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, 2003

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 an accelerated filer (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 **September 30, 2003**.

Common stock, no par value **(Class of common stock)**	**7,237,650** **(Number of shares)**

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOOKER FURNITURE CORPORATION

UNAUDITED CONSOLIDATED BALANCE SHEETS

(In thousands, including share data)

	August 31, 2003	November 30, 2002
Assets		
Current assets:		
Cash and cash equivalents	**$ 13,456**	$ 2,316
Trade receivables, less allowances of **$870** and $800 on each date	**36,131**	33,771
Inventories	**53,600**	54,959
Prepaid expenses and other assets	**2,489**	2,225
Total current assets	**105,676**	93,271
Property, plant, and equipment, net	**55,071**	49,577
Assets held for sale	**740**	
Intangible and other assets	**16,058**	7,033
Total assets	**$ 177,545**	$ 149,881
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable	**$ 3,866**	$ 5,427
Accrued salaries, wages, and benefits	**5,461**	6,022
Accrued income taxes	**1,845**	3,169
Other accrued expenses	**3,287**	4,372
Current maturities of long-term debt	**6,835**	2,905
Total current liabilities	**21,294**	21,895
Long-term debt, less current maturities	**40,697**	21,798
Other long-term liabilities	**3,223**	5,144
Total liabilities	**65,214**	48,837
Shareholders' equity:		
Common stock, no par value, **20,000** and 10,000 shares authorized; and, **7,238** shares issued and outstanding on each date	**3,966**	3,025
Unearned ESOP shares (**1,461** and 1,541 shares on each date)	**(18,266)**	(19,261)
Retained earnings	**128,504**	119,213
Accumulated other comprehensive loss	**(1,873)**	(1,933)
Total shareholders' equity	**112,331**	101,044
Total liabilities and shareholders' equity	**$ 177,545**	$ 149,881

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

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2003	2002	**2003**	2002
Net sales	**$74,749**	$54,726	**$229,339**	$177,908
Cost of sales	**55,073**	39,590	**168,499**	131,349
Gross profit	**19,676**	15,136	**60,840**	46,559
Selling and administrative expenses	**13,394**	9,603	**39,816**	30,142
Restructuring and related asset impairment charge			**1,470**	
Operating income	**6,282**	5,533	**19,554**	16,417
Other income, net	**82**	170	**358**	477
Income before interest and income taxes	**6,364**	5,703	**19,912**	16,894
Interest expense	**676**	587	**1,990**	1,601
Income before income taxes	**5,688**	5,116	**17,922**	15,293
Income taxes	**2,160**	1,944	**6,808**	5,810
Net income	**$ 3,528**	$ 3,172	**$ 11,114**	$ 9,483
Earnings per share:				
Basic and diluted	**$ .61**	$ .56	**$ 1.94**	$ 1.68
Weighted average shares outstanding	**5,750**	5,655	**5,724**	5,638

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

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

	Nine Months Ended	
	August 31, 2003	August 31, 2002
Cash flows from operating activities		
Cash received from customers	**$ 232,900**	$ 182,608
Cash paid to suppliers and employees	**(200,758)**	(165,532)
Income taxes paid, net	**(8,132)**	(4,179)
Interest paid, net	**(1,494)**	(1,295)
Net cash provided by operating activities	**22,516**	11,602
Cash flows from investing activities		
Purchase of property, plant, and equipment, net of disposals	**(3,168)**	(4,560)
Acquisition of Bradington-Young, net of cash acquired	**(22,140)**	
Sale of property		17
Net cash used in investing activities	**(25,308)**	(4,543)
Cash flows from financing activities		
Proceeds from long-term debt	**77,319**	
Payments on long-term debt (including **$4.1** million assumed in the acquisition)	**(58,563)**	(2,011)
Payment to terminate interest rate swap agreement	**(3,001)**	
Cash dividends paid	**(1,823)**	(1,311)
Purchase and retirement of common stock		(668)
Net cash provided by (used in) financing activities	**13,932**	(3,990)
Net increase in cash and cash equivalents	**11,140**	3,069
Cash and cash equivalents at beginning of year	**2,316**	7,926
Cash and cash equivalents at end of period	**$ 13,456**	$ 10,995
Reconciliation of net income to net cash provided by operating activities		
Net income	**$ 11,114**	$ 9,483
Depreciation and amortization	**6,316**	5,838
Non-cash ESOP cost	**1,936**	1,048
Restructuring and related asset impairment charge	**1,470**	
Loss (gain) on disposal of property	**10**	(5)
Changes in assets and liabilities, net of effects of acquisition:		
Trade receivables	**3,202**	4,379
Inventories	**7,483**	(11,410)
Income tax recoverable		1,359
Prepaid expenses and other assets	**(1,614)**	(1,209)
Trade accounts payable	**(3,527)**	(425)
Accrued salaries, wages, and benefits	**(2,559)**	662
Accrued income taxes	**(1,324)**	602
Other accrued expenses	**(1,021)**	919
Other long-term liabilities	**1,030**	361
Net cash provided by operating activities	**$ 22,516**	$ 11,602

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

(Dollar amounts in tables in thousands unless otherwise indicated)

1. **Preparation of Interim Financial Statements**

The consolidated financial statements of Hooker Furniture Corporation (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 accounting principles generally accepted in the United States of America 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 financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2002.

2. **Inventories**

	August 31, 2003	November 30, 2002
Finished furniture	**$ 50,912**	$ 55,380
Furniture in process	**2,441**	1,963
Materials and supplies	**12,069**	7,997
Inventories at FIFO	**65,422**	65,340
Reduction to LIFO basis	**11,822**	10,381
Inventories	**$ 53,600**	$ 54,959

3. **Property, Plant, and Equipment**

	August 31, 2003	November 30, 2002
Buildings	**$ 49,629**	$ 46,758
Machinery and equipment	**50,616**	48,423
Furniture and fixtures	**24,574**	20,804
Other	**3,483**	3,008
Total depreciable property at cost	**128,302**	118,993
Less accumulated depreciation	**75,518**	70,787
Total depreciable property, net	**52,784**	48,206
Land	**2,287**	1,371
Property, plant, and equipment, net	**$ 55,071**	$ 49,577

4. **Acquisition**

The Company, through a wholly owned subsidiary, completed its acquisition of substantially all of the assets of Cherryville, N.C.-based leather seating specialist Bradington-Young, LLC, on January 2, 2003. The Company conducts the upholstery operation under the Bradington-Young name and specializes in upscale leather reclining chairs, executive desk chairs and motion and stationary upholstery products in the upper-medium to high-end price niches. The Company believes that Bradington-Young's upholstery products complement its existing wood furniture product lines. The Company acquired the Bradington-Young operation for $24.5 million in cash less approximately $4.1 million in assumed debt, plus a post-closing working capital adjustment of approximately $1.6 million. In addition, the Company capitalized acquisition-related fees of approximately $470,000. The acquisition was financed principally with $25.0 million in bank debt. See “Note 5 – Long-Term Debt”.

The intangible assets recorded in conjunction with the acquisition are as follows:

	August 31, 2003	
	Gross Carrying Amount	Accumulated Amortization
Amortizable Intangible Assets		
Non-compete agreement	**$ 700**	**$ 117**
Non-amortized Intangible Assets		
Goodwill	**$2,413**	
Trade names and trademarks	**4,400**	
Total	**$6,813**	

5. **Long-Term Debt**

	August 31, 2003	November 30, 2002
Revolving credit line		$ 500
Term loan 1		17,803
Term loan A	**$ 17,857**	
Term loan B	**23,275**	
Industrial revenue bonds	**6,400**	6,400
Total debt outstanding	**47,532**	24,703
Less current maturities	**6,835**	2,905
Long-term debt	**$ 40,697**	$ 21,798

On January 2, 2003, the Company borrowed $25.0 million in bank debt to acquire substantially all of the assets of Bradington-Young and to repay debt assumed as part of the acquisition. On April 30, 2003, the Company refinanced (1) the bank debt used to acquire Bradington-Young, (2) “Term Loan 1,” and (3) the Company’s revolving credit line.

