SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended November 30, 2002
Commission file number 000-25349**

HOOKER FURNITURE CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	**54-0251350**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

440 East Commonwealth Boulevard, Martinsville, VA 24112
(Address of principal executive offices, Zip Code)

(276) 632-0459
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common stock, no par value
(Title of class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $48.9 million

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of February 13, 2003:

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

Documents incorporated by reference: Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Shareholders scheduled to be held March 28, 2003 are incorporated by reference into Part III.

Hooker Furniture Corporation

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Hooker Furniture Corporation
Part I

ITEM 1. BUSINESS

General

Incorporated in Virginia in 1924, Hooker Furniture Corporation (the “Company”) is a leading manufacturer and importer of wall and entertainment systems, home office, occasional, dining and bedroom residential furniture, primarily targeted at the upper-medium price range. Its extensive style selections within each of its product niches make the Company an important furniture resource for retailers in its price range. The Company has established a broad distribution network that includes independent furniture stores, department stores, specialty retailers, catalog merchandisers, and national and regional furniture chains. By emphasizing continuous improvement in its manufacturing processes, the Company offers competitive advantages to its customers such as quick delivery, reduced inventory investment, high quality and value. The Company operates facilities in Martinsville and Roanoke, Virginia and Kernersville, Maiden, and Pleasant Garden, North Carolina.

On January 2, 2003, the Company completed the acquisition of substantially all of the assets of Cherryville, NC-based upholstery producer Bradington-Young, LLC (“Bradington-Young (NC)”) for $24.5 million in cash less assumed debt, subject to a post-closing net working capital adjustment. The Company will conduct this business through a subsidiary formed in December 2002 of the same name (“Bradington-Young (VA)”). In general, the discussion of the Company’s business reflects that business as of the end of the Company’s most recent completed fiscal year and does not include Bradington-Young (VA). For more information concerning Bradington-Young (VA), see the section titled “Bradington-Young” below.

Products and Styles

The Company’s product lines cover most major design categories. The Company believes that the diversity of its product lines enables it to anticipate and respond quickly to changing consumer preferences, and provides retailers an important furniture resource in the upper-medium price range. The Company intends to continue expanding each of its product lines. The Company believes that its products represent good value and that the quality and style of its furniture compare favorably with more premium-priced products.

The Company provides furniture products in a variety of materials, woods, veneers, and finishes. The number of patterns by product line are:

	Number of Patterns
Bedroom	22
Chairs	16
Dining room	31
Entertainment centers	62
Home and executive office	42
Occasional furniture	86
Wall systems	31

These product lines cover most major design categories including European traditional, transitional, American traditional, and country/casual designs.

The Company designs and develops new product styles semi-annually to replace discontinued items or styles and, if desired, expand product lines. The Company’s product design process begins with marketing personnel identifying customer needs and conceptualizing product ideas, which generally consist of a group of related furniture pieces. A variety of sketches are produced, usually by independent designers, from which prototype furniture pieces are built. The Company invites certain dealers and independent sales representatives to view and critique the prototypes. From this input, changes in design are made and the Company’s engineering department prepares a sample for actual full-scale production. The Company introduces its new product styles at the fall and spring international furniture markets in High Point, North Carolina.

From time to time, the Company will partner with third parties to design and market products under mutually beneficial licensing agreements. During 2001, the Company began working with professional golf tournament sponsor The PGA TOUR®, to develop a line of furniture to be marketed under the “PGA TOUR® Home Collection by Hooker Furniture” name. The Company introduced products for this collection during 2001 and 2002.

During 2002, the Company expanded its offerings into new product niches. The Company expanded its bedroom offerings by introducing products scaled for the second and third bedrooms of homes, as well as for vacation homes and condominiums. Additionally, there were a number of product innovations in the home entertainment and home office product lines, many of which addressed style and price point voids in the line and targeted younger consumers. These innovations included the development of low profile corner entertainment centers and computer cabinets designed to be highly functional and conserve space within the home. The Company also expanded its new offerings in imported products by expanding its casual dining category and introducing a new, innovative product niche: a collection of ready-to-install designer sink cabinets.

Distribution

The Company has developed a broad domestic customer base and also sells to a limited international market. The Company sells its furniture through over 90 independent sales representatives to independent furniture retailers such as Nebraska Furniture Mart and Louis Shanks of Texas, catalog merchandisers such as the Horchow Collection (a unit of Neiman Marcus), national chain stores such as Breuners Home Furnishings, regional chain stores such as Haverty’s and Robb & Stucky, and department stores such as Federated and Dillard’s. The Company believes this broad network reduces its exposure to regional recessions, and allows it to capitalize on emerging channels of distribution. The Company offers tailored merchandising programs to address each channel of distribution.

The general marketing practice followed in the furniture industry is to exhibit products at international and regional furniture markets. In the spring and fall of each year, a nine-day furniture market is held in High Point, North Carolina, which is attended by most buyers and is regarded by the industry as the international market. The Company utilizes approximately 60,000 square feet of showroom space at the High Point market to introduce new products, increase sales of its existing products, and test ideas for future products.

The Company has sold to over 4,150 customers during the past fiscal year. Approximately 2% of the Company’s sales in 2002 were to international customers. No single customer accounted for more than 3% of the Company’s sales in 2002. No material part of the Company’s business is dependent upon a single customer, the loss of which would have a material effect on the business of the Company. The loss of several of the Company’s major customers could have a material impact on the business of the Company.

Manufacturing

The Company’s manufacturing strategy is to produce products that are on the leading edge of changing consumer demand for the home, such as home theater, home office, and computer furniture, as well as traditional bedroom. The Company stresses strong customer relationships in developing new products as well as improving existing ones. The Company believes strongly in employee involvement with employee and management teams working and communicating in all areas of manufacturing to improve production and quality related issues, stressing quality improvement, not quality control. To meet customer expectations of just-in-time inventory delivery, the Company’s strategy has been to strike a balance between minimizing cutting size together with increasing the frequency of cuttings on the one hand, and the efficiencies gained from longer production runs on the other. In recent years, cutting sizes have been reduced and frequencies of cuttings increased.

In order to enhance efficiency and profitability, the Company has emphasized the alignment of each of its product lines to the manufacturing strengths of each production facility. However, each facility continues to maintain the flexibility to produce multiple product lines, allowing the Company to shift products between facilities in order to balance capacity with demand. The Company communicates constantly with key suppliers in monitoring and addressing quality and delivery issues, a process that enables both the Company and its suppliers to respond quickly to constantly changing customer needs.

The Company operates manufacturing facilities in North Carolina and Virginia consisting of an aggregate of approximately 1.8 million square feet. The Company considers its machinery and equipment to be generally modern and well maintained.

The Company schedules production of its various styles based upon actual and anticipated orders. The Company’s backlog of unshipped orders was $35.6 million at November 30, 2002 and $28.1 million at November 30, 2001. The Company strives to provide inventory-on-demand for its dealers. In addition, it is the Company’s policy and industry practice to allow order cancellation up to time of shipment; therefore customer orders are not firm until shipped. For these reasons, management does not consider order backlogs to be an accurate indicator of expected business. Over the last three fiscal years, however, 92% of all orders booked were ultimately shipped. Backlogs are normally shipped within six months. During 2002, the Company shipped 79% of domestic product orders and 54% of import product orders within 30 days of order receipt.

Imported Lines

The Company imports finished furniture in a variety of styles and materials, and markets these products under the Company name through its normal distribution channels. Imported products accounted for 42% of net sales in 2002 and 31% of net sales in 2001. Product lines include occasional tables, consoles, chests, casual and formal dining room furniture, bedroom furniture, entertainment centers, and accent items. The Company imports products primarily from China, the Philippines, Mexico, Indonesia, and Honduras sourcing through 16 independent agents representing over 65 factories.

The Company has imported products from foreign manufacturers for over 14 years. The Company's imported products business is subject to the usual risks inherent in importing products manufactured abroad, including, but not limited to, supply disruptions and delays, currency exchange rate fluctuations, economic and political fluctuations and destabilization, as well as the laws, policies, and actions of foreign governments and the United States affecting trade.

Because of the large number and diverse nature of foreign factories, the Company has flexibility in the placement of product in any particular country or factory. Factories located in China have become an important resource for the Company. A sudden disruption in the Company's supply chain from China could significantly impact the Company's ability to fill customer orders for products manufactured in that country. If such a disruption were to occur, the Company believes that it would have sufficient inventory to adequately meet demand for a two to three-month period. The Company believes that it could, at higher cost, source most of the products currently sourced from factories in China from factories in different countries and could produce certain of those products domestically at its own factories. However, supply disruption delays on selected items could extend for up to six to nine months. If the Company were to be unsuccessful in obtaining those products from other sources, then a sudden disruption in the Company's supply chain from China could have a short-term material adverse effect on the Company's results of operations.

Since the Company transacts its import purchases in U.S. Dollars, a relative decline in the value of the U.S. Dollar could increase the cost of the Company's imported products and adversely impact sales volume and profit margins during affected periods. Conversely, a relative increase in the value of the U.S. Dollar could decrease the cost of imported products and favorably impact sales volume and profit margins during affected periods. See also "Item 7A. Quantitative and Qualitative Disclosures about Market Risk."

Raw Materials

The principal materials used by the Company in manufacturing its products include lumber, veneer, plywood, particleboard, hardware, glue, finishing material, glass products, and fasteners. The Company uses a variety of species of lumber, including cherry, oak, poplar, pine, and maple. The Company's five largest suppliers accounted for approximately 12% of its purchases in 2002.

The Company believes that its sources of supply for these materials are adequate and that it is not dependent on any one supplier.

Competition

The Company is the eighteenth largest furniture manufacturer in North America based on 2001 sales, according to *Furniture/Today*, a trade publication. The furniture industry is highly competitive and includes a large number of foreign and domestic manufacturers, none of which dominates the market. The markets in which the Company competes include a large number of relatively small manufacturers; however, certain competitors of the Company have substantially greater sales volumes and financial resources than the Company. The Company also competes with foreign manufacturers, many of which have substantially lower production costs, including the cost of labor, than the Company. Competitive factors in the upper-medium price range include style, price, quality, delivery, design, service, and durability. The Company believes that its long-standing customer relationships, customer responsiveness, consistent support of existing diverse product lines that are high quality and good value, and experienced management are competitive advantages.

