and enhance its facilities and operating systems, principally those supporting growth in imported products and to fund distribution and supply chain management initiatives. Looking forward to 2007, the Company expects it capital expenditures to approximate 2006 levels.

Dividends

At its October 4, 2006 meeting, the board of directors of the Company approved a quarterly cash dividend of $0.08 per share. The dividend will be payable on November 30, 2006 to shareholders of record November 15, 2006.

Accounting Pronouncements

In June 2006, the Financial Standards Accounting Board (FASB) issued FASB Interpretation No. 48 - Accounting for Uncertainty in Income Taxes ("FIN 48") — an interpretation of FASB Statement No. 109 ("SFAS 109"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, Accounting for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. Consequently, the Company will adopt the standard in its 2007 first quarter, which will begin January 29, 2007. The adoption of FIN 48 is not expected to have a material impact on the Company's financial position or results of operations.

Forward-Looking Statements

Certain statements made in this report, including certain statements under Item 2. Management's Discussion and Analysis, are not historical facts, but are forward-looking statements. These statements reflect the Company's reasonable judgment and outlook with respect to future events and can be identified by the use of forward-looking terminology such as "believes," "expects," "projects," "may," "will," "should," "would," or "anticipates," or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, including but not limited to:

- Domestic and international competition in the furniture industry;
- General economic or business conditions, both domestically and internationally;
- The cyclical nature of the furniture industry;
- Achieving and managing growth and change, and the risks associated with acquisitions, restructurings, strategic alliances and international operations;
- Supply, transportation and distribution disruptions or delays affecting imported and domestically manufactured products;
- Adverse political acts or developments in, or affecting, the international markets from which the Company imports products, including duties or tariffs imposed on products imported by the Company;
- Changes in domestic and international monetary policies and fluctuations in foreign currency exchange rates affecting the price of the Company's imported products;
- Risks associated with distribution through retailers, such as non-binding dealership arrangements;
- Risks associated with manufacturing operations, such as fluctuations in the price of key raw materials, including lumber and leather, and environmental matters; and
- Capital requirements and costs.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk from changes in interest rates and foreign currency exchange rates, which could impact its results of operations and financial condition. The Company manages its exposure to these risks through its normal operating and financing activities and through the use of interest rate swap agreements with respect to interest rates.

The Company's obligations under its lines of credit and outstanding term loan all bear interest at variable rates. The Company's outstanding long-term debt (including current maturities) as of August 31, 2006, amounted to $11.6 million under Term Loan A. As of August 31, 2006, no balance was outstanding under the Company's revolving credit line. The Company has entered into an interest rate swap agreement that, in effect, fixes the rate of interest paid on Term Loan A at 4.1% through 2010 (7.4% when the effect of a previously terminated swap agreement is taken into account in determining interest expense).

A fluctuation in market interest rates of one percentage point (100 basis points) would not have a material impact on the Company's results of operations or financial condition. For additional discussion of the Company's swap agreements see "Swap Agreements" in Management's Discussion and Analysis in the Company's annual report on Form 10-K and this quarterly report.

For imported products, the Company generally negotiates firm pricing denominated in U.S. Dollars with its foreign suppliers, typically for periods of up to one year. The Company accepts the exposure to exchange rate movements beyond these negotiated periods without using derivative financial instruments to manage this risk. The Company purchases a majority of its imports from companies located in China. China's currency floats within a limited range in relation to the U.S. Dollar, resulting in additional exposure to foreign currency exchange rate fluctuations.

Since the Company transacts its imported product purchases in U.S. Dollars, a relative decline in the value of the U.S. Dollar could increase the price paid by the Company for imported products and adversely impact sales volume and profit margin during affected periods. However, the Company generally expects to reflect substantially all of the effect of any price increases from suppliers in the prices it charges for its imported products.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on their most recent review, which was made as of the end of the Company's fiscal quarter ended August 31, 2006, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Controls