The new unsecured revolving credit line provides for borrowings of up to $15.0 million at a variable interest rate (2.1% on August 31, 2003). Interest is payable monthly. Principal is due April 30, 2005.

The new term loans bear interest at a variable rate (2.1% on August 31, 2003) and are unsecured. Principal and interest payments are due quarterly through September 1, 2010 on “Term Loan A” and through March 1, 2008 on “Term Loan B.”

The Company entered into interest rate swap agreements in February 2003 that in effect provide a fixed interest rate of 4.1% on Term Loan A through 2010 and 4.0% on Term Loan B through 2008. See “Note 6—Derivatives.”

The new credit facility for the Company’s revolving credit line and Term Loans A and B contains customary representations and warranties, covenants and events of default, including 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, 2003.

Aggregate future maturities for the new revolving credit line, Term Loans A and B, and the industrial revenue bonds as of August 31, 2003, are $1.7 million for the remainder of 2003, $8.7 million in 2004, $9.4 million in 2005, $9.4 million in 2006, $7.3 million in 2007, $5.1 million in 2008,and $5.9 million thereafter.

6. Derivatives

In February 2003, the Company in connection with the refinancing of its bank debt terminated an interest rate swap agreement that in effect provided a fixed interest rate of 7.4% on Term Loan 1 and entered into a new interest rate swap agreement. The new agreement is on substantially the same terms as the terminated agreement, except that it in effect provides for a fixed interest rate of 4.1% through 2010 on Term Loan A. The Company's $3.0 million payment to terminate the swap agreement is being amortized as interest expense over the remaining repayment period for Term Loan A, resulting in an effective fixed interest rate of 7.4% on Term Loan A.

Also in February 2003, the Company entered into a new interest rate swap agreement that in effect provides a fixed interest rate of 4.0% through 2008 on Term Loan B. The Company is accounting for the new interest rate swap agreements for Term Loans A and B as cash flow hedges.

Interest rates increased during the three-month period ended August 31, 2003 resulting in an increase in the aggregate fair market of the Company's swap agreements for that period. However, the Company has recognized an overall decrease in the aggregate fair market value of its interest rate swap agreements, resulting from the general decline in interest rates since the inception of those agreements (including the effect of the swap termination payment discussed above). The aggregate decrease in the fair market value of the effective portion of the agreements of $1.9 million after tax as of both August 31, 2003, and November 30, 2002 ($3.0 million pretax as of August 31, 2003 and $3.1 million pretax as of November 30, 2002) is reflected under the caption "accumulated other comprehensive loss" in the consolidated balance sheets.

7. Comprehensive Income

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2003	2002	**2003**	2002
Net income	**$3,528**	$ 3,172	**$ 11,114**	$ 9,483
Gain (loss) on interest rate swaps	**1,079**	(1,233)	**(1,136)**	(1,674)
Portion of interest rate swaps' fair value reclassified to interest expense	**471**	420	**1,234**	1,113
Other comprehensive income (loss) before tax	**1,550**	(813)	**98**	(561)
Income tax benefit (expense)	**(590)**	309	**(38)**	213
Other comprehensive income (loss), net of tax	**960**	(504)	**60**	(348)
Comprehensive income	**$4,488**	$ 2,668	**$ 11,174**	$ 9,135

The portion of the fair value of the Company's interest rate swaps reclassified to interest expense includes a gain of $48,000 and a loss of $50,000 for the three and nine-month periods ended August 31, 2003, respectively, and losses of $94,000 and $138,000 for the three and nine-month periods ended August 31, 2002, respectively, related to the ineffective portion of the interest rate swap agreements.

8. **Supplemental Schedule of Non-cash Investing Activities**

		Nine Months Ended **August 31, 2003**
Acquisition of Bradington-Young:		
Fair value of assets acquired (including cash of **$462**)	**$**	**29,357**
Cash paid (including fees of **$470** and a post closing working capital adjustment of **$1.6** million)		**22,140**
Liabilities assumed (including debt of **$4.1** million)	**$**	**7,217**

9. **Common Stock**

At the March 28, 2003 meeting of shareholders an amendment to the Company's articles of incorporation was approved to increase the number of authorized shares of the Company's Common Stock from 10 million to 20 million shares.

In 2001, the Company's Board of Directors authorized the repurchase of up to an aggregate $5.2 million of the Company's common stock. Repurchases were authorized to be made from time to time in the open market, or in privately negotiated transactions, at prevailing market prices that the Company deems appropriate. Through August 31, 2003, the Company has repurchased 292,000 shares under the authorization, at a total cost of $2.5 million or an average of $8.58 per share. The Company did not purchase any shares of its common stock under this program during the 2003 nine-month period. Based on the closing price of the common stock as of August 29, 2003, the remaining $2.7 million of the authorization would allow the Company to repurchase approximately 1.3% of the 7.2 million shares outstanding, or 1.9% of the Company's outstanding shares excluding the 2.3 million shares held by the ESOP.

10. **Restructuring Charge and Assets Held for Sale**

In May 2003, the Company recorded a $1.5 million pretax ($911,000 after tax) restructuring and asset impairment charge related to the August 2003 closing of its Kernersville, N.C. manufacturing facility. The restructuring and asset impairment charge consisted of $1.3 million in severance and related benefits paid to 290 terminated hourly and salaried employees and approximately $200,000 in related asset impairment costs. Substantially all of the severance and related benefits was paid to terminated employees in the 2003 third quarter.

In connection with the closing of the Kernersville plant, the Company intends to sell the facility and has reclassified these assets to "assets held for sale" on the consolidated balance sheet as of August 31, 2003. The $740,000 carrying value of these assets approximates appraised fair value less estimated selling expenses. The Company is actively marketing the property and anticipates its sale within the next twelve months. The Company has moved the production of patterns and products manufactured at the Kernersville plant to other Company facilities.

Item 2. Management's Discussion and Analysis

Results of Operations

Net sales of $74.7 million for the third quarter ended August 31, 2003, increased 36.6% from $54.7 million in the third quarter of 2002. For the 2003 nine-month period, net sales of $229.3 million increased 28.9% from $177.9 million in the comparable 2002 period. Sales increases in both 2003 periods can be attributed to both growth resulting from the Company's recent acquisition of leather upholstery specialist Bradington-Young and growth within the Company's wood furniture operations. Net sales for the Company's wood furniture operation increased $9.4 million or 17.2% to $64.1 million for the 2003-quarter compared with $54.7 million in the 2002 quarter. For the 2003 nine-month period, net sales for the wood furniture operation increased $19.9 million, or 11.2%, to $197.8 million from $177.9 million in the 2002 nine-month period.

Upholstery shipments accounted for $10.6 million in the 2003 third quarter and $31.5 million for the eight-month period since the division was acquired at the beginning of January this year. For the 2003 third quarter, shipments of imported products increased $12.0 million, or 48.3%, to $36.9 million, compared with $24.9 million in the 2002 three-month period. Shipments of the Company's domestically produced wood furniture declined $2.6 million, or 8.8%, to $27.3 million from $29.9 million in last year's third quarter. Shipments of imported products for the 2003 nine-month period increased $42.1 million, or 61.9%, to $110.1 million, compared with $68.0 million in the 2002 nine-month period. Domestically produced wood furniture shipments for the 2003 nine-month period decreased $22.2 million, or 20.0%, to $87.7 million from $109.9 million in the 2002 nine-month period. Average selling prices for domestically produced wood furniture decreased during the 2003 periods while the average selling prices for imported wood furniture products increased. Overall average selling prices declined during the 2003 periods, due to the larger proportion of lower-priced imported products shipped.