Employees

As of November 30, 2002, the Company had approximately 1,830 employees. None of the Company's employees are represented by a labor union. The Company considers its relations with its employees to be good.

The Company sponsors the Hooker Furniture Corporation Employee Stock Ownership Plan (the "ESOP") to provide ownership and retirement benefits for eligible employees. As of November 30, 2002, the ESOP covered substantially all Company employees. The ESOP enables employees to share in the growth of the Company and to accumulate a beneficial ownership interest in the Company's common stock.

Patents and Trademarks

The trade name of the Company represents many years of continued business. The Company believes that its name is well recognized and associated with quality in the furniture industry. The Company owns a number of patents, trademarks, and licenses, none of which is considered to be material to the Company.

Governmental Regulations

The Company is subject to federal, state, and local laws and regulations in the areas of safety, health, and environmental pollution controls. Compliance with these laws and regulations has not in the past had any material effect on the Company's earnings, capital expenditures, or competitive position; however, the effect of compliance in the future cannot be predicted. Management believes that the Company is in material compliance with applicable federal, state, and local safety, health, and environmental regulations. See "Item 3. Legal Proceedings" for information concerning certain environmental matters.

Bradington-Young

On January 2, 2003, the Company, through its wholly owned subsidiary Bradington-Young (VA), completed the acquisition of substantially all of the assets of Cherryville, NC-based upholstery producer Bradington-Young (NC) for $24.5 million in cash less assumed debt, subject to a post-closing net working capital adjustment. Bradington-Young (NC) completed fiscal 2002 with sales of just under $50 million. Bradington-Young (VA) will specialize in upscale leather reclining chairs, executive desk chairs and motion and stationary upholstery in the upper-medium and high-end price niches, employs approximately 400 people, and owns four factories, two showrooms, and an office in North Carolina. Plant locations include Cherryville, Hickory, and Woodleaf, NC and its two showrooms are located in High Point, NC.

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," "could," 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 ability of the Company to successfully integrate Bradington-Young's business operations, 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, which is the most significant raw material used by the Company, 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 2. PROPERTIES

Set forth below is information with respect to the Company's principal properties. The Company believes that all these properties are well maintained and in good condition. The Company believes its manufacturing facilities are being efficiently utilized. The Company estimates that its facilities are currently being operated at approximately 85% of capacity, on a one-shift basis. All Company plants are equipped with automatic sprinkler systems and modern fire and spark detection systems, which the Company believes are adequate. All facilities set forth below are active and operational.

Location	Primary Use	Approximate Facility Size *(Square Feet)*	Owned or Leased
Martinsville, VA	Corporate Headquarters	32,000	Owned
Martinsville, VA	Manufacturing	760,000	Owned
Martinsville, VA	Distribution and Imports	580,000	Owned
Martinsville, VA	Distribution and Imports	125,000	Leased (1)
Martinsville, VA	Distribution and Imports	162,000	Leased (2)
Martinsville, VA	Distribution	189,000	Owned
Martinsville, VA	Plywood Production	146,000	Owned
Kernersville, NC	Manufacturing	115,000	Owned
Roanoke, VA	Manufacturing	265,000	Owned
Pleasant Garden, NC	Manufacturing	300,000	Owned
Maiden, NC	Manufacturing	200,000	Owned
High Point, NC	Showroom	60,000	Leased (3)
Cherryville, NC	Offices and Manufacturing	144,000	Owned (4)
Cherryville, NC	Manufacturing	53,000	Owned (4)
Hickory, NC	Manufacturing	91,000	Owned (4)
Woodleaf, NC	Manufacturing	34,000	Leased (4) (5)
High Point, NC	Showroom	14,000	Owned (4)
High Point, NC	Showroom	33,000	Owned (4)

(1) Lease expires October 31, 2003
(2) Lease expires July 13, 2003, with option to extend to August 31, 2003
(3) Lease expires October 31, 2007
(4) Comprise the principal properties of Bradington-Young (VA)
(5) Lease expires December 31, 2003, with two, one-year renewal options

ITEM 3. LEGAL PROCEEDINGS

During 1998, Triwood, Inc. ("Triwood"), a joint venture that produced particleboard for furniture manufacturing, in which the Company was a 50% shareholder, was cited by the Environmental Protection Agency ("EPA") for a violation of certain regulations under the Clean Air Act Amendments of 1990. The joint venture members elected to cease operations in November 1998. On June 30, 2000, the Company acquired all of the outstanding shares of Triwood owned by the other shareholder in the joint venture for an aggregate consideration of $1.9 million. The purchase price included the assumption by the Company of the first $100,000 of liability, if any, related to the 1998 EPA citation. Pursuant to an indemnification agreement, the Company and the other former joint venture owner will share equally, any liability in excess of $100,000. Based upon its most recent information, management does not believe the Company's share of the liability, if any, will be material to the Company's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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EXECUTIVE OFFICERS OF HOOKER FURNITURE CORPORATION

The Company's executive officers and their ages as of February 14, 2003 and the year each joined the Company are as follows:

Name	Age	Position	Year Joined Company
Paul B. Toms, Jr.	48	Chairman and Chief Executive Officer	1983
Douglas C. Williams	55	President and Chief Operating Officer	1971
E. Larry Ryder	55	Executive Vice President-Finance and Administration, Assistant Secretary, and Assistant Treasurer	1977
Raymond T. Harm	53	Senior Vice President-Sales	1999
Henry P. Long	51	Senior Vice President-Merchandising and Design	1983
Michael P. Spece	50	Senior Vice President-Import Division	1997
C. Scott Young	45	Chief Executive Officer and President of Bradington-Young (VA)	2003

Paul B. Toms, Jr. has been Chairman and Chief Executive Officer since December 2000. Mr. Toms was President and Chief Operating Officer from December 1999 to December 2000, Executive Vice President—Marketing from 1994 to December 1999, Senior Vice President—Sales & Marketing from 1993 to 1994, and Vice President—Sales from 1987 to 1993. Mr. Toms joined the Company in 1983 and has been a Director since 1993. Mr. Toms is the nephew of J. Clyde Hooker, Jr., who is a Director and the Chairman Emeritus of the Company.

Douglas C. Williams has been President and Chief Operating Officer since December 2000. Mr. Williams was Executive Vice President—Manufacturing from December 1999 to December 2000, Senior Vice President—Manufacturing from 1987 to 1999, and Vice President—Manufacturing from 1986 to 1987. Prior to 1986, Mr. Williams held various positions in manufacturing management. Mr. Williams joined the Company in 1971 and has been a Director since 1987.

E. Larry Ryder has been Executive Vice President—Finance and Administration since December 2000, Assistant Treasurer since 1998, and Assistant Secretary since 1990. Mr. Ryder was Senior Vice President—Finance and Administration from December 1987 to December 2000, Treasurer from 1989 to 1998, and Vice President—Finance and Administration from 1983 to 1987. Prior to 1983, Mr. Ryder served in various financial management positions. Mr. Ryder joined the Company in 1977 and has been a Director since 1987.

Raymond T. Harm has been Senior Vice President—Sales since joining the Company in 1999. Prior to joining the Company, Mr. Harm served as Vice President—Sales for The Barcalounger Company, a manufacturer of upholstered motion furniture, from 1992 to 1999.

Henry P. Long, Jr. has been Senior Vice President—Merchandising and Design since 1994. Mr. Long was Vice President— Sales from 1987 to 1994. Prior to 1987, Mr. Long served in various sales management positions. Mr. Long joined the Company in 1983 and has been a Director since 1993.

Michael P. Spece has been Senior Vice President—Import Division since December 2001. Mr. Spece was Vice President—Import Division since joining the Company in 1997 until December 2001. Prior to joining the Company, Mr. Spece served as Merchandise Manager for Gabberts Furniture and Design Studio, an independent furniture retailer, from 1989 to 1997.

C. Scott Young has been the Chief Executive Officer and President of the Company's wholly owned subsidiary Bradington-Young (VA) since January 2003. Mr. Young joined the Company in connection with the Company's acquisition, through Bradington-Young (VA), of substantially all of the assets of Bradington-Young (NC). Mr. Young was a member and manager of Bradington-Young (NC), and served as its Chief Executive Officer and President, from June 1995 to January 2003.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Beginning in June 2002, the Company's stock began trading on the Nasdaq SmallCap Market under the symbol "HOFT". From April 2001 until June 2002, the Company's common stock was quoted on the Over-the-Counter Bulletin Board ("OTCBB") also under the symbol "HOFT". The OTCBB is a regulated quotation service for subscribing members of the National Association of Securities Dealers (the "NASD") that displays real-time quotes, last-sale prices, and volume information in over-the-counter securities. Before April 2001, the Company's common stock was not listed for trading on any securities exchange, or on Nasdaq, or on any other inter-dealer quotation system of a registered securities association. The table below sets forth the high and low sales prices per share for the Company's common stock for the periods indicated. For periods before June 2002, the stock price information reported in the table below represents transactions in the Company's common stock in the "over-the-counter" market during the periods indicated as reported to the NASD by the NASD's member firms.

	2002		2001	
	High	**Low**	**High**	**Low**
First Quarter	**$ 12.25**	**$ 8.20**	$ 9.00	$ 7.00
Second Quarter	**17.45**	**12.10**	9.25	7.13
Third Quarter	**16.55**	**13.00**	9.50	8.10
Fourth Quarter	**15.92**	**13.95**	9.50	7.75

As of February 14, 2003, the Company had approximately 894 beneficial shareholders and 1,492 current and former employees participating in the Company's ESOP. The Company pays dividends on its common stock on or about the last day of February, May, August, and November, when declared by the Board of Directors, to shareholders of record approximately two weeks earlier. Although the Company presently intends to declare cash dividends at historical levels on a quarterly basis for the foreseeable future, the determination as to the payment and the amount of any future dividends will be made by the Board of Directors from time to time and will depend on the Company's then current financial condition, capital requirements, results of operations, and any other factors then deemed relevant by the Board of Directors. The following table sets forth the dividends per share paid by the Company with respect to its common stock during the Company's two most recent fiscal years:

	2002	2001
First Quarter	**$ 0.090**	$ 0.085
Second Quarter	**0.090**	0.090
Third Quarter	**0.100**	0.090
Fourth Quarter	**0.100**	0.090

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of the last five fiscal years ended November 30, 2002 has been derived from the Company's audited, consolidated financial statements. The selected financial data should be read in conjunction with the Financial Statements, including the related Notes, and Management's Discussion and Analysis included elsewhere in this Annual Report.