There have been no changes in the Company's internal control over financial reporting during the Company's quarter ended August 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In June 2001, the Company announced that its board of directors had authorized the repurchase of up to $3.0 million of the Company's common stock and announced an increase in that authorization of $2.2 million in October 2001, for an aggregate authorization of $5.2 million. Through August 31, 2006, the Company has repurchased approximately 634,000 shares of Company common stock at a total cost of $3.4 million or an average of $5.42 per share under this authorization. Repurchases may be made from time to time in the open market, or in privately negotiated transactions, at prevailing market prices that the Company deems appropriate. There is no expiration date for this authorization. No shares of common stock were repurchased by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) during the third quarter of 2006. Based on the market value of the common stock as of August 31, 2006, the remaining $1.7 million of the authorization would allow the Company to repurchase approximately 116,625 shares, or 0.8%, of the 14.4 million shares outstanding, or 1.1% of the Company's outstanding shares excluding the 3.4 million shares held by the ESOP.

Item 5. Other Information

Amendment and Restatement of Hooker Furniture Corporation Bylaws

On October 4, 2006, the Company's Board of Directors approved the amendment and restatement of the Company's Bylaws effective as of that date. This amendment and restatement represents the first revision of the Company's Bylaws since March 31, 1998, which predates the registration of the Company's common stock under the Securities Exchange Act of 1934 and the listing of the Company's common stock on the NASDAQ Capital Market (formerly NASDAQ Small Cap Market). The Nominating and Corporate Governance Committee of the Company's Board of Directors recommended the amendment and restatement of the Bylaws after thorough review by the Committee and the Company's outside counsel. The Company's Amended and Restated Bylaws represent a substantial updating and revision of the Bylaws to address the corporate governance needs of a publicly traded company.

Significant changes to the Company's Bylaws include:

- changing the designated time of the annual meeting of shareholders and the date of the annual meeting of shareholders for 2007 and for fiscal years ending on or after February 3, 2008 (Article II; Section 1);
- permitting the Board to designate the date and time of the annual meeting of shareholders (Article II; Section 1);
- establishing procedures and notice provisions governing matters to be proposed by shareholders at the annual meeting of shareholders outside the Company's proxy statement (Article II; Section 1);
- limiting authority to call a special meeting of shareholders to the Chairman, Chief Executive Officer or the Board of Directors (previously a 10% shareholder could call a special meeting of shareholders) (Article II; Section 2);
- expanding the methods for delivering notices for shareholders' meetings to include any method permitted by law (Article II; Section 10);
- adding procedures for the conduct of shareholders' meetings (Article II; Section 4);
- adding procedures and notice provisions for shareholder nominations of directors (Article III; Section 3);
- making notice procedures for Board meetings more flexible (Article III; Section 7);
- revising procedures for the election and removal of Company officers (Article IV; Sections 1-3);
- adding provisions requiring a general or specific authorization of the Board for corporate officers, employees or agents to enter into contracts on behalf of the Company (Article IV, Sections 2 and 11); and
- deleting the designation of the Company's fiscal year in the Bylaws and stating that the Company's Board of Directors will have the power to fix and change the Company's fiscal year (Article VI).

In general, other changes include:

- conforming Bylaws provisions to applicable Virginia law or, in some cases, deleting provisions that merely restated statutory requirements under the Virginia Stock Corporation Act;
- providing helpful corporate governance procedures, and
- conforming the Bylaws to current company practice.

A copy of the Company's Bylaws as Amended and Restated October 4, 2006 is filed as an exhibit to this report and is incorporated in response to this Item by reference thereto.

Paul B. Toms, Jr. Elected to Serve as President of Hooker Furniture Corporation

On September 5, 2006, the Company announced that Douglas C. Williams, the Company's President and Chief Operating Officer, will retire effective October 31, 2006. At a meeting held October 4, 2006, the Board of Directors of the Company elected Paul B. Toms, Jr., the Company's Chairman and Chief Executive Officer, to also serve as the Company's President effective November 1, 2006.

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation of the Company, as amended March 28, 2003 (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q (SEC File No. 000-25349) for the quarter ended February 28, 2003)
3.2*	Bylaws of the Company amended and restated October 4, 2006
4.1	Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.1)
4.2	Bylaws of the Company amended and restated October 4, 2006 (See Exhibit 3.2)
31.1*	Rule 13a-14(a) Certification of the Company's principal executive officer
31.2*	Rule 13a-14(a) Certification of the Company's principal financial officer
32.1*	Rule 13a-14(b) Certification of the Company's principal executive officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Rule 13a-14(b) Certification of the Company's principal financial officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Filedherewith

SIGNATURE

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.