For the third quarter of 2003, the Company's gross profit margin declined to 26.3% from 27.7% in the comparable 2002 period. For the 2003 nine-month period, gross profit margin increased to 26.5% of net sales, compared to 26.2% during the same 2002 period. The decline in the 2003 quarterly period is attributed to lower margins on imported shipments resulting from continued increases in inbound freight and other transit related costs. The improvement in the 2003 nine-month period was due primarily to increased shipments of imported products. As a percentage of net sales, imported products generally reflect higher gross profit margins than domestically produced wood furniture. However, imported products also carry a higher component of selling and administrative expenses than domestically produced wood furniture, primarily for product sourcing, warehousing, and distribution.

The gross profit margins for upholstery products manufactured by Bradington-Young have been comparable to the gross profit margins the Company achieves on its domestically produced wood furniture products, ranging typically from 20-25% of net sales.

During the 2003 periods, the Company's domestic wood furniture manufacturing operations continued to experience reductions in raw material costs as a percentage of sales volume compared to the prior year periods. However, these improvements were partially offset by heavier sales discounting during the 2003 third quarter and by increased labor and overhead costs as a percentage of sales volume, resulting from inefficiencies created by reduced work schedules during the 2003 nine-month period and weather-related downtime experienced during the 2003 first quarter.

Selling and administrative expenses as a percentage of net sales for the third quarter of 2003 increased to 17.9%, compared to 17.5% in the 2002 quarter, and increased to 17.4% for the 2003 nine-month period compared to 16.9% in the 2002 nine-month period. The increase in selling and administrative expenses as a percentage of net sales in the 2003 periods is principally due to increased selling, warehousing and distribution costs to support higher volumes of imported products. The dollar amounts of selling and administrative expenses increased $3.8 million during the 2003 third quarter and $9.7 million during the 2003 nine-month period, mainly due to the addition of selling and administrative expenses for Bradington-Young and the increased import-related costs mentioned above.

Profitability for the 2003 nine-month period was negatively impacted by a special $1.5 million pretax ($911,000 after tax, or $0.16 per share) restructuring and asset impairment charge related to the August 2003 closing of the Company's Kernersville, N.C. manufacturing facility. The restructuring and asset impairment charge consisted of $1.3 million in severance and related benefits paid to 290 terminated hourly and salaried employees and approximately $200,000 in related asset impairment costs. Substantially all of the severance and related benefits were paid to terminated employees in the 2003 third quarter. This special charge (before taxes) reduced operating income by 0.6% of net sales for the 2003 nine-month period. Beginning in the fourth quarter of 2003, the Company anticipates a production cost savings of approximately $750,000 to $1.1 million annually as a result of the plant closing.

In connection with the closing of the Kernersville plant, the Company intends to sell the facility and has reclassified these assets to "assets held for sale" on the consolidated balance sheet as of August 31, 2003. The $740,000 carrying value of these assets approximates appraised fair value less estimated selling expenses. The Company is actively marketing the property and anticipates its sale within the next twelve months. The Company has moved the production of patterns and products manufactured at the Kernersville plant to other Company facilities.

As a result of the above, operating income as a percentage of net sales declined to 8.4% in the 2003 quarterly period, compared to 10.1% for the 2002 third quarter. Operating income as a percentage of net sales declined to 8.5% in the 2003 nine-month period, compared to 9.2% for the comparable 2002 period.

Other income, net decreased to $82,000 in the 2003 third quarter from $170,000 in the 2002 quarter. For the 2003 nine-month period, other income declined to $358,000 from $477,000 in the comparable 2002 period. The decreases in the 2003 periods resulted principally from declines in interest income recorded due to lower levels of invested cash.

Interest expense increased $89,000 to $676,000 during the third quarter of 2003 from $587,000 in the 2002 period. For the 2003 nine-month period, interest expense increased $389,000 to $2.0 million compared to $1.6 million in the comparable 2002 period. The increase in interest expense during the 2003 periods is due to higher debt levels partially offset by lower average interest rates on the Company's borrowings.

The Company's effective tax rate approximated 38.0% in each of the 2003 and 2002 three and nine-month periods.

Net income for the 2003 third quarter of $3.5 million, or $0.61 per share, increased 11.2% from $3.2 million, or $0.56 per share, in the 2002 quarterly period. Net income for the 2003 nine-month period increased 17.2% to $11.1 million, or $1.94 per share, compared with $9.5 million, or $1.68 per share, in the 2002 nine-month period. The restructuring charge (after tax) discussed above reduced earnings per share by $0.16 in the 2003 nine-month period.

Outlook

The Company's incoming orders have strengthened somewhat from summertime levels as a result of strong retail sales during the Labor Day holiday. The Company continues to believe that there is pent-up demand for home furnishings. If consumer confidence continues to improve, the Company believes that these increased order trends can be sustained through the end of the fiscal year. However, the Company is going up against the highest fourth quarter sales in its history. Record sales in the fourth quarter of 2002 were due in part to a significant improvement in inventory availability through better than anticipated delivery by foreign suppliers early in that quarter. The improved inventory availability allowed the Company to make tremendous improvement in shipping backlogs. Throughout 2003 that excellent stock availability has continued. Currently, 86% of the Company's wood furniture products are in stock and available to ship. Consequently, the Company anticipates that sales in the 2003 fourth quarter as a percentage of annual sales volume will be more consistent with historical performance than with the 2002 fourth quarter. Historically, fourth quarter sales have generally represented 26 to 27 percent of the Company's annual sales volume.

With the closing of the Kernersville, N.C. plant in August, the Company's domestic wood furniture manufacturing capacity is more in line with incoming orders. Incoming orders have improved but are not yet at a high enough level to run the Company's four remaining plants full time. The Company expects that business will continue to improve this fall.

Acquisition

The Company, through a wholly owned subsidiary, completed its acquisition of substantially all of the assets of Cherryville, N.C.-based leather seating specialist Bradington-Young, LLC, on January 2, 2003. The Company conducts the upholstery operation under the Bradington-Young name and specializes in upscale leather reclining chairs, executive desk chairs and motion and stationary upholstery in the upper-medium to high-end price niches. The Company acquired the Bradington-Young operation for $24.5 million in cash less approximately $4.1 million in assumed debt, plus a post-closing working capital adjustment of approximately $1.6 million. In addition, the Company capitalized acquisition-related fees of approximately $470,000. The acquisition was financed principally with $25.0 million in bank debt.

Financial Condition, Liquidity, and Capital Resources

As of August 31, 2003, assets totaled $177.5 million, increasing from $149.9 million at November 30, 2002, principally as a result of the acquisition of Bradington-Young. Shareholders' equity at August 31, 2003 was $112.3 million, compared to $101.0 million at November 30, 2002. The Company's long-term debt, including current maturities, was $47.5 million at August 31, 2003, increasing from $24.7 million at November 30, 2002. This increase is attributed to the increase in bank debt incurred to acquire Bradington-Young. Working capital increased to $84.4 million as of August 31, 2003, from $71.4 million at the end of fiscal 2002, reflecting the combined effects of a $12.4 million increase in current assets and a $601,000 decrease in current liabilities. The increase in current assets includes increases of $11.1 million in cash, $2.4 million in trade receivables, $264,000 in other current assets and a decline in inventories of $1.4 million. The decline in current liabilities is due to decreases in accrued expenses and trade accounts payable and the payment of accrued income taxes, partially offset by an increase in current maturities of long-term debt.