	For The Years Ended November 30,				
	2002	2001	2000	1999	1998
	(In thousands, except per share data)				
Income Statement Data:					
Net sales	**$ 248,346**	$ 221,289	$ 251,051	$ 229,238	$ 206,521
Cost of goods sold	**179,558**	170,008	187,727	171,145	158,137
Gross profit	**68,788**	51,281	63,324	58,093	48,384
Selling and administrative expenses	**42,469**	39,323	40,377	34,559	31,471
Restructuring charge (1)		881			
Income from operations	**26,319**	11,077	22,947	23,534	16,913
Other income, net	**560**	1,213	792	289	675
Interest expense	**2,094**	2,140	830	647	561
Income before income taxes	**24,785**	10,150	22,909	23,176	17,027
Income taxes	**9,394**	3,640	7,995	8,881	6,241
Net income	**15,391**	6,510	14,914	14,295	10,786
Per Share Data:					
Basic and diluted earnings per share	**2.73**	1.12	2.06	1.87	1.40
Cash dividends per share	**0.38**	0.36	0.34	0.30	0.28
Net book value per share (2)	**17.74**	15.45	14.68	12.52	10.97
Weighted average shares outstanding	**5,643**	5,809	7,257	7,636	7,692
Balance Sheet Data:					
Cash, primarily interest-bearing deposits	**2,316**	7,926	1,243	157	3,625
Trade receivables	**33,771**	29,430	31,019	26,599	23,346
Inventories	**54,959**	33,522	42,785	37,051	35,812
Working capital	**71,376**	59,624	60,669	54,557	51,793
Total assets	**149,881**	130,695	133,531	116,423	111,233
Long-term debt (including current maturities)	**24,703**	26,911	29,500	7,000	12,062
Common stock held by ESOP (3)		9,397	10,412	10,129	10,213
Shareholders' equity (3)	**101,044**	77,741	75,559	85,234	73,900

(1) In August 2001, the Company recorded a pretax charge of $881,000 for severance and early retirement benefits related to a workforce reduction of approximately 100 employees at its Martinsville, Virginia facility.

(2) Net book value per share is derived by dividing (a) the sum of (i) "common stock held by ESOP" and (ii) "shareholders' equity" by (b) the number of common shares issued and outstanding, excluding unearned ESOP shares.

(3) In June 2002, Hooker Furniture common stock began trading on the Nasdaq SmallCap Market. As a result, the Company is no longer obligated to repurchase shares from participants in the Company's ESOP. Consequently, shares previously reflected in the Company's balance sheets as "common stock held by ESOP" have been reclassified to "shareholders' equity".

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Selected Financial Data and the Financial Statements, including the related Notes, contained elsewhere in this Annual Report.

Results of Operations

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

	For the Years Ended November 30,		
	2002	**2001**	**2000**
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**72.3**	76.8	74.8
Gross profit	**27.7**	23.2	25.2
Selling & administrative expenses	**17.1**	17.8	16.1
Restructuring charge		0.4	
Operating income	**10.6**	5.0	9.1
Other income, net	**0.2**	0.6	0.3
Interest expense	**0.8**	1.0	0.3
Income before income taxes	**10.0**	4.6	9.1
Income taxes	**3.8**	1.7	3.2
Net income	**6.2%**	2.9%	5.9%

2002 Compared to 2001

Net sales in 2002 increased $27.1 million, or 12.2%, to $248.3 million from $221.3 million in 2001. Increased unit volume in imported product lines (primarily occasional, bedroom, casual dining and entertainment centers) and domestically produced home office furniture was partially offset by lower unit volume in domestically produced bedroom furniture, wall systems, and entertainment centers. Average selling prices were lower during the 2002 periods due to the mix of products shipped (primarily higher imported furniture shipments). In 2001, the Company experienced a downturn in shipments, reflecting the industry-wide downturn experienced during most of last year.

During 2002, net sales for imported product lines, including sales under the Container Direct Program, increased $35.0 million, or nearly 51%, to $103.9 million, representing almost 42% of the Company's total net sales. The Container Direct Program allows larger retailers to purchase full containers of imported product that the Company can expedite from its offshore suppliers directly to the retailers' docks. While increased customer demand and the new Container Direct Program account for most of the increase in volume during 2002, the Company also increased significantly its purchases of imported product during the last half of the year. The increased level of purchases enabled the Company to ship a substantial portion of its backlog of orders for imported products. The Company believes that its ability to improve delivery of imported products to customers has generated additional demand. Although systems are in place to help meet customer demand efficiently in the future, the Company does not expect to purchase inventory at the same levels and consequently does not expect to experience the same rate of growth in import sales that it experienced during the last half of 2002. Generally the cost of imported products is lower as a percentage of sales than for domestically manufactured goods. However, the increased cost of warehousing to facilitate dealer demand, captured in selling and administrative expenses, is higher as a percentage of sales than for domestically manufactured goods.

Gross profit margin increased to 27.7% in 2002 compared to 23.2% in 2001. Most of the improvement during 2002 can be attributed to the increased shipments of "higher margin" imported products through customary distribution channels as well as the new Container Direct Program. Also during 2002, the Company's domestic manufacturing facilities continued to see reductions in raw material costs, principally lumber and wood products, as a percentage of sales volume. Labor and overhead efficiencies also improved in spite of shortened work schedules at most plants during the second half of 2002. The Company also operated on reduced production schedules during the first nine months of 2001.

Selling and administrative expenses increased $3.1 million, or 8.0%, to $42.5 million in 2002 from $39.3 million in 2001. The increase was due principally to higher selling and distribution expenses to support increased sales (principally sales commissions). A decrease in selling and administrative expenses as a percentage of net sales contributed to the improvement in operating margins. Selling and administrative expenses as a percentage of net sales decreased to 17.1% in 2002 compared to 17.8% in 2001 as a result of higher net sales in the 2002 period.

A one-time restructuring charge and a special cash distribution to former ESOP participants also contributed to the decline in operating income in 2001. These expenses were related to the workforce reduction at the Martinsville facility on August 30, 2001. The one-time restructuring charge consisted of $881,000, pretax, in severance and early retirement benefits paid to terminated employees. In addition, the Company recorded a $321,000 pretax expense related to a cash distribution, required by the terms of the ESOP, terminated employees who requested distribution of their ESOP accounts in cash. The amount of the distribution was based on the fair market value, as determined by an independent appraisal, of the approximately 19,000 shares of common stock held in those employees' ESOP accounts. These shares have been reallocated to active ESOP participants. These combined, non-recurring charges reduced 2001 operating income by $1.2 million, or 0.5% of net sales.

As a result of the above, operating income increased to $26.3 million, or 10.6% of net sales, in 2002, compared to $11.1 million, or 5.0% of net sales, in 2001.

Other income in 2002 declined to $560,000 from $1.2 million in 2001. The decline is due principally to lower rental income. During 2001, the Company received rental income for land and a building that was sold on May 31, 2001 and for a warehouse facility under a lease agreement that terminated in August 2001. In July 2002, the Company decided to reactivate that warehouse facility, located in Martinsville, Virginia. The facility reopened September 3, 2002, for warehousing certain domestically produced goods, making room for more imported products at the Company's central distribution center. Consequently, the $1.7 million carrying value of the reactivated facility (stated at the lower of carrying value, or fair value net of estimated selling expenses) was reclassified from "assets held for sale" (included in "other assets" on the balance sheets) to "property, plant, and equipment".

Interest expense decreased $46,000 during 2002 from 2001, as a result of lower debt levels. Interest expense approximated $2.1 million in each period.

The Company's effective tax rate increased to 37.9% in 2002 from 35.8% in 2001. The lower federal tax rate in 2001 is primarily attributed to the applicability of lower tax brackets.

Net income in 2002 increased 136.4%, to $15.4 million, from $6.5 million in 2001. Earnings per share increased to $2.73 in 2002, compared with $1.12 in 2001. The restructuring charge and the cash distribution to former ESOP participants discussed above reduced 2001 net income by $745,000 after tax, or $0.13 per share.

2001 Compared to 2000

Net sales decreased $29.8 million, or 11.9%, to $221.3 million in 2001 compared to $251.1 million in 2000. Unit volume declined across all domestically produced product lines, while unit volume for imported product lines increased slightly. Average selling prices also declined during 2001, due to a change in the mix of products sold. The sales declines in the 2001 periods are a reflection of the difficult economic climate experienced since late 2000.

Gross profit margin for 2001 declined to 23.2% from 25.2% in 2000. The decrease was due principally to an increase in overhead cost as a percentage of sales volume resulting from lower production levels. Raw material costs and the delivered cost of imported furniture both declined as a percentage of sales volume, partially offsetting the increases in cost absorption. The Company's labor cost as a percentage of sales volume also increased from the prior year, even though the Company's manufacturing facilities worked a short, 35-hour weekly production schedule from January through August 2001. The Company also closed its production facilities for one week in July for annually-scheduled maintenance and also for one week in each of August and September to control inventory levels. In addition, on August 30, 2001, the Company reduced the workforce at its Martinsville plant by about 100 employees.

Selling and administrative expenses decreased $1.1 million, or 2.6%, to $39.3 million in 2001 from $40.4 million in 2000. During 2001, the Company incurred lower selling expenses related to lower sales (principally sales commissions) and lower legal and professional costs. Legal and professional costs were higher in 2000 due to fees incurred in connection with a tender offer by the Company's ESOP to purchase 1.8 million shares of the Company's stock from existing shareholders, completed in September 2000 (the "ESOP Tender Offer"). These cost decreases were partially offset by higher sample costs and depreciation expense in 2001. As a percentage of net sales, selling and administrative expenses increased to 17.8% in 2001, from 16.1% in 2000, as a result of lower net sales in 2001.

Overall, while production costs and selling and administrative expenses decreased in 2001, these reductions in cost were not sufficient to completely offset the effect of lower sales volume on operating margins.