HOOKER FURNITURE CORPORATION

Date: October 6, 2006

/s/ R. Gary Armbrister

R. Gary Armbrister
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit Index

Exhibit No.	Description
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*Filedherewith

BYLAWS OF
HOOKER FURNITURE CORPORATION

AMENDED AND RESTATED
October 4, 2006

ARTICLE I. OFFICES

The principal office of the Corporation shall be located in the City of Martinsville, Virginia. The Corporation may have such other offices, either within or without the Commonwealth of Virginia, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II. SHAREHOLDERS

SECTION 1. *Annual Meeting*. The annual meeting of the shareholders shall be held at 2:00 p.m. on, (i) for the fiscal year ending November 30, 2006, the twenty-second day of March, and, (ii) for fiscal years ending on or after February 3, 2008, the last business day of June, or at such other time on such other date in each year as may be designated by resolution of the Board of Directors from time to time for the purpose of electing Directors and conducting such other business as may properly come before the meeting.

At each annual meeting of shareholders, only such business shall be conducted as is proper to consider and has been brought before the meeting (i) pursuant to the Corporation's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by a shareholder who is a shareholder of record of a class of shares entitled to vote on the business such shareholder is proposing and who is such a shareholder of record, both at the time of the giving of the shareholder's notice hereinafter described in this Section and on the record date for such annual meeting, and who complies with the notice procedures set forth in this Section.

In order to bring before an annual meeting of shareholders any business which may properly be considered and which a shareholder has not sought to have included in the Corporation's proxy statement for the meeting, a shareholder who meets the requirements set forth in the preceding paragraph must give the Corporation timely written notice. To be timely, a shareholder's notice must be given, either by personal delivery to the Secretary at the principal office of the Corporation or by first class United States mail, with postage prepaid, addressed to the Secretary at the principal office of the Corporation. Any such notice must be received (i) not less than 120 days before the one-year anniversary of the date of mailing the notice of the preceding year's annual meeting of shareholders, if clause (ii) is not applicable, or (ii) not less than 90 days before the date of the meeting if the date of such meeting, as prescribed in these bylaws, has been changed by more than 30 days.

Each such shareholder's notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) the name and address, as they appear on the Corporation's stock transfer books, of the shareholder proposing business, (ii) the class and number of shares of stock of the Corporation beneficially owned by such shareholder, (iii) a representation that such shareholder is a shareholder of record at the time of the giving of the notice and intends to appear in person or by proxy at the meeting to present the business specified in the notice, (iv) a brief description of the business desired to be brought before the meeting, including the complete text of any resolutions to be presented and the reasons for wanting to conduct such business and (v) any interest which the shareholder may have in such business.

The Secretary shall deliver each shareholder's notice that has been timely received to the Chairman of the Board or, if there is not one, to the Chief Executive Officer for review.

Notwithstanding the foregoing provisions of this Section, a shareholder seeking to have a proposal included in the Corporation's proxy statement for an annual meeting of shareholders shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended from time to time, or with any successor regulation.

SECTION 2. *Special Meetings*. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called the Chairman of the Board of Directors (the "Chairman"), the Chief Executive Officer or the Board of Directors. Notice of a special meeting shall state the purpose or purposes for which the meeting is called.

SECTION 3. *Place of Meeting*. The Board of Directors may designate any place, either within or without the Commonwealth of Virginia unless otherwise prescribed by statute, as the place of meeting of shareholders for any annual meeting or for any special meeting. If no designation is made, the place of the meeting shall be the principal office of the Corporation.