During the nine months ended August 31, 2003, proceeds from borrowings ($77.3 million) and cash generated from operations ($22.5 million), funded the acquisition of Bradington-Young ($22.1 million, net of cash acquired), the refinancing and repayment of long-term debt ($58.6 million, including the repayment of $4.1 million of debt assumed in the Bradington-Young acquisition), an increase in available cash ($11.1 million), capital expenditures ($3.2 million), a payment to terminate an interest rate swap agreement ($3.0 million), and dividend payments ($1.8 million).

During the 2002 nine-month period, cash generated from operations ($11.6 million) funded capital expenditures ($4.6 million), an increase in available cash ($3.1 million), repayments of long-term debt ($2.0 million), dividend payments ($1.3 million), and the purchase and retirement of common stock ($668,000).

Cash generated from operations of $22.5 million during the 2003 nine-month period increased $10.9 million from $11.6 million in the 2002 period. The increase was due to higher payments received from customers, partially offset by higher payments to suppliers and employees and higher income tax and interest payments. Payments to suppliers and employees increased $35.2 million, principally to fund the production of upholstery products and the operating costs of Bradington-Young since January 2003, increased purchases of imported wood furniture products, and higher selling and administrative expenses, partially offset by reduced cash requirements to support lower domestic wood furniture production levels. Cash received from customers increased $50.2 million as a result of Bradington-Young upholstery products sales since January 2003 and higher wood furniture sales. Tax payments increased $4.0 million principally due to the timing of amounts due in each respective period.

Investing activities consumed $25.3 million during the 2003 nine-month period compared to $4.5 million in the 2002 period. The Company purchased Bradington-Young for cash payments totaling $22.1 million (net of cash acquired). Purchases of plant, equipment, and other assets to maintain and enhance the Company’s facilities and business operating systems declined $1.4 million in the 2003 nine-month period compared with the 2002.

The Company generated cash of $13.9 million from financing activities in the 2003 nine-month period compared to using cash of $4.0 million for financing activities in the same 2002 period. During the 2003 period, the Company borrowed (i) $42.8 million under new term loan agreements ($18.3 million under “Term Loan A” and $24.5 million under “Term Loan B”) to complete the refinancing of its long-term debt in April 2003, (ii) $26.7 million to fund the purchase of Bradington-Young and to repay debt assumed in the acquisition, and (iii) $7.8 million under its revolving credit line to fund other operating, investing, and financing cash flow activities. Also during the 2003 nine-month period, the Company repaid (i) $17.8 million under its existing “Term Loan 1” and the $25.0 million in bank debt used to acquire Bradington-Young, primarily in connection with refinancing its long-term debt, (ii) $10.0 million under its revolving credit line, (iii) $4.1 million of debt assumed in the Bradington-Young acquisition and repaid $1.7 million under Term Loans A and B. The Company also paid $3.0 million to terminate an interest rate swap agreement and paid dividends of $1.8 million during the 2003 nine-month period.

During the 2002 period, the Company repaid $2.0 million of long-term debt, paid dividends of $1.3 million, and redeemed 39,000 shares of common stock at a total cost of $668,000.

In February 2003, the Company, in connection with the refinancing of its bank debt, terminated an interest rate swap agreement that in effect provided a fixed interest rate of 7.4% on Term Loan 1 and entered into a new interest rate swap agreement. The new agreement is on substantially the same terms as the terminated agreement, except that it in effect provides for a fixed interest rate of 4.1% through 2010 on Term Loan A. The Company’s $3.0 million payment to terminate the swap agreement is being amortized as interest expense over the remaining repayment period for Term Loan A, resulting in an effective fixed interest rate of 7.4% on Term Loan A.

Also in February 2003, the Company entered into a new interest rate swap agreement that in effect provides a fixed interest rate of 4.0% through 2008 on Term Loan B. The Company is accounting for the new interest rate swap agreements for Term Loans A and B as cash flow hedges.

Interest rates increased during the three-month period ended August 31, 2003 resulting in an increase in the aggregate fair market of the Company's swap agreements for that period. However, the Company has recognized an overall decrease in the aggregate fair market value of its interest rate swap agreements, resulting from the general decline in interest rates since the inception of those agreements (including the effect of the $3 million swap termination payment discussed above). The aggregate decrease in the fair market value of the effective portion of the agreements of $1.9 million after tax as of both August 31, 2003 and November 30, 2002 ($3.0 million pretax as of August 31, 2003 and $3.1 million pretax as of November 30, 2002) is reflected under the caption "accumulated other comprehensive loss" in the consolidated balance sheets.

The credit facility for the Company's revolving credit line and Term Loans A and B contains, among other things, 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, 2003.

As of August 31, 2003, the Company had $14.6 million available under its revolving credit line, $28.7 million available under additional committed lines of credit, and $10.8 million available under additional informal lines of credit to fund working capital needs. The Company believes it has the financial resources (including available cash, expected cash flow from operations, and lines of credit) needed to meet business requirements for the foreseeable future, including capital expenditures, working capital, purchases under the stock repurchase program, and dividends on the Company's common stock. Cash flow from operations is highly dependent on order rates and the Company's operating performance. The Company expects to spend $1.0 to $2.0 million in capital expenditures during the remainder of fiscal 2003 to maintain and enhance its facilities and operating systems.

In 2001, the Company's Board of Directors authorized the repurchase of up to an aggregate $5.2 million of the Company's common stock. Repurchases were authorized to be made from time to time in the open market, or in privately negotiated transactions, at prevailing market prices that the Company deems appropriate. Through August 31, 2003, the Company has repurchased 292,000 shares under the authorization, at a total cost of $2.5 million or an average of $8.58 per share. The Company did not purchase any shares of its common stock under this program during the 2003 nine-month period. Based on the closing price of the common stock as of August 29, 2003, the remaining $2.7 million of the authorization would allow the Company to repurchase approximately 1.3% of the 7.2 million shares outstanding, or 1.9% of the Company's outstanding shares excluding the 2.3 million shares held by the ESOP.

At its September 23, 2003 meeting, the Hooker Furniture Board of Directors declared a dividend of $0.11 per share, payable on November 28, 2003 to shareholders of record November 14, 2003.

At the March 28, 2003 meeting of shareholders an amendment to the Company's articles of incorporation was approved to increase the number of authorized shares of the Company's Common Stock from 10 million to 20 million shares.

Forward-Looking Statements

Certain statements made in this report are not based on historical facts, but are forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," “may,” “will,” “should,” “would,” or “anticipates,” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy. These statements reflect the Company’s reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Those risks and uncertainties include but are not limited to: the cyclical nature of the furniture industry; domestic and international competition in the furniture industry; general economic or business conditions, both domestically and internationally; fluctuations in the price of key raw materials, including lumber and leather; supply disruptions or delays affecting imported products; adverse political acts or developments in the international markets from which the Company imports products; fluctuations in foreign currency exchange rates affecting the price of the Company’s imported products; and capital 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, industrial revenue bonds, and term loans, all bear interest at variable rates. The Company has entered into interest rate swap agreements that, in effect, fix the rate of interest on: (i) the industrial revenue bonds at 4.7% through 2006; (ii) Term Loan A at 4.1% through 2010; and (iii) Term Loan B at 4.0% through 2008. The Company’s outstanding debt (including current maturities) as of August 31, 2003 amounted to $6.4 million under the industrial revenue bonds, $17.9 million under Term Loan A, and $23.3 million under Term Loan B. As of August 31, 2003, no balance was outstanding under the Company’s revolving credit line. A fluctuation in market interest rates of one percentage point (or 100 basis points) would not have a material impact on the Company’s results of operations or financial condition.