A one-time restructuring charge and a special cash distribution to former ESOP participants also contributed to the decline in operating income in 2001. These expenses were related to the workforce reduction at the Martinsville facility on August 30, 2001. The one-time restructuring charge consisted of $881,000, pretax, in severance and early retirement benefits paid to terminated employees. In addition, the Company recorded a $321,000 pretax expense related to a cash distribution, required by the terms of the ESOP, to terminated employees who requested distribution of their ESOP accounts in cash. The amount of the distribution was based on the fair market value, as determined by an independent appraisal, of the approximately 19,000 shares of common stock held in those employees' ESOP accounts. These shares have been reallocated to active ESOP participants. These combined, non-recurring charges reduced operating income by $1.2 million, or 0.5% of net sales.

As a result of the above, operating income decreased to $11.1 million, or 5.0% of net sales, in 2001, compared to $22.9 million, or 9.1% of net sales, in 2000.

Other income in 2001 increased to $1.2 million from $792,000 in 2001. The increase is due principally to a net gain in 2001, compared to a net loss in 2000, on the incidental disposal of assets. Rental income was higher in 2001 than in 2000. The Company received rental income for land and a building from July 1, 2000, until the property was sold on May 31, 2001. Also the Company leased a warehouse facility to a third party from August 2000 through July 2001. In addition, the Company generated more interest income in 2001 compared to 2000, as a result of having higher available cash balances to invest.

Interest expense increased $1.3 million to $2.1 million in 2001 compared to $830,000 in 2000. The increase was due to interest incurred on the September 2000 term loan entered into in connection with the ESOP Tender Offer.

The Company's effective tax rate increased from 34.9% in 2000 to 35.8% in 2001.

Net income in 2001 declined 56.3%, to $6.5 million, from $14.9 million in 2000. Earnings per share decreased to $1.12 in 2001, compared with $2.06 in 2000. The restructuring charge and the cash distribution to former ESOP participants discussed above reduced 2001 net income by $745,000 after tax, or $0.13 per share.

Financial Condition, Liquidity, and Capital Resources

As of November 30, 2002, assets totaled $149.9 million, increasing from $130.7 million at November 30, 2001. Shareholders' equity at November 30, 2002, was $101.0 million, compared to $77.7 million at November 30, 2001. The increase in shareholders' equity includes the reclassification of "common stock held by ESOP" in the amount of $9.4 million into "retained earnings" (see Note 11 to the Financial Statements). The Company's long-term debt, including current maturities, was $24.7 million at November 30, 2002, declining from $26.9 million at November 30, 2001. Working capital increased to $71.4 million as of November 30, 2002, from $59.6 million at the end of 2001, reflecting higher inventories and trade receivables, partially offset by a lower cash position and higher trade payables and accrued liabilities.

During 2002 and 2001, the Company recognized a decrease in the aggregate fair market value of its interest rate swap agreements, resulting from the general decline in interest rates that occurred during those periods. The aggregate decrease in the fair market value of the effective portion of the agreements of $1.9 million after tax ($3.1 million pretax) as of November 30, 2002, and $1.7 million after tax ($2.7 million pretax) as of November 30, 2001, is reflected under the caption "accumulated other comprehensive loss" in the balance sheets.

During 2002, cash generated from operations ($5.7 million) and a decrease in available cash ($5.6 million) funded capital expenditures ($6.1 million), net repayments of long-term debt ($2.2 million), dividend payments ($1.9 million), and the purchase and retirement of common stock ($1.2 million). During 2001, cash generated from operations ($20.5 million) and the sale of property ($2.8 million) funded capital expenditures ($8.8 million), an increase in available cash ($6.7 million), the purchase and retirement of common stock ($2.9 million), net repayments of long-term debt ($2.6 million), and dividend payments ($2.3 million).

Cash generated from operations of $5.7 million during 2002 decreased $14.8 million from $20.5 million in 2001. The decrease was due to higher payments to suppliers and employees and higher tax payments, partially offset by higher payments received from customers and lower interest payments. Payments to suppliers and employees increased $33.9 million, principally to fund increases in inventory of imported products and trade receivables. The increase was partially offset by higher current liabilities. The Company increased its inventory of imported products during 2002 in order to meet customer demand and fill order backlogs during the fourth quarter. The Company expects inventory purchases of imported products to stabilize at current levels for the foreseeable future. Cash received from customers increased $20.5 million as a result of higher sales. Tax payments increased $1.5 million as a result of higher income levels.

Investing activities consumed $6.1 million during 2002 compared to $6.0 million in 2001. Expenditures in each year were incurred principally for plant, equipment, and other assets to maintain and enhance the Company's facilities and business operating systems. On May 31, 2001, the Company's wholly-owned subsidiary, Triwood, Inc., sold land and a building that was being leased to a third party for $2.7 million in cash.

The Company used cash of $5.2 million for financing activities in 2002 compared to $7.8 million in 2001. During 2002, the Company repaid $2.2 million, net, of long-term debt, paid dividends of $1.9 million, repurchased approximately 60,000 shares of common stock from ESOP participants at a total cost of $1.1 million, or $17.95 per share, as required by the terms of the ESOP, and repurchased approximately 6,000 shares of common stock at a total cost of $83,000, or $13.62 per share, under the common stock repurchase program authorized by the Board of Directors in 2001. During 2001, the Company purchased and retired $2.9 million of common stock, repaid $2.6 million, net, of long-term debt, and paid dividends in the amount of $2.3 million.

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 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. Through November 30, 2002, 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. Based on the market value of the common stock as of November 30, 2002, the remaining $2.7 million of the authorization would allow the Company to repurchase approximately 2.4% of the 7.2 million shares outstanding, or 3.4% of the Company's outstanding shares excluding the 2.3 million shares held by the ESOP.

As of November 30, 2002, the Company had $9.1 million available under its revolving line of credit and $39.9 million available under additional 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 $5.0 to $8.0 million in capital expenditures during fiscal 2003 to maintain and enhance its facilities and operating systems.

Commitments and Contractual Obligations

As of November 30, 2002, the Company's commitments and contractual obligations were as follows:

	Payments Due by Period (In thousands)			
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt and capital leases	$ 2,905	$10,629	$8,376	$ 2,793
Operating leases	1,355	1,351	858	
Total contractual cash obligations	$ 4,260	$11,980	$9,234	$ 2,793

Outlook

The Company believes that the stagnant economy, geo-political concerns, unsettled financial markets, and low consumer confidence all indicate slow to moderate retail sales for at least the first half of 2003. We continue to be optimistic about growth in our domestically produced bedroom business. Over 470 dealers have purchased and placed the new bedroom groups on their retail showroom floors. The Company's goal is 500 placements for these new bedroom groups. The Company expects product introductions for the April 2003 furniture market to be well received based on feedback from a limited number of retailers who critiqued those offerings at our February 2003 design show. Order backlogs in February 2003 approximate backlog levels one year ago. Generally, our plants will continue to work 35-hour per week schedules into April 2003.

Our integration of the Bradington-Young acquisition is proceeding as planned. We have made progress on integrating our sales force and are working together on product development, promotions, and sales. Our first quarter 2003 results will include the results of Bradington-Young for the two-month period from January through February 2003.

Environmental Matters

Hooker Furniture Corporation is committed to protecting the environment as evidenced by its products and its manufacturing operations. The Company's manufacturing sites generate both hazardous and non-hazardous wastes, the treatment, storage, transportation, and disposal of which, are subject to various local, state, and national laws relating to protecting the environment.

The Company is in various stages of investigation or remediation of alleged or acknowledged contamination at current or former manufacturing sites. The Company's policy is to record environmental liabilities when loss amounts are probable and can be reasonably estimated. The costs associated with the Company's environmental responsibilities, compliance with federal, state, and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had and, in the opinion of management, will not have a material effect on the Company's financial position, results of operations, capital expenditures, or competitive position.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are more fully described in its Summary of Significant Accounting Policies to the Company's consolidated financial statements. The preparation of financial statements in conformity with accounting principles generally accepted within the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related notes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below, however, application of these accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties and as a result, actual results could differ from these estimates.

The Company evaluates the adequacy of its allowance for doubtful accounts at the end of each quarter. In performing this evaluation, the Company analyzes the payment history of its significant past due accounts, subsequent cash collections on these accounts and comparative accounts receivable aging statistics. Based on this information, along with consideration of the general strength of the economy, the Company develops what it considers to be a reasonable estimate of the un-collectible amounts included in accounts receivable. This estimate involves significant judgment by the management of the Company. Actual un-collectible amounts may differ from the Company's estimate.

The Company values its inventories at the lower of cost, using the last-in, first-out (LIFO) method, or market. The Company evaluates its inventory for excess or slow moving items based on recent and projected sales and order patterns. The Company establishes an allowance for those items that the estimated market value or net sales value is lower than their recorded cost. This estimate involves significant judgment by management and actual values may differ from the Company's estimate.

Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", which became effective July 1, 2001. SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001, and eliminates the pooling-of-interests method. The adoption of SFAS 141 did not had an effect on the Company's financial statements.

In July 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets". This statement is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing, recognized intangibles such as goodwill, reassessment of the useful lives of existing, recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairment of goodwill. SFAS 142 also requires a transitional goodwill impairment test six months from the date of adoption and further requires an evaluation of the carrying value of goodwill for impairment annually thereafter. The adoption of SFAS 142 did not have an effect on the Company's financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". This statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. This statement requires that

one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. This statement also broadens the presentation of discontinued operations to include more disposal transactions. SFAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The adoption of SFAS 144 did not have a material effect on the Company's financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 will not have an effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of SFAS No. 123". This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS 148 will not have an effect on the Company's financial statements.

ITEM 7A. 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 loan bear interest at variable rates. The Company has entered into interest rate swap agreements that, in effect, fix the rate of interest on the industrial revenue bonds at 4.7% through 2006 and on the term loan at 7.4% through 2010. There were no other material derivative instrument transactions during any of the periods presented. As of November 30, 2002, $6.4 million was outstanding under the Company's industrial revenue bonds, $17.8 million was outstanding under the term loan, and $500,000 was outstanding under the revolving credit line. A 10% fluctuation in market interest rates 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 affected 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and schedule listed in Items 15(a)(1) and 15(a)(2) of this report are incorporated herein by reference and are filed as a part of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As reported in the Company's Current Report on Form 8-K originally filed with the Securities and Exchange Commission on October 2, 2002, as amended February 26, 2003, the Company engaged KPMG LLP on September 30, 2002 to serve as the Company's principal accountant to audit the Company's financial statements for the fiscal year ending November 30, 2003. BDO Seidman, LLP continued to serve as the Company's principal accountant to audit the Company's financial statements for the fiscal year ended November 30, 2002, through the completion of that audit and the date of the Company's Annual Report on Form 10-K for that period. The change in the Company's principal accountant was recommended by the Audit Committee and approved by the Board of Directors.