SECTION 4. *Notice of Meeting*. Written notice stating the place, day and hour of each meeting of shareholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall, unless otherwise prescribed by statute, be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting (except when a different time is required in these Bylaws or by law), either personally or by mail, telecopy or any other form of communication permitted by applicable law or by private courier, by or at the direction of the Chairman, the Chief Executive Officer, the Board of Directors or the Secretary to each shareholder of record entitled to vote at such meeting. If the purpose for which a shareholders meeting is called is to act on an amendment to the Articles of Incorporation, a plan of merger, share exchange, domestication or entity conversion, a proposed sale of assets contemplated by Section 13.1-724 of the Virginia Stock Corporation Act, or the dissolution of the Corporation, notice shall be delivered not less than twenty-five (25) nor more than sixty (60) days before the meeting date to all shareholders of the Corporation, whether or not entitled to vote.

Notwithstanding the foregoing, no notice of a shareholders' meeting need be given to a shareholder if (i) an annual report and proxy statements for two consecutive annual meetings of shareholders, or (ii) all, and at least two, checks in payment of dividends or interest on securities during a twelve-month period, have been sent by first-class United States mail, with postage prepaid, addressed to the shareholder at his or her address as it appears on the share transfer books of the Corporation, and returned undeliverable. The obligation of the Corporation to give notice of shareholders' meetings to any such shareholder shall be reinstated once the Corporation has received a new address for such shareholder for entry on its share transfer books.

If a meeting is adjourned to a different date, time or place, notice need not be given if the new date, time or place is announced at the meeting before adjournment. However, if a new record date for an adjourned meeting is fixed, notice of the adjourned meeting shall be given to shareholders as of the new record date unless a court provides otherwise.

SECTION 5. *Record Dates*. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or to receive any dividend or for any purpose, the Board of Directors may fix, in advance, a record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days before the meeting or action requiring such determination of shareholders. When a determination of shareholders entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date, which shall be required if the meeting is adjourned to a date more than one-hundred twenty (120) days after the date of the original meeting.

SECTION 6. *Voting Lists*. At least ten (10) days before each meeting of shareholders, the officer or agent having charge of the share transfer books for shares of the Corporation shall make a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof with the address of and the number of shares held by each. For a period of ten days before the meeting, such list shall be kept on file at the registered office of the Corporation or at its principal office or at the office of its transfer agent or registrar and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purpose thereof.

SECTION 7. *Quorum*. Unless otherwise required by law or the Articles of Incorporation, a majority of the outstanding shares of the Corporation entitled to vote on a matter, represented in person or by proxy, shall constitute a quorum for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

SECTION 8. *Proxies*. At all meetings of shareholders, a shareholder may vote the shareholder's shares in person or by proxy. A shareholder or the shareholder's agent or attorney-in-fact may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form or by an electronic transmission. Such proxy shall be effective when filed with the Secretary of the Corporation or other officer or agent of the Corporation authorized to tabulate votes. Such proxy shall be valid for eleven (11) months from the date of its execution, unless otherwise provided in the proxy. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

SECTION 9. *Voting of Shares*. If a quorum exists, action on a matter, other than the election of directors, is approved if the votes cast favoring the action exceed the votes cast opposing the action unless a greater number of affirmative votes is required by law. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

SECTION 10. *Organization and Order of Business.*

(a) The Chairman shall serve as chairman at all meetings of the shareholders. In the absence of the Chairman or if the Chairman declines to serve, the chairman of the meeting shall be designated by the Board of Directors. The Secretary or, in the Secretary's absence, an Assistant Secretary shall act as secretary at all meetings of the shareholders. In the event that neither the Secretary nor an Assistant Secretary is present, the chairman of the meeting may appoint any person to act as secretary of the meeting.

(b) The chairman of the meeting shall have the authority to make such rules and regulations, to establish such procedures and to take such steps as the chairman deems necessary or desirable for the proper conduct of each meeting of the shareholders, including, without limitation, the authority to make the agenda and to establish procedures for (i) dismissing business not properly presented, (ii) maintaining order and safety, (iii) placing limitations on the time allotted to questions or comments on the affairs of the Corporation, (iv) placing restrictions on attendance at a meeting by persons or classes of persons who are not shareholders or their proxies, (v) restricting entry to a meeting after the time prescribed for the commencement thereof, (vi) commencing, conducting and closing voting on any matter and (vii) adjourning the meeting to be reconvened at a later date.