For imported products, the Company generally negotiates firm pricing with its foreign suppliers, for periods typically 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. Since the Company transacts its purchases of import products in U.S. Dollars, a decline in the relative value of the U.S. Dollar could increase the cost of imported products when the Company renegotiates pricing. As a result, a weakening U.S. Dollar exchange rate could adversely impact sales volume and profit margins during such periods. However, the Company generally expects to reflect substantially all of the effect of any price changes from suppliers in the price it charges for its imported products.

Item 4. Controls and Procedures

Based on their most recent review, which was made as of the end of the period covered by this report, the Company’s principal executive officer and principal financial officer have concluded that the Company’s disclosure controls and procedures are effective to ensure 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 ensure that such information is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. There have been no changes in the Company’s internal control over financial reporting for the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 5. Other Information

Set forth below is the Company's income before interest and taxes, or EBIT, and income before interest, taxes, depreciation and amortization, or EBITDA, for the three and nine-month periods ended August 31, 2003 and 2002. This information has been derived from the Company's consolidated financial statements. For each period presented, EBIT and EBITDA have been reconciled to the Company's net income. The Company provides these non-GAAP financial measures because it believes they are widely accepted financial indicators of the Company's performance. This information should be read in conjunction with the Financial Statements, including the related Notes, and Management's Discussion and Analysis included elsewhere in this quarterly report on Form 10-Q and in the Company's annual report on Form 10-K for the year ended November 30, 2002.

	For the Three Months Ended August 31,		For the Nine Months Ended August 31,	
	2003	2002	**2003**	2002
Net income	**$ 3,528**	$ 3,172	**$ 11,114**	$ 9,483
Income taxes	**2,160**	1,944	**6,808**	5,810
Interest expense	**676**	587	**1,990**	1,601
Income before interest and income taxes	**6,364**	5,703	**19,912**	16,894
Depreciation and amortization	**2,095**	2,033	**6,316**	5,838
Income before interest, income taxes, depreciation, and amortization	**$8,459**	$7,736	**$26,228**	$22,732

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1* Lease dated September 2, 2003 between Commonwealth Boulevard Associates, LLC and the Company

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

(b) Reports on Form 8-K

Form 8-K, dated June 20, 2003 and furnished to the SEC on June 20, 2003, reporting its results of operations for the second quarter of fiscal year 2003.

Form 8-K, dated June 27, 2003 and furnished to the SEC on June 27, 2003 announcing a correction to its results of operations for the second quarter and first six months of fiscal year 2003.

* Filed herewith

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: September 30, 2003

By: /s/ R. GARY ARMBRISTER

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

EXHIBIT INDEX

Exhibit	Description
(a)	Exhibits
10.1*	Lease dated September 2, 2003 between Commonwealth Boulevard Associates, LLC and the Company
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

* Filed herewith

LEASE

THIS AGREEMENT OF LEASE, made on the 2nd day of September, 2003 by and between Commonwealth Blvd Associates, LLC, a Virginia Limited Liability Company (hereinafter “Lessor”), party of the first part, and Hooker Furniture Incorporated, a Virginia Corporation (hereinafter “Lessee”), party of the second part:

WITNESSETH:

That for and in consideration of the covenants and agreements hereinafter contained, Lessor does hereby let and demise unto Lessee the hereinafter described Premises:

1. DESCRIPTION OF PREMISES: That certain portion of property (as described below) which is the bottom floor of the main building, and consists of approximately 165,360 square feet of that certain real property and approximately 43,280 square feet of the 4th floor of the main building, including all improvements therein or to be provided by Lessor under the terms of this Lease, and located at 101 Commonwealth Boulevard, Martinsville, Virginia, and generally described as the warehouse buildings of masonry and bar joist construction containing up to approximately 845,990 square feet (“Premises”).
2. TERM: The term of this lease shall commence on or before the 1st day of September, 2003 and shall terminate February 29, 2004. Lessee shall have the option to extend the lease to August 31, 2004, upon 30 days notice prior to the termination, unless Lessor has notified Lessee of the withdrawal of this option with 45 days prior notice. Notwithstanding the foregoing, Lessee shall have the right to return the 4th floor space to Lessor at any time during the term of the Lease upon two (2) weeks notice and shall thereafter have no further rental obligation for the 4th floor space. Moreover, should Lessee reduce its space as contemplated above, contemporaneous with the Base Rent reduction, Lessee’s share of the utilities covered in paragraph 4 shall be reduced to 19%.
3. RENTAL: Lessee covenants and agrees to pay to Lessor as rental for the bottom floor $0.15 per square foot per month and $0.10 per square foot per month for the 4th floor which represents Base Rent. The fixed monthly rentals shall be payable in advance on the first day of each month during the term of this lease.
4. UTILITIES: Lessor shall provide and pay for all water, sewage, gas, fuel for temporary heaters and electrical charges used upon the Premises. Lessee agrees to pay 25% of all such bills for the term of the Lease and any extension, based on the proration of the premises being leased versus the entire premises.
5. TAXES: Any type of inventory tax which may be levied by governmental bodies is to be paid by Lessee.
6. RIGHT OF ENTRY: Lessor, its agents, employees, and contractors shall have the right to enter into the Premises at any time, in the case of an emergency, and otherwise at reasonable times, subject to a twenty-four hour prior notice to Lessee with the consent of Lessee which shall not unreasonably be withheld.
7. LIABILITY: (a) Lessee shall defend, pay, indemnify and save harmless Lessor from and against any and all claims, demands, suits, actions, proceedings, orders, decrees and judgments of any kind or nature by or in favor of anyone whomsoever and from and against any and all costs and expenses, including reasonable attorneys’ fees, resulting from or in connection with loss of life, bodily or personal injury or property damage arising, directly or indirectly, out of or from or on account of any occurrence in, upon, at or from the Premises and occasioned wholly or in part through the use and occupancy of the Premises and solely by any act, omission or negligence of Lessee or any subtenant, concessionaire or licensee of Lessee or their respective employees, agents, contractors, servants,

licensees or invitees in, upon, at or from the Premises or any part of the warehouse buildings.

(b) To the extent Lessee is not insured or required to be insured pursuant to Paragraph 16.1 of this Lease, and except as otherwise provided in this lease, Lessor shall defend, pay, indemnify and save harmless Lessee from and against any and all claims, demands, suits, actions, proceedings, orders, decrees and judgments of any kind or nature by or in favor of anyone whomsoever and from and against any and all costs and expenses, including reasonable attorneys' fees, resulting from or in connection with loss of life, or bodily or personal injury arising directly out of or from or account of any occurrence in, upon, at or from the Premises and occasioned solely by any gross negligence or willful misconduct of Lessor or its employees, agents, contractors, servants, licensees or invitees (expressly excluding other tenants of the warehouse buildings and their respective licensees or invitees) in, upon, at or from the Premises.

(c) The provisions of this paragraph 7 shall survive the expiration or sooner termination of this lease.

8. ADDITIONS AND IMPROVEMENTS: Lessee accepts Premises in an "as is" condition. Notwithstanding any provision in this lease to the contrary, Lessee acknowledges and agrees that Lessor shall not be responsible or liable at any time for damage to any property or business of Lessee or those claiming by, under or through Lessee caused by or resulting from the bursting, breaking, leaking, running, seeping, overflowing or backing up of water, steam, gas, sewage, snow or ice in any part of the Premises or caused by or resulting from acts of God or the elements or any defect or negligence in the occupancy, construction, operation, renovation or use of the Premises or any improvements adjoining or in the vicinity of the Premises and/or any equipment, fixtures, machinery, appliances or apparatus therein. Lessor specifically retains responsibility and liability for its own acts or omissions that are determined to be an intentional or wanton act or gross negligence.

9. SURRENDER OF PREMISES: Upon the last day of the term of this lease or any renewal thereof, Lessee shall deliver up and surrender the Premises to Lessor in good order and repair, reasonable wear and tear and damage to leased Premises resulting from fire, explosion, the elements, or other casualty, including Act of God, excepted.