Part III

In accordance with General Instruction G (3) of Form 10-K, the information called for by Items 10, 11, 12, and 13 of Part III is incorporated by reference to the registrant's definitive Proxy Statement for its Annual Meeting of Shareholders scheduled to be held March 28, 2003, except for information concerning the executive officers of the registrant which is included in Part I of this report under the caption "Executive Officers of Hooker Furniture Corporation".

ITEM 14. CONTROLS AND PROCEDURES

Based on their most recent review, which was completed within 90 days of the filing of 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 were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report on Form 10-K:

(1) The following financial statements are included in this report on Form 10-K:

- Report of Independent Certified Public Accountants.
- Consolidated Balance Sheets as of November 30, 2002 and 2001.
- Consolidated Statements of Income for each of the three fiscal years ended November 30, 2002.
- Consolidated Statements of Cash Flows for each of the three fiscal years ended November 30, 2002.
- Consolidated Statements of Shareholders' Equity for each of the three fiscal years ended November 30, 2002.
- Summary of Significant Accounting Policies.
- Notes to Consolidated Financial Statements.

(2) Financial Statement Schedule:

- Report on Financial Statement Schedule.
- Schedule II—Valuation and Qualifying Accounts for each of the three fiscal years ended November 30, 2002.

(b) The following reports on Form 8-K were filed by the registrant during the last quarter covered by this report:

- Form8-K, dated September 30, 2002 and filed with the SEC October 2, 2002, announcing a change in the Company's accountant.
- Form 8-K, dated October 7, 2002 and filed with the SEC October 7, 2002, announcing the signing of a letter of intent to acquire Bradington-Young, LLC.

(c) Exhibits:

3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
4.1	Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.1)
4.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.2)
4.3	Amended and Restated Bylaws of the Company (See Exhibit 3.3)
4.4(a)	Term Loan Agreement, dated September 18, 2000 ("SunTrust Term Loan"), between the Company and SunTrust Bank (including related Term Note and Negative Pledge Agreement) (incorporated by reference to Exhibit 4.4 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2000)

4.4(b)	Loan Modification Agreement, dated as of December 31, 2002, with respect to the SunTrust Term Loan, between the Company and SunTrust Bank (including Renewal Term Note dated January 2, 2003)*
4.5	Promissory Note, dated January 2, 2003, between Bank of America, N.A., and the Company*
	Pursuant to Regulation S-K, Item 601(b)(4)(iii), instruments evidencing long-term debt less than 10% of the Company's total assets have been omitted and will be furnished to the Securities and Exchange Commission upon request.
10.1	Form of Salary Continuation Agreement (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))**
10.2	Form of Split Dollar Agreement (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))**
10.3(a)	Commitment Letter for line of credit ("BB&T Credit Line") and related Promissory Note, each dated August 1, 2000, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.4 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2001)
10.3(b)	Commitment Letter renewing and increasing the BB&T Credit Line and related Promissory Note, each dated April 6, 2001, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2001)
10.3(c)	Commitment Letter renewing the BB&T Credit Line and related Promissory Note, each dated April 19, 2002, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q (SEC File No. 000-25349) for the fiscal quarter ended May 31, 2002)
10.3(d)	Commitment Letter renewing and increasing the BB&T Credit Line and related Promissory Note, each dated July 3, 2002, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q (SEC File No. 000-25349) for the fiscal quarter ended May 31, 2002)
10.4(a)	SunTrust Term Loan, dated September 18, 2000, between the Company and SunTrust Bank (including related Term Note and Negative Pledge Agreement) (See Exhibit 4.4(a))
10.4(b)	Loan Modification Agreement, dated as of December 31, 2002, with respect to the SunTrust Term Loan, between the Company and SunTrust Bank (including related Renewal Term Note dated January 2, 2003) (See Exhibit 4.4(b))
10.5	Credit Agreement, dated September 18, 2000, between the Company and the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (including related Non-Recourse Promissory Note and Stock Pledge Agreement) (incorporated by reference to Exhibit 10.7 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2000)
10.6	Promissory Note, dated January 2, 2003, between Bank of America, N.A., and the Company (See Exhibit 4.5)
10.7	Lease, dated November 1, 2002, between International Home Furnishings Center and the Company*
10.8	Lease, dated March 14, 1994, between Fred B. Caffey (the "Caffey Lease") and the Company (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
10.9	Addendum to the Caffey Lease dated October 26, 2002*
10.10	Sublease, dated January 29, 2003, between Pulaski Furniture Corporation and the Company*
21	List of Subsidiaries:
	Bradington-Young, LLC, a Virginia limited liability company
	Triwood, Inc., a Virginia corporation
99.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
99.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

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* Filed herewith

** Management contract or compensatory plan

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ PAUL B. TOMS, JR.

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

February 26, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PAUL B. TOMS, JR. **Paul B. Toms, Jr.**	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2003
/s/ DOUGLAS C. WILLIAMS **Douglas C. Williams**	President, Chief Operating Officer and Director	February 26, 2003
/s/ E. LARRY RYDER **E. Larry Ryder**	Executive Vice President—Finance and Administration and Director (Principal Financial Officer)	February 26, 2003
/s/ HENRY P. LONG, JR. **Henry P. Long, Jr.**	Senior Vice President—Merchandising and Design and Director	February 26, 2003
/s/ R. GARY ARMBRISTER **R. Gary Armbrister**	Chief Accounting Officer (Principal Accounting Officer)	February 26, 2003
/s/ J. CLYDE HOOKER, JR. **J. Clyde Hooker, Jr.**	Director and Chairman Emeritus	February 26, 2003
/s/ W. CHRISTOPHER BEELER, JR. **W. Christopher Beeler, Jr.**	Director	February 26, 2003
/s/ ALAN D. COLE **Alan D. Cole**	Director	February 26, 2003
/s/ JOHN L. GREGORY, III **John L. Gregory, III**	Director	February 26, 2003
/s/ IRVING M. GROVES, JR. **Irving M. Groves, Jr.**	Director	February 26, 2003
/s/ A. FRANK HOOKER, JR. **A. Frank Hooker, Jr.**	Director	February 26, 2003
/s/ ROBERT A. TAYLOR **Robert A. Taylor**	Director	February 26, 2003
/s/ L. DUDLEY WALKER **L. Dudley Walker**	Director	February 26, 2003

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of Hooker Furniture Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
   a) designed such disclosure controls and procedures 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 annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 26, 2003

/s/ Paul B. Toms, Jr.

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

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CERTIFICATION

I, E. Larry Ryder, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures 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 annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 26, 2003

/s/ E. Larry Ryder

E. Larry Ryder
Executive Vice President—Finance and
Administration and Chief Financial Officer

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of
Hooker Furniture Corporation and Subsidiary
Martinsville, Virginia

We have audited the accompanying consolidated balance sheets of Hooker Furniture Corporation and subsidiary as of November 30, 2002 and 2001 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended November 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hooker Furniture Corporation and subsidiary at November 30, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

Richmond, Virginia
December 13, 2002, except for Note 12, which is as of January 2, 2003

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HOOKER FURNITURE CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(In thousands, including share data)

	As of November 30,	
	2002	2001
Assets		
Current assets		
Cash, primarily interest-bearing deposits	**$ 2,316**	$ 7,926
Trade receivables, less allowances of **$800** and $650	**33,771**	29,430
Inventories	**54,959**	33,522
Income taxes recoverable		1,359
Prepaid expenses and other	**2,225**	2,368
Total current assets	**93,271**	74,605
Property, plant, and equipment, net	**49,577**	49,952
Other assets	**7,033**	6,138
Total assets	**$149,881**	$130,695
Liabilities and Shareholders’ Equity		
Current liabilities		
Trade accounts payable	**$ 5,427**	$ 4,088
Accrued salaries, wages, and benefits	**6,022**	4,789
Accrued income taxes	**3,169**	
Other accrued expenses	**4,372**	3,374
Current maturities of long-term debt	**2,905**	2,730
Total current liabilities	**21,895**	14,981
Long-term debt	**21,798**	24,181
Other long-term liabilities	**5,144**	4,395
Total liabilities	**48,837**	43,557
Common stock held by ESOP		9,397
Shareholders’ Equity		
Common stock, no par value, 10,000 shares authorized, **7,238** and 7,304 shares issued and outstanding	**3,025**	2,789
Unearned ESOP shares (**1,541** and 1,663 shares)	**(19,261)**	(20,793)
Retained earnings	**119,213**	97,432
Accumulated other comprehensive loss	**(1,933)**	(1,687)
Total shareholders’ equity	**101,044**	77,741
Total liabilities and shareholders’ equity	**$149,881**	$130,695

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

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HOOKER FURNITURE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For The Year Ended November 30,		
	2002	**2001**	**2000**
Net sales	**$ 248,346**	$ 221,289	$ 251,051
Cost of sales	**179,558**	170,008	187,727
Gross profit	**68,788**	51,281	63,324
Selling and administrative expenses	**42,469**	39,323	40,377
Restructuring charge		881	
Operating income	**26,319**	11,077	22,947
Other income, net	**560**	1,213	792
Interest expense	**2,094**	2,140	830
Income before taxes	**24,785**	10,150	22,909
Income taxes	**9,394**	3,640	7,995
Net income	**$ 15,391**	$ 6,510	$ 14,914
Earnings per share:			
Basic and diluted	**$ 2.73**	$ 1.12	$ 2.06
Weighted average shares outstanding	**5,643**	5,809	7,257