ARTICLE III. BOARD OF DIRECTORS

SECTION 1. *General Powers*. The Corporation shall have a Board of Directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under the direction of, its Board of Directors, and such officers and agents as the Board of Directors may elect to employ, subject to any limitation set forth in the Articles of Incorporation.

SECTION 2. *Number, Tenure and Qualification*. The number of directors of the Corporation shall not be less than five (5) nor more than fifteen (15), with the number to be fixed from time to time by resolution of the Board of Directors. Directors shall be elected for terms of one (1) year. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Each director shall hold office until the next annual meeting of shareholders. Despite the expiration of a director's term, the director shall continue to serve until his or her successor shall have been elected and duly qualified, until there is a decrease in the number of directors or until removed by the shareholders, whichever event first occurs.

SECTION 3. *Nomination of Directors*. Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote in the election of directors generally. However, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors only if written notice of such shareholder's intent to make such nomination or nominations is submitted in writing, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation and is received at the Corporation's principal executive offices not later than, (i) 120 days before the one-year anniversary of the date of mailing the notice of the preceding year's annual meeting of shareholders, if clause (ii) is not applicable, or (ii) 90 days before the date of the annual meeting if the date of such annual meeting, as prescribed in these bylaws, has been changed by more than 30 days or (iii) the close of business on the tenth day following the date on which notice is first given to shareholders with respect to a special meeting of shareholders for the election of directors.

Each such nomination shall set forth the name and address of the nominee and a description of the nominee's qualifications for serving as a director and: (i) the name and address of the shareholder making the nomination; (b) a representation that the shareholder is a holder of record of shares of the Corporation entitled to vote at such meeting and, if necessary, would appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee as would be required to be included in a proxy statement filed under the proxy rules of the Securities and Exchange Commission if the nominee were to be nominated by the Board of Directors; (d) information concerning each nominee's independence as defined by applicable NASDAQ listing standards; and (e) the consent of each nominee to serve as a director of the Corporation if elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 4. *Election*. Except as provided in Section 12 of this Article III, directors shall be elected by the holders of the common shares at each annual meeting of shareholders or at a special meeting called for such purpose. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. No individual shall be named or elected as a director without such individual's prior consent.

SECTION 5. *Regular Meetings*. The Board of Directors may adopt a schedule of meetings, which shall be considered regular meetings. Regular meetings shall be held at such times and at such places, within or without the Commonwealth of Virginia, as the Chairman, the Chief Executive Officer or the Board of Directors shall designate from time to time. If no place is designated, regular meetings shall be held at the principal office of the Corporation.

SECTION 6. *Special Meetings*. Special meetings of the Board of Directors may be called by or at the request of the Chairman, the Chief Executive Officer, the Board of Directors or any two directors and shall be held at such times and at such places, within or without the Commonwealth of Virginia, as such person or persons calling the meeting shall designate. If no such place is designated in the notice of a meeting, it shall be held at the principal office of the Corporation.

SECTION 7. *Notice*. No notice need be given of regular meetings of the Board of Directors. Notice of any special meeting shall be given at least six (6) hours before the meeting in person or delivered to his or her residence or business address (or such other place as the director may have directed in writing) by mail, messenger, telecopy, telegraph, email or any other form of communication permitted by applicable law or by telephoning such notice to the director. Any such notice may be oral or written and shall set forth the time and place of the meeting and shall state the purpose for which the meeting is called.

SECTION 8. *Quorum*. A majority of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors then present may adjourn the meeting from time to time without further notice.

SECTION 9. *Voting*. If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present is the act of the Board of Directors. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (i) the director objects, at the beginning of the meeting or promptly upon arrival, to holding the meeting or transacting specified business at the meeting or (ii) the director votes against or abstains from the action taken.

SECTION 10. *Participation in Meetings*. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

SECTION 11. *Action Without a Meeting*. Any action that may be taken by the Board of Directors at a meeting may be taken without a meeting if one or more written consents describing the action is signed by each director before or after such action is taken and included in the minutes or filed with the corporate records. Action taken under this Section shall be effective when the last director signs the consent unless the consent specifies a different effective date in which event the action taken is effective as of the date specified therein provided the consent states the date of execution by each director.