10. EMINENT DOMAIN: In the event the Premises or any portion thereof are taken under the power of eminent domain or the threat of the exercise thereof for any public or quasi-public use, then Lessee or Lessor may terminate and cancel this lease by giving of notice, in writing, to the other party by registered or certified mail, and thereupon both parties shall be released of any further obligations under this Lease, except as otherwise provided in this lease and except that the parties shall fulfill all obligations hereunder to be performed to the date of such termination. In the event this lease is not terminated upon the condemnation or taking of any portion of the Premises, the rent, following such taking, shall be reduced by the reasonable sum directly proportionate to the total rent in such ratio as the value of the part of the Premises condemned plus damage to the residue shall bear to the value of the entire Premises. It is understood and agreed that any recovery or award made in connection with such condemnation shall belong to the Lessor.

11. CASUALTY OR DAMAGE TO PREMISES: In the event the improvements of the Premises or any portion thereof shall, during the term of this lease or any renewal hereof, be destroyed or damaged by fire, explosion, the elements or other casualty, including act of God, the Lessee shall give immediate notice thereof to Lessor, which, except as hereinafter set forth, shall thereupon cause the damage to be repaired forthwith unless this lease is terminated as hereinafter provided. If the Premises or any part thereof shall have been rendered untenantable from the time of damage until the completion of said repair and restoration, an equitable reduction of the rental during such period of repair and restoration shall be made until such Premises are so repaired and again ready for occupancy. However, in the event the improvements upon the Premises are damaged to the extent of more than fifty percent (50%) of the replacement cost thereof (as determined by Lessor) either Lessee or Lessor may elect to terminate this lease within sixty (60) days of the date of such damage by giving written notice thereof by registered or certified mail to the other and thereupon this lease shall immediately terminate and Lessor and Lessee shall have no further obligation hereunder except as otherwise provided in this

Lease and except that Lessee shall pay rental accrued to the date of damage.

12. REMOVAL: It is agreed that upon the termination of this lease, the Lessee may remove from the Premises equipment which has been installed by it and shall return Premises to Lessor as provided herein, so long as they are in compliance with all terms, conditions and covenants of this lease.

13. DEFAULT; BREACH; REMEDIES

13.1. DEFAULT/BREACH: A "Default" is defined as a failure by the Lessee or Lessor to comply with or perform any of the terms, covenants, conditions or rules under this lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee or Lessor to cure such Default within any applicable grace period. Each of the following events shall constitute a Breach:

13.1.1. The abandonment of the Premises by Lessee; or the vacating of the Premises by Lessee without providing a commercially reasonable level of security or without providing reasonable assurances to minimize potential vandalism.

13.1.2. The failure of Lessee to make any payment of rent or any other payments required to be made by Lessee hereunder, where such failure continues for a period of more than five days from the date when the rent or other payment is due.

13.1.3. The failure of the Lessee to:

- Provide reasonable evidence of insurance, or
- Provide the rescission of an unauthorized assignment or subletting

Where any such failure continues for a period of five (5) days following written notice to Lessee.

13.1.4. The failure of the Lessee to comply with paragraph 15, where any such failure continues for a period of fifteen (15) days following written notice to Lessee; however, such period may be extended from 15 to 30 days in the event:

- the Lessee officially commences remediation required with regard to Hazardous Substances within 15 days following written notice to Lessee and diligently pursues such remediation to completion as quickly as possible; and
- Lessee notifies and files a plan of remediation with the Lessor and any necessary 3rd party within 15 days following written notice to Lessee of the necessity therefor. Notwithstanding any provision in this paragraph 13 to the contrary, a Breach shall be deemed to have occurred and no notice of Default or Breach and/or opportunity to cure shall be necessary where immediate action must be taken in order to prevent damage to property or injury (including death) to persons, and Lessee shall fail to take such immediate action.

13.1.5. The failure of the Lessee to comply with any other covenant, condition, term, or provision, where such failure continues for a period of thirty (30) days following written notice thereof to the Lessee.

13.1.6. The failure of the Lessor to comply with any covenant, condition, term, or provision, where such failure continues for a period of thirty (30) days following written notice thereof to the Lessor; provided, however, that Lessor shall not be in Breach if it shall commence to cure the Default within the 30-day period and diligently pursues such remediation to completion as quickly as possible.

13.2. REMEDIES:

13.2.1. Lessor: Upon the occurrence of any Breach, Lessor shall have the immediate right to re-enter the Premises, either by summary proceedings, by force or otherwise and to dispossess Lessee and all other occupants therefrom and remove all property therein and, at Lessor's election, to store such property at the cost and for the account of Lessee, all without notice of intention to re-enter with or without resort to legal process (which Lessee hereby expressly waives) and without Lessor being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby. Lessor shall also have the right, at its option, in addition to and not in limitation of any other right or remedy, to terminate this lease by giving Lessee three (3) days notice of cancellation. Lessor shall also have the right to exercise any and all other remedies available to it at law or in equity. Lessor may recover from Lessee all damages it may sustain by reason of any Default or Breach, including the cost of recovering the Premises and all fees of attorneys, experts and consultants. In the event this lease is terminated pursuant to this paragraph, Lessor shall be entitled to recover from Lessee, as and for liquidated damages and not as a penalty, an amount equal to the difference between the rent for the period which otherwise would have constituted the balance of the term of this lease and the rental value of the Premises at the time of such election, for such period, both discounted at the rate of 4% per annum to present worth, all of which shall immediately be due and payable by Lessee to Lessor. The rights and remedies herein reserved by or granted to Lessor are distinct, separate and cumulative, and the exercise of any one of them shall not be deemed to preclude, waive or prejudice Lessor's right to exercise any or all others.

13.2.2. Lessee: Upon the occurrence of a Breach, Lessee shall have the immediate right to exercise its rights and remedies at law or in equity.

14. COVENANT TO COMPLY WITH GOVERNMENTAL REQUIREMENTS: The Lessee shall observe and comply with all laws, rules and regulations applicable to the Premises and/or operations therein and will exercise reasonable care to keep the Premises safe for the public. The Lessee shall save the Lessor harmless for any liability incurred or any penalty, claim, or damage imposed, made or recovered by reason of the neglect of the Lessee to observe said laws, rules and regulation of the City of Martinsville, State of Virginia, or the U. S. Government. The provisions of this paragraph shall survive the expiration or sooner termination of this lease.

15. HAZARDOUS SUBSTANCES:

15.1. DEFINED: The term "Hazardous Substances" shall include, without limitation, flammable explosives, radioactive materials, asbestos, polychlorinated biphenyl (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority.

15.2. LESSEE'S RESTRICTIONS: Lessee shall not cause or permit to occur:

15.2.1. Any violation of any federal, state, or local law, ordinance, or regulation now or hereafter enacted, related to environmental conditions on, under, or about the Premises or the warehouse buildings or arising from Lessee's use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or

15.2.2. The use, generation, release, manufacturer, refining, production, processing, storage, or disposal of any "Hazardous Substances" on, under, or about the Premises or the warehouse buildings, or the transportation to or from the Premises of any "Hazardous Substances" except that Lessee may use Hazardous Substances as part of Lessee's ongoing business, which Lessee agrees it may use only in compliance with all applicable laws and regulations so long as such use does not cause or result in a nuisance or in a health or safety hazard to property or to any occupants of the warehouse buildings or any other properties. A list of materials used will be provided to Lessor prior to any such use or storage on the Premises.

15.3. ENVIRONMENTAL CLEAN-UP:

15.3.1. Lessee shall, at Lessee's own expense, comply with all laws regulating the use, generation, storage, transportation, or disposal of "Hazardous Substances" ("Laws").