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For The Year Ended November 30,		
	2002	**2001**	**2000**
Cash flows from operating activities:			
Cash received from customers	**$244,376**	$223,845	$247,459
Cash paid to suppliers and employees	**(230,982)**	(197,110)	(222,562)
Income taxes paid, net	**(5,980)**	(4,484)	(8,028)
Interest paid, net	**(1,719)**	(1,791)	(490)
Net cash provided by operating activities	**5,695**	20,460	16,379
Cash flows from investing activities:			
Purchase of property, plant, and equipment	**(6,082)**	(8,797)	(12,064)
Acquisition of joint venture, net of cash received			(801)
Sale of property and equipment	**18**	2,779	56
Net cash absorbed by investing activities	**(6,064)**	(6,018)	(12,809)
Cash flows from financing activities:			
Proceeds from long-term debt	**3,000**	2,500	41,000
Payments on long-term debt	**(5,208)**	(5,089)	(18,500)
Cash dividends paid	**(1,866)**	(2,259)	(2,484)
Purchase and retirement of common stock	**(1,167)**	(2,911)	
Purchase of common stock by ESOP			(22,500)
Net cash absorbed by financing activities	**(5,241)**	(7,759)	(2,484)
Net increase (decrease) in cash	**(5,610)**	6,683	1,086
Cash at beginning of year	**7,926**	1,243	157
Cash at end of year	**$ 2,316**	$ 7,926	$ 1,243
Reconciliation of net income to net cash provided by operating activities:			
Net income	**$ 15,391**	$ 6,510	$ 14,914
Depreciation and amortization	**8,103**	7,592	6,689
Non-cash ESOP cost	**1,794**	1,514	678
Deferred taxes	**(634)**	(295)	782
(Gain) loss on disposal of property and equipment	**(5)**	(59)	111
Changes in assets and liabilities, net of effect from acquisition:			
Trade receivables	**(4,341)**	1,589	(4,420)
Inventories	**(21,437)**	9,263	(5,734)
Income taxes recoverable	**1,359**	(549)	(458)
Prepaid expenses and other assets	**(1,626)**	(1,947)	440
Trade accounts payable	**1,339**	(1,318)	1,630
Accrued salaries, wages, and benefits	**1,233**	(1,681)	1,083
Accrued income taxes	**3,169**		(669)
Other accrued expenses	**601**	(452)	905
Other long-term liabilities	**749**	293	428
Net cash provided by operating activities	**$ 5,695**	$ 20,460	$ 16,379

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

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HOOKER FURNITURE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share data)

	For Each of The Three Years Ended November 30, 2002					
	Common Stock		Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance at November 30, 1999	7,617	$2,418		$ 82,816		$ 85,234
Net income				14,914		14,914
Cash dividends on common stock ($0.34 per share)				(2,484)		(2,484)
Purchase of shares by ESOP			$(22,500)			(22,500)
ESOP cost		187	491			678
Increase in fair value of shares held by ESOP				(283)		(283)
Balance at November 30, 2000	7,617	2,605	(22,009)	94,963		75,559
Net income				6,510		6,510
Change in unrealized loss on interest rate swap					$ (1,687)	(1,687)
Total comprehensive income						4,823
Cash dividends on common stock ($0.36 per share)				(2,259)		(2,259)
Purchase and retirement of common stock	(313)	(114)		(2,797)		(2,911)
ESOP cost		298	1,216			1,514
Decrease in fair value of shares held by ESOP				1,015		1,015
Balance at November 30, 2001	7,304	2,789	(20,793)	97,432	(1,687)	77,741
Net income				**15,391**		**15,391**
Change in unrealized loss on interest rate swap					**(246)**	**(246)**
Total comprehensive income						**15,145**
Cash dividends on common stock ($0.38 per share)				**(1,866)**		**(1,866)**
Purchase and retirement of common stock	**(66)**	**(26)**		**(1,141)**		**(1,167)**
ESOP cost		**262**	**1,532**			**1,794**
Reclassification of common stock held by ESOP to retained earnings				**9,397**		**9,397**
Balance at **November 30, 2002**	**7,238**	**$3,025**	**$(19,261)**	**$119,213**	**$ (1,933)**	**$ 101,044**

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company manufactures and imports household and home office furniture for sale to wholesale and retail merchandisers located primarily throughout North America. The Company operates in one business segment. Substantially all revenues result from the sale of residential wood furniture products. Substantially all of the Company’s trade accounts receivable are due from retailers in this market, which consists of a large number of entities with a broad geographical dispersion.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Triwood, Inc. All material inter-company accounts and transactions have been eliminated upon consolidation.

Inventories

Inventories are stated at the lower of cost, using the last-in, first-out (LIFO) method, or market.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, less allowances for depreciation. Provision for depreciation has been computed (generally by the declining balance method) at annual rates that will amortize the cost of the depreciable assets over their estimated useful lives.

Income Taxes

Deferred income taxes reflect the future tax consequences of differences between the book and tax bases of assets and liabilities.

Fair Value of Financial Instruments

The carrying value for each of the Company’s financial instruments (consisting of cash, accounts receivable, accounts payable, and accrued salaries) approximates fair value because of the short-term nature of those instruments. The fair value of the Company’s industrial development revenue bonds and term loan is estimated based on the quoted market rates for similar debt with remaining maturity. On November 30, 2002, the carrying value of the industrial development revenue bonds and term loan approximated fair value. The fair value of the Company’s interest rate swap agreements is based on values provided by the issuers.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes sales revenue and ownership passes to the buyer at the time products are shipped. Substantially all of the Company’s trade accounts receivable are from customers in the retail furniture industry. Management continually performs credit evaluations of its customers and generally does not require collateral.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable through the estimated undiscounted future cash flows from the use of those assets. When any such impairment exists, the related assets will be written down to fair value. No impairment losses have been recorded through November 30, 2002.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilutive effect of securities that could share in the earnings of the Company. Unallocated ESOP shares are not considered outstanding for purposes of calculating basic and diluted earnings per share. At November 30, 2002, there were no securities that had a dilutive effect.

Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", which became effective July 1, 2001. SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001, and eliminates the pooling-of-interests method. The adoption of SFAS 141 did not had an effect on the Company's financial statements.

In July 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets". This statement is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing, recognized intangibles such as goodwill, reassessment of the useful lives of existing, recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairment of goodwill. SFAS 142 also requires a transitional goodwill impairment test six months from the date of adoption and further requires an evaluation of the carrying value of goodwill for impairment annually thereafter. The adoption of SFAS 142 did not have an effect on the Company's financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". This statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. This statement requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. This statement also broadens the presentation of discontinued operations to include more disposal transactions. SFAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The adoption of SFAS 144 did not have a material effect on the Company's financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 will not have an effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of SFAS No. 123". This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS 148 will not have an effect on the Company's financial statements.

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HOOKER FURNITURE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in tables, except per share amounts, in thousands unless otherwise indicated)

NOTE 1—INVENTORIES

	November 30, 2002	November 30, 2001
Finished furniture	**$ 55,380**	$ 33,481
Furniture in process	**1,963**	1,712
Materials and supplies	**7,997**	9,685
Inventories at FIFO	**65,340**	44,878
Reduction to LIFO basis	**10,381**	11,356
Inventories	**$ 54,959**	$ 33,522

If the first-in, first-out (FIFO) method had been used in valuing all inventories, net income would have been $14.8 million in 2002, $6.6 million in 2001, and $16.0 million in 2000.

NOTE 2—PROPERTY, PLANT, AND EQUIPMENT

	Depreciable Lives (In years)	November 30, 2002	November 30, 2001
Buildings	20 – 30	**$ 46,758**	$ 44,314
Machinery and equipment	10	**48,423**	46,231
Furniture and fixtures	5 – 8	**20,804**	17,404
Other	5	**3,008**	3,291
Total depreciable property at cost		**118,993**	111,240
Accumulated depreciation		**70,787**	62,574
Total depreciable property, net		**48,206**	48,666
Land		**1,371**	1,286
Property, plant, and equipment, net		**$ 49,577**	$ 49,952

NOTE 3—LONG-TERM DEBT

	November 30, 2002	November 30, 2001
Revolving credit line	**$ 500**	
Term loan	**17,803**	$ 20,511
Industrial development revenue bonds	**6,400**	6,400
Total debt outstanding	**24,703**	26,911
Less current maturities	**2,905**	2,730
Long-term debt	**$ 21,798**	$ 24,181

The unsecured revolving credit line provides for borrowings of up to $10.0 million at a variable interest rate (2.2% on November 30, 2002). Interest is payable monthly. Principal is due April 30, 2004.

The term loan, borrowed in 2000, bears interest at a variable rate (2.1% on November 30, 2002) and is unsecured. Principal and interest payments are due quarterly through December 1, 2010.

The industrial development revenue bonds, issued in 1996, are secured by a letter of credit. Interest is payable monthly at a variable rate (1.2% at November 30, 2002). Principal repayments are due from 2004 through 2006.

The Company has entered into interest rate swap agreements that in effect provide a fixed interest rate of 4.7% on its industrial development revenue bonds through 2006, and 7.4% on its term loan through 2010. See “Note 4—Derivatives”.

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Dollar amounts in tables, except per share amounts, in thousands unless otherwise indicated)

The Company has available lines of credit totaling $55.0 million, including the revolving credit line, to fund its working capital needs. On November 30, 2002, $500,000 was outstanding on the revolving credit line. The Company utilizes letters of credit issued against its lines of credit to collateralize imported inventory purchases and certain insurance arrangements. Outstanding letters of credit on November 30, 2002, were $5.5 million. As of November 30, 2002, $49.0 million of additional borrowings were available under these lines of credit.

The debt instruments contain, among other things, certain covenants as to minimum tangible net worth, net equity ratio, current ratio, and debt coverage ratio. The Company was in compliance with these covenants as of November 30, 2002. Annual debt service requirements are $2.9 million in 2003, $5.2 million in 2004, $5.4 million in 2005, $5.3 million in 2006, $3.1 million in 2007, and $2.8 million thereafter.

NOTE 4—DERIVATIVES

The Company uses interest rate swap agreements to manage variable interest rate exposures on its long-term debt. The Company's objective for holding these derivatives is to decrease the volatility of future cash flows associated with interest payments on its variable rate debt. The Company does not hold or issue derivative instruments for trading purposes. The Company's swap agreements in effect provide a fixed interest rate of 4.7% on its industrial development revenue bonds through 2006, and 7.4% on its term loan through 2010. The notional principal values of these agreements are substantially equal to the outstanding long-term debt balances. Differences between amounts paid and amounts received under the contracts are recognized in interest expense.