SECTION 12. *Removal*. The shareholders may remove one or more directors with or without cause. Unless the Articles of Incorporation require a greater vote, a director may be removed if the number of votes cast to remove the director constitutes a majority of the votes entitled to be cast at an election of directors. A director may be removed by the shareholders only at a meeting called for the purpose of removing such director and the meeting notice must state that the purpose, or one of the purposes of the meeting, is removal of the director.

SECTION 13. *Vacancies*. Any vacancy occurring in the Board of Directors, including a vacancy resulting from the removal of a director or an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors, unless otherwise provided by law. The term of a director elected by the Board of Directors to fill a vacancy shall expire at the next shareholders' meeting at which directors are elected.

SECTION 14. *Compensation*. The directors shall receive such compensation for their services as directors and as members or chair of any committee appointed by the Board as may be prescribed by the Board of Directors and shall be reimbursed by the Corporation for ordinary and reasonable expenses incurred in the performance of their duties.

SECTION 15. *Committees*. The Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Unless otherwise provided in these Bylaws, each committee shall have two or more members who serve at the pleasure of the Board of Directors. The creation of a committee and appointment of members to it shall be approved by the greater of (i) a majority of all of the directors in office when action is taken, or (ii) the number of directors required by the Articles of Incorporation or these Bylaws to take action. The provisions of these Bylaws that govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors shall apply to committees of directors and their members as well.

SECTION 16. *Chairman of the Board*. The Chairman, if one is designated by the Board of Directors, shall preside at all meetings of the Board and perform such other duties as the Board shall assign from time to time. In the absence of the Chairman, the chairman of the meeting shall be designated by the Board of Directors.

SECTION 17. *Secretary of Meetings*. The Secretary or an Assistant Secretary shall act as secretary of meetings of the Board. In the absence of the Secretary or an Assistant Secretary, the chairman of the meeting may appoint any person to act as secretary of the meeting.

ARTICLE IV. OFFICERS

SECTION 1. *Number*. The officers of the Corporation shall include a President and a Secretary and may include a Chairman of the Board, one or more Vice Presidents, a Treasurer and such other officers and assistant officers as may be deemed necessary or advisable to carry on the business of the Corporation. The Board of Directors shall designate a Chief Executive Officer and a Chief Financial Officer from among the officers of the Corporation. One person may hold two or more offices, except those of Chief Executive Officer and Secretary.

SECTION 2. *Election and Term of Office*. The Board of Directors shall elect the Chairman of the Board, if there is one, the President, the Secretary and such other officers as the Board of Directors shall, in its discretion, determine. The Chief Executive Officer may, from time to time, appoint other officers. The action of the Chief Executive Officer in appointing officers shall be reported to the next regular meeting of the Board of Directors after it is taken. Each officer shall hold office until his or her successor shall have been duly elected or appointed and shall have qualified or until his or her death or resignation or shall have been removed in the manner hereinafter provided. In the event of the Chief Executive Officer's death, resignation, removal or inability or refusal to act, the Board shall promptly designate an interim or acting Chief Executive Officer. In the event of the Chief Financial Officer's death, resignation, removal or inability or refusal to act, the Board or the Chief Executive Officer shall promptly designate an interim or acting Chief Financial Officer. The Board of Directors shall annually establish the scope of the authority of the Chief Executive Officer, President and Chief Financial Officer to enter into Contracts (as defined in Section 11 of this Article IV) in the name and on behalf of the Corporation as contemplated by Section 11 of this Article IV.

SECTION 3. *Removal*. Any officer, employee or agent may be removed by the Board of Directors with or without cause whenever in its judgment, the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer or assistant officer, if appointed by the Chief Executive Officer, may likewise be removed by the Chief Executive Officer. Such action shall be reported to the next regular meeting of the Board of Directors after it is taken. Election or appointment of an officer, employee or agent shall not of itself create contract rights.

SECTION 4. *Chief Executive Officer*. The Chief Executive Officer shall be the principal executive officer of the Corporation and, subject to the direction of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation and in general shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. *President*. In the absence of the Chief Executive Officer or in the event of his or her death, resignation, removal or inability or refusal to act, and unless and until the Board designates an interim or acting Chief Executive Officer, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. The President shall perform such other duties as from time to time may be assigned by the Chief Executive Officer or by the Board of Directors.