15.3.2. Lessee shall, at Lessee's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (the "Authorities") under the Laws.

15.3.3. Should any Authority or any third party, with lawful authority or legal right, demand that a cleanup plan be prepared and that a cleanup be undertaken because of any deposit, spill, discharge, or other release of "Hazardous Substances" that occurs during the term of this lease, at or from the Premises, and which arises directly or indirectly, wholly or in part, at any time from the use or occupancy of the Premises by Lessee or any subtenant, concessionaire or licensee of Lessee or their respective employees, agents, contractors, servants, licensees or invitees, then Lessee shall, at Lessee's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and Lessee shall promptly carry out all such cleanup plans. Lessee is not required to pay for or arrange remediation plans for incidents that occur as the result of actions or omissions of the Lessor or Lessor's employees, agents, contractors or invitees.

15.3.4. Lessee shall promptly provide all information regarding the use, generation, storage, transportation, or disposal of "Hazardous Substances" that is requested by Lessor. If Lessee fails to fulfill any duty imposed under this paragraph 15.3.4 within a reasonable time, Lessor may do so at Lessee's cost and expense; and in such case, Lessee shall cooperate with Lessor in order to prepare all documents Lessor deems necessary or appropriate to determine the applicability of the laws to the Premises and Lessee's use thereof, and for compliance therewith, and Lessee shall execute all documents promptly upon Lessor's request. No such action by Lessor and no attempt made by Lessor to mitigate damages under any law shall constitute a waiver of any of Lessee's obligations under this paragraph 15.3.4.

15.3.5. Lessee's obligations and liabilities under this paragraph 15 shall survive the expiration of this lease.

15.4. INDEMNITY:

15.4.1. LESSEE'S INDEMNITY: Lessee shall indemnify, defend, hold harmless Lessor, the manager of the property, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, proceedings, claims, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of "Hazardous Substances" that occurs during the term of this Lease, at or from the Premises, which arises at any time solely from Lessee's use or occupancy of the Premises, or from Lessee's failure to provide all information, make all submissions, and take all steps required by all authorities under the laws and all other environmental laws.

15.4.2. LESSOR'S INDEMNITY: Lessor shall indemnify, defend, or hold harmless Lessee, their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, proceedings, claims, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of "Hazardous Substances" that occurs during the term of this Lease, at or from the Premises, which directly arises at any time solely as the result of the negligence or omissions of the Lessor or Lessor's employees, agents, contractors or invitees.

15.4.3. All obligations and liabilities under this paragraph 15.4 shall survive the expiration of this lease.

15.4.4. Lessee covenants and warrants that it is a duly organized and existing corporation under the laws of its state of incorporation and is authorized to enter into this lease.

15.4.5. It is the intent of this paragraph 15 that the Lessee will not be responsible for "Hazardous Substances" or "Incidents" that may have occurred prior to the Lessee taking occupancy of the Premises under this lease. Lessor shall indemnify, defend and hold harmless Lessee, and its officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, procedures, claims, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of "Hazardous Substances" that occurred prior to the term of this Lease, at or from the Premises

15.4.6. To the best of its knowledge, Lessor is not aware of the existence on the Premises of any reportable levels of Hazardous Substances.

16. INSURANCE AND LIABILITIES: Lessee shall indemnify the Lessor against any expenses, loss or liability paid, suffered or incurred as a result of any breach by the Lessee, Lessee's agents, servants or employees, of any covenant or condition of this lease as a result of Lessee's use or occupancy of the Premises or solely by any act, omission, negligence, willful misconduct or criminal act of the Lessee or Lessee's agents, servants, employees, contractors, licensees, invitees, subtenants, successors or assigns.

At all times during the lease term:

16.1. Lessee shall carry commercial general liability insurance in the amount of at least Five Million Dollars ($5,000,000.00) for any occurrence resulting in injury to or death of one person and consequential damages arising therefrom, and in the amount of at least Five Million Dollars ($5,000,000.00) for any occurrence resulting in bodily injury and personal injury to or death of more than one person and consequential damages arising therefrom and property damage of One Million Dollars ($1,000,000.00), and coverage endorsements insuring Lessee's stock-in-trade, trade fixtures, furniture, furnishings, special equipment, floor and wall coverings and all other items of personal property of Lessee located on or within the Premises, such coverage to be in an amount of at least Ten Million Dollars ($10,000,000.00) for any occurrence. Lessee will be responsible for carrying insurance to cover the entire value of the property of the Lessee warehoused in the Premises. Lessee shall also carry workers' compensation insurance in the amount and limits required by State law. Lessee shall insure its personal property and fixtures located in the Premises and Lessor shall have no interest in the proceeds from such insurance. Lessee shall name the Lessor as an additional insured on the above liability and property policies. Prior to occupying the Premises, Lessee must furnish Lessor with Certificates of Insurance evidencing such coverage.

16.2 It is acknowledged that Lessor covers the Premises under a blanket insurance policy for fire and extended coverage. Lessor agrees to furnish Lessee with a Certificate of Insurance evidencing such coverage. Lessee shall not do anything or permit anything to occur or exist which would increase any premiums for insurance maintained by Lessor.

17. EXTERIOR MAINTENANCE: Lessor will maintain the structure and exterior of the Premises in a safe and tenantable condition and will keep the roof of the Premises in repair, provided that Lessee shall give Lessor written notice of the necessity for such maintenance and repairs, and provided that the necessity for such maintenance or repairs shall not have been caused by any negligence, act, omission or willful misconduct of Lessee or its employees, agents, contractors, licensees, invitees, subtenants, successors or assigns, in which event, Lessee shall be responsible therefor. Lessor is expressly exculpated from any damage, caused to Lessee's fixtures, inventory, and/or decor caused by leakage of pipes or leakage from roof, except for damaged caused by Lessor's intentional act or gross negligence. For the Premises hereunder being leased to Lessee, Lessee agrees to keep same neat and orderly, to maintain the landscaping and parking areas, to keep snow removed, and provide security.

18. INTERIOR MAINTENANCE: Lessee will keep the interior of the Premises, together with all electrical, plumbing, sprinkler and other mechanical installations, therein in good order and repair at its own expense, provided, however, Lessor shall be responsible to pay for elevator repairs if the need for

such repair(s) is a result of the age of the equipment and not the negligent act, omission or wilful misconduct of Lessee or its employees, agents, contractors, servants, licensees, invitees, subtenants, successors or assigns With respect to any maintenance or repairs for which Lessor is responsible under this lease, Lessor shall promptly commence and/or continue necessary maintenance and repairs to the facility upon receipt of written notice of the necessity for such maintenance or repairs. Lessee will surrender the Premises at the expiration of the term or at such other time as it may vacate in as good condition as when received, excepting depreciation caused by ordinary wear and tear and damage by unavoidable accident or act of God. Lessee will not overload the electrical wiring serving the Premises or within the Premises, and will install at its own expense, but only after obtaining Lessor's written approval, any additional electrical wiring which may be required in connection with Lessee's apparatus.