The Company believes that its swap agreements are "highly effective" (as defined by applicable accounting standards) in managing the volatility of future cash flows associated with interest payments on its variable rate debt. The "effective" portion of the derivative's gain or loss (i.e. that portion of the derivative's gain or loss that offsets the corresponding change in the cash flows of the hedged transaction) is initially reported as a component of "accumulated other comprehensive income (loss)" and will be subsequently reclassified into earnings when the hedged exposure affects earnings (i.e. when interest expense on the debt is accrued). The "ineffective" portion of the derivative's gain or loss is recognized in earnings immediately.

The aggregate fair market value of the Company's swap agreements decreases when interest rates decline and increases when interest rates rise. Interest rates declined during 2002 and 2001. The decrease in the aggregate fair market value of the effective portion of the agreements of $1.9 million after tax ($3.1 million pretax) as of November 30, 2002, and $1.7 million after tax ($2.7 million pretax) as of November 30, 2001, is reflected under the caption "accumulated other comprehensive loss" in the balance sheets. The Company also recognized additional interest expense of $170,000 in 2002 and $109,000 in 2001, reflecting the ineffective portion of the agreements' aggregate decrease in value. Approximately $1.3 million of the aggregate decrease in fair market value of the agreements is expected to be reclassified into earnings during the next 12 months.

NOTE 5—EMPLOYEE BENEFIT PLANS

Employee Stock Ownership Plan

The Company sponsors a leveraged employee stock ownership plan (the "ESOP") to provide retirement benefits for eligible employees, allowing them to share on a noncontributory basis in the growth of the Company and allowing them to accumulate a beneficial ownership interest in the common stock of the Company. The ESOP covers substantially all employees.

In September 2000, the ESOP completed a tender offer for 1.8 million shares of the Company's common stock at a price of $12.50 per share. In connection with the tender offer, the Company borrowed $22.5 million under a 10-year term loan, at an effective interest rate of 7.4% per annum, and loaned the proceeds to the ESOP. The ESOP issued a 25-year note to the Company bearing interest at 8% (the "ESOP loan"). The ESOP will repay the ESOP loan from Company contributions and dividends paid with respect to substantially all allocated and unallocated shares. Dividends paid on allocated shares held by the ESOP are charged to retained earnings. The cost of unallocated shares held by the ESOP is reported in the balance sheets as "unearned ESOP shares". The fair market value of unallocated shares on November 30, 2002, based on the closing price of the Company's common stock, was $23.9 million. The Company will release shares to eligible employees over the remaining 23-year term of the ESOP loan based

on the principal and interest payments made by the ESOP on the ESOP loan. Compensation expense is recorded for shares "committed to be released" to employees based on fair market value.

In June 2002, Hooker Furniture common stock began trading on the Nasdaq SmallCap Market. Before the listing of its common stock on Nasdaq, the Company was obligated under certain circumstances to repurchase shares allocated to ESOP participants. Consequently the fair market value, as determined by an independent appraisal, of shares allocated to ESOP participants was classified as "common stock held by ESOP" outside of shareholders' equity for periods before that date.

Through November 30, 2002, the Company had redeemed 88,000 shares from terminating ESOP participants at a total cost of $1.6 million, or $17.95 per share, as required by the terms of the ESOP plan. These shares had been distributed from the ESOP to participants. The purchase price per share was determined under a special provision of the ESOP, which established a minimum purchase price for share repurchases through August 31, 2002.

As a result of its listing on Nasdaq, the Company is no longer obligated to repurchase shares from ESOP participants. Currently benefits are distributed from the ESOP in the form of Company common stock. However benefits under a minimum share limit are distributed in the form of cash. Prospectively, the Company does not expect to repurchase shares distributed to ESOP participants.

Compensation expense is recorded for shares "committed to be released" to employees based on the average daily closing price of the Company's common stock during the year. Through November 30, 2002, 736,000 shares were allocated or "committed to be allocated to participants". The cost of the ESOP, including cash contributions and the fair market value of shares released, amounted to $2.2 million in 2002, $2.2 million in 2001, and $1.2 million in 2000.

Employee Savings Plan

The Company sponsors the Employees' Savings Plan covering substantially all employees. The plan is a tax-qualified 401(k) savings plan that is designed to permit employees of the Company to meet their savings goals and provide them with funds for retirement. A participant in the plan may contribute an amount of not less than 1%, nor more than 60%, of their compensation, subject to regulatory limitations. The Company contributes 50% of the amount contributed by the participant, up to 6% of their compensation, as a matching cash contribution. Contributions to the plan by the Company amounted to $615,000 in 2002, $657,000 in 2001, and $675,000 in 2000.

Salary Continuation Agreements

The Company maintains a salary continuation program for certain management employees. The program consists of individual agreements with participating employees which specify the amount of benefits to be paid to each participating employee. These are un-funded agreements with all benefits paid solely from the general assets of the Company when the employee retires. The accrued liabilities relating to this program of $3.2 million and $2.8 million at November 30, 2002 and 2001, respectively, are included in "accrued salaries, wages, and benefits" and "other long-term liabilities". The cost of the program amounted to $541,000 in 2002, $468,000 in 2001, and $302,000 in 2000.

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Dollar amounts in tables, except per share amounts, in thousands unless otherwise indicated)

NOTE 6—INCOME TAXES

The provision for income taxes:

	For The Years Ended November 30,		
	2002	**2001**	**2000**
Current expense			
Federal	**$8,814**	$ 3,407	$ 6,509
State	**1,214**	528	704
Total current expense	**10,028**	3,935	7,213
Deferred expense			
Federal	**(527)**	(273)	717
State	**(107)**	(22)	65
Total deferred expense	**(634)**	(295)	782
Income tax expense	**$9,394**	$ 3,640	$ 7,995

The effective income tax rate differed from the federal statutory tax rate, as follows:

	For The Years Ended November 30,		
	2002	**2001**	**2000**
Income taxes at statutory rate	**35.0%**	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
State taxes, net of federal benefit	**2.9**	2.9	2.6
Federal tax rate differential due to lower tax brackets		(1.0)	
Other		(1.1)	(2.7)
Effective income tax rate	**37.9%**	35.8%	34.9%

Deferred income tax assets and liabilities:

	November 30,	
	2002	**2001**
Assets		
Deferred compensation	**$ 1,210**	$ 1,068
Interest rate swaps	**1,333**	1,033
Inventory	**380**	75
Allowance for bad debts	**304**	247
Other	**57**	192
Total deferred tax assets	**3,284**	2,615
Liabilities		
Property	**1,700**	1,958
Employee benefits	**309**	285
Other	**10**	41
Total deferred tax liabilities	**2,019**	2,284
Net deferred tax asset	**$ 1,265**	$ 331

The net deferred tax asset is included in the balance sheets under “other assets”.

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Dollar amounts in tables, except per share amounts, in thousands unless otherwise indicated)

NOTE 7—INVESTMENT IN SUBSIDIARY

On June 30, 2000, the Company acquired the remaining 50% interest in Triwood, Inc. (“Triwood”), for an aggregate consideration of $1.9 million. Triwood was a joint venture that formerly produced particleboard for furniture manufacturing. During 1998, the joint venture was cited by the Environmental Protection Agency (“EPA”) for a violation of certain regulations under the Clean Air Act Amendments of 1990. The joint venture members elected to cease operations in November 1998. The purchase price for Triwood included the assumption by the Company of the first $100,000 of liability, if any, related to the 1998 EPA citation. Pursuant to an indemnification agreement, the Company and the other former joint venture owner will share equally, any liability in excess of $100,000. Based upon its most recent information, management does not believe the Company’s share of the liability, if any, related to the 1998 EPA citation will be material to the Company’s consolidated financial statements.

In 2001, Triwood sold land and a building to a third party for $2.7 million in cash, the approximate carrying value of the property.

NOTE 8—RESTRUCTURING CHARGE

In August 2001, the Company recorded a pretax charge of $881,000 ($546,000 after tax) for severance and early retirement benefits related to a workforce reduction of approximately 100 employees at its Martinsville, Virginia facility. Substantially all of the benefits were paid in 2001.

NOTE 9—QUARTERLY DATA (Unaudited)

	Fiscal Quarter			
	First	**Second**	**Third**	**Fourth**
2002				
Net sales	**$ 60,929**	**$ 62,253**	**$ 54,726**	**$ 70,438**
Gross profit	**15,401**	**16,022**	**15,136**	**22,229**
Net income	**3,229**	**3,083**	**3,172**	**5,908**
Basic and diluted earnings per share	**0.57**	**0.55**	**0.56**	**1.04**
2001				
Net sales	$ 55,924	$ 55,578	$ 50,606	$ 59,181
Gross profit	13,600	12,630	10,781	14,270
Net income	2,443	1,368	167	2,532
Basic and diluted earnings per share	0.42	0.23	0.03	0.45

Earnings per share for each quarter is derived using the weighted average number of shares outstanding during the quarter. Earnings per share for the year is derived using the weighted average number of shares outstanding on an annual basis. Consequently, the sum of earnings per share for the quarters may not equal earnings per share for the full year.

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Dollar amounts in tables, except per share amounts, in thousands unless otherwise indicated)

NOTE 10—OTHER COMPREHENSIVE LOSS

	For The Years Ended November 30,	
	2002	**2001**
Loss on interest rate swaps	**$ 1,860**	$ 3,280
Less amount of swaps' fair value reclassified to interest expense	**1,462**	559
Other comprehensive loss before tax	**398**	2,721
Income tax expense	**152**	1,034
Other comprehensive loss, net of tax	**$ 246**	$ 1,687

The aggregate amount of the interest rate swaps' fair value reclassified to interest expense includes $170,000 in 2002 and $109,000 in 2001 related to the ineffective portion of the interest rate swap agreements.

NOTE 11—COMMON STOCK

In June 2002, Hooker Furniture common stock began trading on the Nasdaq SmallCap Market under the symbol HOFT. As a result, the Company is no longer obligated to repurchase shares distributed to participants in the Company's ESOP. Consequently, amounts representing shares that were previously subject to the repurchase obligation and reflected in the Company's balance sheets as "common stock held by ESOP" have been reclassified to "retained earnings".

Through November 30, 2002, the Company had redeemed 88,000 shares from terminating ESOP participants at a total cost of $1.6 million, or $17.95 per share, as required by the terms of the ESOP plan. These shares had been distributed from the ESOP to participants. The purchase price per share was determined under a special provision of the ESOP, which established a minimum purchase price for share repurchases through August 31, 2002. Prospectively, the Company does not expect to repurchase shares distributed to ESOP participants.