SECTION 6. *Chief Financial Officer*. The Chief Financial Officer of the Corporation shall keep or cause to be kept full and accurate books of account. Whenever required by the Board of Directors or the Chief Executive Officer, the Chief Financial Officer shall render financial statements showing all transactions of the Corporation and the financial condition of the Corporation. The Chief Financial Officer shall also perform such other duties as from time to time may be assigned by the Chief Executive Officer or by the Board of Directors.

SECTION 7. *Secretary*. The Secretary, or an Assistant Secretary, shall: (a) keep the minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation, if any; and (d) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to such officer by the Chief Executive Officer or by the Board of Directors.

SECTION 8. *Duties of Other Officers*. The other officers of the Corporation, which may include Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, a Treasurer, Assistant Treasurers, a Controller or Assistant Controllers, and Assistant Secretaries shall have such authority and perform such duties as shall be prescribed by the Board of Directors or the Chief Executive Officer. To the extent that such duties are not so stated, such officers shall have such authority and perform the duties which generally pertain to their respective offices, subject to the direction of the Chief Executive Officer or the Board of Directors.

SECTION 9. *Voting Securities of Other Corporations*. Unless otherwise provided by the Board of Directors, each of the Chief Executive Officer, President and Chief Financial Officer, in the name and on behalf of the Corporation, may appoint from time to time himself or herself or any other person (or persons) proxy, attorney or agent for the Corporation to cast the votes that the Corporation may be entitled to cast as a shareholder, member or otherwise in any other corporation, partnership or other legal entity, domestic or foreign, whose stock, interests or other securities are held by the Corporation, or to consent in writing to any action by such other entity, or to exercise any or all other powers of this Corporation as the holder of the stock, interests or other securities of such other entity. Each of the Chief Executive Officer, President and Chief Financial Officer may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed on behalf of the Corporation and under its corporate seal such written proxies, consents, waivers, or other instruments as may be deemed necessary or proper. Each of the Chief Executive Officer, President and Chief Financial Officer may attend any meeting of the holders of stock, interests or other securities of any such other entity and vote or exercise any or all other powers of this Corporation as the holder of the stock, interest or other securities of such other entity.

SECTION 10. *Compensation*. The Board of Directors or a committee of the Board of Directors shall fix the compensation of the executive officers of the Corporation, including the Chief Executive Officer.

SECTION 11. *Contracts*. Each of the Chief Executive Officer, President and Chief Financial Officer (each an "Authorized Officer"), and any officer(s), employee(s) or agent(s) of the Corporation any such Authorized Officer may designate, may enter into any deed, mortgage, deed of trust, note, lease, contract or agreement (collectively "Contracts") and execute and deliver any instrument in the name and on behalf of the Corporation, to the extent authorized to do so by the Board of Directors pursuant to Section 2 of this Article IV or otherwise, and such authority may be general or confined to specific instances. The Board of Directors may authorize any other officer(s), employee(s) or agent(s), of the Corporation to enter into any Contracts or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

ARTICLE V. SHARE CERTIFICATES

SECTION 1. *Certificates for Shares*. Shares of the Corporation, when fully paid, shall be evidenced by certificates containing such information as is required by law and in such form as approved by the Board of Directors. When issued, such certificates shall be signed by the Chief Executive Officer, President or Chief Financial Officer and the Secretary or an Assistant Secretary and may (but need not) be sealed with the seal of the Corporation. The seal of the Corporation and any or all of the signatures on a share certificate may be facsimile. If any officer, transfer agent or registrar who signed, or whose facsimile signature has been written, printed or stamped on, a certificate for shares shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate shall be as valid as though such individual were such officer, transfer agent or registrar at the date of issue.

Alternatively, the Board of Directors may authorize the issuance of some or all shares without certificates. In such event, within a reasonable time after issuance, the Corporation shall mail to the shareholder a written confirmation of its records with respect to such shares containing the information required by law.