19. COMMON AREAS:

19.1. Lessor grants to Lessee and Lessee's customers and invitees the right to use, in common with all others to whom Lessor has or may hereafter grant rights to use the same, the Common Areas. The term "Common Areas" as used in this Lease, shall mean the parking areas, roadways, pedestrian sidewalks, driveways, sidewalks, delivery areas, trash removal areas, landscaped areas, security areas, public washrooms and all other common areas or improvements which may be provided by Lessor for the common use. Lessor hereby reserves the following rights with respect to the Common Areas:

19.1.1. To establish reasonable rules and regulations for the use thereof;

19.1.2. To use or permit the use of such Common Areas by others to whom Lessor may grant or may have granted such rights in such manner as Lessor may from time to time designate;

19.1.3. To close all or any portion thereof as may be deemed necessary by Lessor to make repairs or changes, to prevent a dedication thereof or the accrual of any rights to any person or the public therein, or to discourage non-customer use or parking;

19.1.4. To change the layout of such Common Areas, including the right to reasonably add to or subtract from their shape and size, whether by the addition of building improvements or otherwise; and

19.1.5. To do such other acts in and to the Common Areas as in Lessor's judgement may be desirable.

20. ALTERATIONS BY LESSEE: Lessee will not alter or improve the Premises and will not make any structural or nonstructural alterations to the Premises or any part thereof without first obtaining Lessor's written approval of such alterations, in Lessor's sole discretion. Lessee further will not, except for the installation of trade fixtures, cut or drill into or secure any fixtures, apparatus or equipment of any kind to any part of the Premises without first obtaining Lessor's written consent, in Lessor's sole discretion.

21. USE OF PREMISES: The Premises shall be used by Lessee solely for the purpose of conducting therein the business of general warehouse and repair operations and for no other purpose. Lessee shall not use the Premises for any other purpose without the written consent of the Lessor, in Lessor's sole discretion.

22. SIGNS AND ADVERTISING: Lessee will not place or suffer to be placed or maintained on the exterior of the Premises any sign, advertising matter or other thing of any kind, and will not place or maintain any decoration, lettering or advertising matter on the glass of any window or door of the leased Premises without first obtaining Lessor's written approval thereof; and Lessee further agrees to maintain such sign, decoration, lettering, advertising matter or other thing as may be approved in good condition and repair at all times.

23. NO ASSIGNMENTS OR SUB-LETTING:

23.1. GENERALLY: Lessee will not assign this lease in whole or in part, nor sublet all or any part of the Premises, nor license concessions or leased departments therein, without the written consent of Lessor first obtained. Such written consent of Lessor shall not be unreasonably withheld. Consent by Lessor to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. This prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by operation of law.

23.2. TRANSFER OF PREMIUMS: One hundred percent (100%) of any sums or other economic consideration received by Lessee as a result of any assignment or subletting entered into pursuant to this Paragraph, however denominated under the assignment or lease, which exceed, in the aggregate (a) the total sums which Lessee is obligated to pay Lessor under this Lease, plus (b) (i) reasonable real estate brokerage commissions or fees payable by Lessee in connection with such assignment or subletting, and (ii) the reasonable fees of attorneys, shall be paid by the Lessee to the Lessor as additional rent under this Lease without affecting or reducing any other obligations of the Lessee hereunder.

24. LEGAL NOTICES: Whenever such notice shall or may be given to either of the parties by the other, each such notice shall be sent by registered or certified mail addressed as follows:

Lessor: George W. Lester, II, Manager,
Commonwealth Blvd Associates, LLC, 14 E. Liberty
Street, Martinsville, VA 24112

Lessee: Hooker Furniture Incorporated
Attn: E. Larry Ryder
HOOKER FURNITURE CORPORATION
Post Office Box 4708
Martinsville, Virginia 24115

With a Copy to: Monroe H. Ridenhour, III, Vice
President, Lester Development Corp., 14 E. Liberty
Street, Martinsville, VA 24112

With a Copy to: John L. Gregory, III
Young, Haskins, Mann, Gregory & Smith, P.C.
Post Office Box 72
Martinsville, Virginia 24114

26. QUIET ENJOYMENT: Provided that no Breach exists, Lessor warrants that Lessee shall have peaceful possession and quiet enjoyment of the Premises during the term of this lease and, to the best of Lessor's knowledge, there are no pending suits, proposed ordinances or other laws or regulations which would prohibit or in any manner restrict use of the Premises by Lessee for its stated use.

27. SEVERABILITY: If any term or provision of this lease or an application thereof shall be invalid or unenforceable, the remaining terms and provisions of this lease and any other application of such terms or provisions shall not be affected thereby. Each term and provision which shall be valid and enforceable shall be utilized to the highest extent permitted by law.

This agreement shall be binding upon and shall inure to the benefit of the parties, their successors and assigns.

IN WITNESS WHEREOF, the said parties hereto have executed this Lease in duplicate, one of which is retained by each of said parties, as of the day and year first written above.

LESSOR: Commonwealth Blvd Associates, LLC

By: /s/ GEORGE W. LESTER II

Name: George W. Lester II

Title: President

LESSEE: Hooker Furniture Incorporated

By: /s/ EDWIN L. RYDER

Name: Edwin L. Ryder

Title: Exec Vice Pres – Finance & Admin

ACKNOWLEDGMENT OF CORPORATE LESSOR

STATE OF VIRGINIA
CITY OF MARTINSVILLE, TO WIT:

I, /s/ Janet M. Decker, a Notary Public in and for the state aforesaid, do certify that /s/ George W. Lester, II whose name is signed to the foregoing instrument, bearing date on the 2nd day of September, 2003 has acknowledged the same before me in my City and State aforesaid. Given under my hand and seal this 16th day of September, 2003.

/s/ JANET M. DECKER

Notary Public

[SEAL APPEARS HERE]

My Commission Expires: March 31, 2004

ACKNOWLEDGMENT OF CORPORATE LESSEE

STATE OF VIRGINIA

CITY/COUNTY OF Henry

I, /s/ Jill W. Brown, a Notary Public in and for the state aforesaid, do certify that /s/ Edwin L. Ryder whose name is signed to the foregoing instrument, bearing date on the 12th day of September, 2003 has acknowledged the same before me in my City and State aforesaid. Given under my hand and seal this 12th day of September, 2003.

/s/ JILL W. BROWN

Notary Public

My Commission Expires: July 31, 2005

[SEAL APPEARS HERE]

VERIFICATION OF COMMENCEMENT DATE AND LEASE TERM

DATE OF LEASE: September 2, 2003

Lessor: Commonwealth Blvd Associates, LLC
14 E. Liberty Street
Martinsville, Va 24112

Lessee: Hooker Furniture Incorporated

COMMENCEMENT DATE: September 1, 2003

TERMINATION DATE: February 29, 2004

RENT COMMENCEMENT DATE: September 1, 2003

The parties above do hereby verify that the above dates are correct and except for stipulating the dates as aforesaid, this "Verification of Commencement Date and Lease Term" shall not in any other way modify or amend or supplement said Lease or any of its provisions as the same are now in force and effect.

WHEREOF, the parties have hereunto subscribed their names this 2nd day of September, 2003

LESSOR: Commonwealth Blvd Associates, LLC		LESSEE: Hooker Furniture Incorporated	
By:	/s/ GEORGE W. LESTER II	By:	/s/ EDWIN L. RYDER
Name:	George W. Lester II	Name:	Edwin L. Ryder
Title:	President	Title:	Exec Vice Pres – Finance & Admin

Exhibit 31.1

Form 10-Q for the Quarterly Period Ended August 31, 2003

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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) 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 quarterly report is being prepared;
   b) 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 quarterly report based on such evaluation; and
   c) 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 registrant's board of directors (or persons performing the equivalent function):
   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 controls over financial reporting.

Date: September 30, 2003

/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, 2003

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) 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 quarterly report is being prepared;
    b) 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 quarterly report based on such evaluation; and
    c) 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 registrant's board of directors (or persons performing the equivalent function):
    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 controls over financial reporting.

Date: September 30, 2003

/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, 2003 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 (“Section 906”), 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:	September 30, 2003	By:	/s/ PAUL B. TOMS, JR.
			Paul B. Toms, Jr. Chief Executive Officer

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

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, 2003 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 (“Section 906”), 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:	September 30, 2003	By:	/s/ E. LARRY RYDER
			E. Larry Ryder Chief Financial Officer

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