SECTION 2. *Transfer; Restrictions on Transfer*. The Board of Directors may make rules and regulations concerning the issue, registration and transfer of shares and/or certificates representing the shares of the Corporation. Transfer of shares of the Corporation, and/or certificates representing such shares, shall be made on the share transfer books of the Corporation by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney-in-fact thereunto authorized by power-of-attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate representing such shares, if any, accompanied by written assignments given by such record holder, legal representative or attorney-in-fact.

SECTION 3. *Transfer Agents and Registrar*. The Board of Directors may appoint one or more transfer agents or transfer clerks, and one or more registrars, who shall be appointed at such times and places as the requirements of the Corporation may necessitate and the Board of Directors may designate.

SECTION 4. *Lost or Destroyed Share Certificates*. The Corporation may issue a new share certificate or a written confirmation of its records with respect to shares in the place of any certificate theretofore issued which is alleged to have been lost or destroyed, and may require the owner of such certificate, or such owner's legal representative, to give the Corporation a bond, with or without surety, or such other agreement, undertaking or security as the Board of Directors shall determine is appropriate, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of the former certificate or the issuance of any such new certificate.

SECTION 5. *Registered Shareholders*. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the owner thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person. The Corporation shall not be liable for registering any transfer of shares which are registered in the name of a fiduciary unless done with actual knowledge of facts which would cause the Corporation's action in registering the transfer to amount to bad faith.

ARTICLE VI. FISCAL YEAR

The Board of Directors shall have power to fix and to change the fiscal year of the Corporation.

ARTICLE VII. DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation.

ARTICLE VIII. CORPORATE SEAL

The Corporation may, but need not, have a corporate seal, which may be altered at will, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced. The failure to affix a seal shall not affect the validity of any instrument.

ARTICLE IX. WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any shareholder or director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Virginia Stock Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the date and time of the meeting, shall be deemed equivalent to the giving of such notice. Such waiver shall be delivered to the Secretary of the Corporation for inclusion in the minutes or filing with the corporate records.

A shareholder’s attendance at a meeting (i) waives objection to lack of notice or defective notice of the meeting unless the shareholder, at the beginning of the meeting, objects to holding the meeting or transacting business at the meeting and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice unless the shareholder objects to considering the matter when it is presented.

A director’s attendance at or participation in a meeting waives any required notice to such director of the meeting unless the director, at the beginning of the meeting or promptly upon arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE X. AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors. Bylaws adopted by the Board of Directors may be repealed or changed or new bylaws adopted by the shareholders, and the shareholders may prescribe that any bylaw adopted by them may not be altered, amended or repealed by the Board of Directors.

ADOPTED AND EFFECTIVE as of the 4th day of October 2006.

/s/ E. Larry Ryder
Secretary

Approved:

/s/ Paul B. Toms, Jr.
Chairman of the Board

Exhibit 31.1

Form 10-Q for the Quarterly Period Ended August 31, 2006
SECTION 13a-14(a) CERTIFICATION

I, Paul B. Toms, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furniture Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 6, 2006

/s/ Paul B. Toms, Jr.
Paul B. Toms, Jr.
Chairman and Chief Executive Officer

Exhibit 31.2

Form 10-Q for the Quarterly Period Ended August 31, 2006
SECTION 13a-14(a) CERTIFICATION

I, E. Larry Ryder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furniture Corporation;

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

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

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

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

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

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

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

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

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

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

Date: October 6, 2006

/s/ E. Larry Ryder
E. Larry Ryder
Executive Vice President - Finance and
Administration and Chief Financial Officer

Exhibit 32.1

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

In connection with the Hooker Furniture Corporation (the "Company") Quarterly Report on Form 10-Q for the period ending August 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul B. Toms, Jr., Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: October 6, 2006

By: /s/ Paul B. Toms, Jr.
Paul B. Toms, Jr.
Chairman and Chief Executive Officer

Exhibit 32.2

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

In connection with the Hooker Furniture Corporation (the "Company") Quarterly Report on Form 10-Q for the period ending August 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Larry Ryder, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: October 6, 2006

By: /s/ E. Larry Ryder
E. Larry Ryder
Executive Vice President - Finance and
Administration and Chief Financial Officer