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 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. Through November 30, 2002, the Company has repurchased 292,000 shares at a total cost of $2.5 million or an average of $8.58 per share. Based on the market value of the common stock as of November 30, 2002, the remaining $2.7 million of the authorization would allow the Company to repurchase approximately 2.4% of the 7.2 million shares outstanding, or 3.4% of the Company's outstanding shares excluding the 2.3 million shares held by the ESOP.

NOTE 12—SUBSEQUENT EVENT

On January 2, 2003, the Company completed the acquisition of substantially all of the assets of Cherryville, NC based upholstery producer Bradington-Young, LLC for $24.5 million in cash less assumed debt, subject to a post-closing net working capital adjustment. The Company financed the acquisition with additional bank debt.

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REPORT ON FINANCIAL STATEMENT SCHEDULE

The audits referred to in our report dated December 13, 2002, except for Note 12, which is as of January 2, 2003, relating to the consolidated financial statements of Hooker Furniture Corporation and Subsidiary, which are contained in Item 8 of Form 10-K included the audits of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

In our opinion such financial statement schedule presents fairly, in all material respects, the information set forth therein.

BDO Seidman, LLP

Richmond, Virginia
December 13, 2002

HOOKER FURNITURE CORPORATION AND SUBSIDIARY

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

For Each of the Three Fiscal Years Ended November 30, 2002

Year	Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
2002	Allowance for doubtful accounts	**$ 650**	**$ 961**	**$ 811**	**$ 800**
2001	Allowance for doubtful accounts	610	711	671	650
2000	Allowance for doubtful accounts	525	736	651	610

(1) Uncollectible receivables written off, net of recoveries

EXHIBIT INDEX

Exhibit	Description
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
4.1	Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.1)
4.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.2)
4.3	Amended and Restated Bylaws of the Company (See Exhibit 3.3)
4.4(a)	Term Loan Agreement, dated September 18, 2000 ("SunTrust Term Loan"), between the Company and SunTrust Bank (including related Term Note and Negative Pledge Agreement) (incorporated by reference to Exhibit 4.4 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2000)
4.4(b)	Loan Modification Agreement, dated as of December 31, 2002, with respect to the SunTrust Term Loan, between the Company and SunTrust Bank (including Renewal Term Note dated January 2, 2003)*
4.5	Promissory Note, dated January 2, 2003, between Bank of America, N.A., and the Company*
	Pursuant to Regulation S-K, Item 601(b)(4)(iii), instruments evidencing long-term debt less than 10% of the Company's total assets have been omitted and will be furnished to the Securities and Exchange Commission upon request.
10.1	Form of Salary Continuation Agreement (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))**
10.2	Form of Split Dollar Agreement (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form 10 (SEC File No. 000-25349))**
10.3 (a)	Commitment Letter for line of credit ("BB&T Credit Line") and related Promissory Note, each dated August 1, 2000, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.4 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2001)
10.3(b)	Commitment Letter renewing and increasing the BB&T Credit Line and related Promissory Note, each dated April 6, 2001, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2001)
10.3(c)	Commitment Letter renewing the BB&T Credit Line and related Promissory Note, each dated April 19, 2002, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q (SEC File No. 000-25349) for the fiscal quarter ended May 31, 2002)

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10.3(d)	Commitment Letter renewing and increasing the BB&T Credit Line and related Promissory Note, each dated July 3, 2002, between Branch Banking & Trust Company of Virginia and the Company (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q (SEC File No. 000-25349) for the fiscal quarter ended May 31, 2002)
10.4(a)	SunTrust Term Loan, dated September 18, 2000, between the Company and SunTrust Bank (including related Term Note and Negative Pledge Agreement) (See Exhibit 4.4(a))
10.4(b)	Loan Modification Agreement, dated as of December 31, 2002, with respect to the SunTrust Term Loan, between the Company and SunTrust Bank (including related Renewal Term Note dated January 2, 2003) (See Exhibit 4.4(b))
10.5	Credit Agreement, dated September 18, 2000, between the Company and the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (including related Non-Recourse Promissory Note and Stock Pledge Agreement) (incorporated by reference to Exhibit 10.7 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2000)
10.6	Promissory Note, dated January 2, 2003, between Bank of America, N.A., and the Company (See Exhibit 4.5)
10.7	Lease, dated November 1, 2002, between International Home Furnishings Center and the Company*
10.8	Lease, dated March 14, 1994, between Fred B. Caffey (the "Caffey Lease") and the Company (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form 10 (SEC File No. 000-25349))
10.9	Addendum to the Caffey Lease dated October 26, 2002*
10.10	Sublease, dated January 29, 2003, between Pulaski Furniture Corporation and the Company*
21	List of Subsidiaries:
	Bradington-Young, LLC, a Virginia limited liability company
	Triwood, Inc., a Virginia corporation
99.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
99.2	Certification of the Company's Chief 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
**Management contract or compensatory plan

EXHIBIT 4.4(b)

LOAN MODIFICATION AGREEMENT

This Loan Modification Agreement (the "Modification") dated as of the 31st day of December, 2002, by and between SUNTRUST BANK, a Georgia banking corporation (hereinafter "SunTrust"), and HOOKER FURNITURE CORPORATION, a Virginia corporation ("Borrower").

R E C I T A L S

a. SunTrust and Borrower entered into a certain Term Loan Agreement dated as of September 18, 2000 (the "Agreement"), by which the parties thereto agreed to the terms of a loan from SunTrust to Borrower in the original principal amount of $22,500,000 (the "ESOP Loan") to enable Borrower to lend funds to its Employee Stock Ownership Plan.

b. Borrower is proposing to borrow up to $25 million from Bank of America on an unsecured basis for a limited period of time (the "Bridge Loan"), to fund the acquisition of substantially all the assets (the "Acquisition") of Bradington-Young, LLC, a North Carolina limited liability company ("B-Y"), by B-Y Acquisition LLC, a Virginia limited liability company and wholly owned subsidiary of Borrower ("Buyer").

c. Certain of B-Y's assets will be subject to Liens when acquired by Buyer, to be released upon closing of the Bridge Loan; and in connection with the Acquisition, Buyer will enter into a factoring arrangement with The CIT Group/Commercial Services, Inc. ("CIT") with respect to the trade accounts receivable of Buyer arising after the closing date of the Acquisition (the "Factoring Arrangement").

d. The Agreement contains:

(i) a negative covenant against Borrower's incurring of Debt (with certain exceptions) without the prior written consent of SunTrust; and

(ii) a negative covenant prohibiting Borrower from creating (and prohibiting Borrower from permitting any of its Subsidiaries to create) any Lien on its property (with certain exceptions), without the prior written consent of SunTrust. In the absence of such consents, the Bridge Loan, the Acquisition subject to Liens on the B-Y assets, and the Liens arising under the Factoring Arrangement would result in violations of those covenants; and SunTrust is willing to consent to the Bridge Loan for a limited time, and to such Liens and Factoring Arrangement, upon certain terms and conditions.

e. The parties hereto desire to evidence such consent and such terms and conditions.

NOW, THEREFORE, for and in consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, SunTrust and Borrower agree as follows:

1. Consent. Pursuant to Sections 5.1 and 5.2 of the Agreement, SunTrust hereby consents to:

(a) the obtaining by Borrower of the Bridge Loan, upon the following terms:

i. The Bridge Loan documents shall have been reviewed by and be reasonably acceptable to SunTrust.

ii. The principal amount of the Bridge Loan shall not exceed $25 Million.

iii. The Bridge Loan shall be unsecured, and otherwise substantially in accord with the Bridge Loan documents furnished to SunTrust.

iv. This consent shall expire at midnight on April 2, 2003; and if the Bridge Loan, or any Debt in lieu of or substitution for the Bridge Loan, remains outstanding in whole or in part as of that time, Borrower shall be deemed in default under the ESOP Loan;

(b) any Liens (i) existing as of the closing date of the Acquisition on the assets of

B-Y acquired by Buyer, provided that the Debts secured by such Liens are paid at closing of the Bridge Loan and the Liens promptly released of record; and (ii) arising thereafter on the assets of Buyer under the Factoring Arrangement as reviewed and approved by SunTrust on the date hereof, provided that Borrower is not liable directly, as guarantor or surety, or otherwise for any Debt incurred in connection with the Factoring Arrangement.

2. Prerequisites to Consents. Borrower shall provide the following in order for the consent of SunTrust to be effective:

a. An executed renewal note in the form attached hereto as Exhibit A.

b. A Certificate of No Default in the form attached hereto as Exhibit B.

c. A Secretary's Certificate in the form furnished in connection with the Acquisition and Bridge Loan.

d. Payment at Closing of the Bridge Loan, in available funds, of a fee of $21,373.

3. Modifications to ESOP Loan. Effective as of the closing of the Bridge Loan, the first sentence of Section 2.1(c) of the Agreement shall be amended to read as follows:

> The unpaid principal balance of the Term Loan shall bear interest at a per annum rate equal to the sum of the LIBOR rate for each month plus one percent (1 %) per annum.

4. Expenses of SunTrust. As provided in Section 9.6(b) of the Agreement, Borrower will reimburse SunTrust at Closing of the Bridge Loan, in available funds, for its reasonable out-of-pocket costs and expenses (including its attorney's fees) incurred in connection with this modification of the ESOP Loan.

5. Future Consents. The consent provided for herein shall not imply any obligation whatever to consent to any future act of Borrower. Any such consent will be granted, if at all, in SunTrust's sole discretion.

6. Remaining Provisions; Defined Terms. Except as expressly provided for herein, the Agreement, and all related documents, shall be and remain in full force and effect as originally executed. Terms with initial capital letters not otherwise defined herein shall have the meanings set forth in the Agreement.

7. Counterparts; Telecopied Signatures. This Agreement may be executed in counterparts, which together shall constitute one Agreement. Signed counterparts transmitted by telecopier shall be binding on the sender as if delivered with original signatures. In the event a signed counterpart is telecopied from one party to another, a signed original shall be promptly forwarded to the receiving party.

WITNESS, the following duly authorized signatures of the parties hereto as of the day and year first hereinabove written.

LENDER:

SUNTRUST BANK

By /s/ Ellen L. Wood

Its Senior Vice President

BORROWER:

HOOKER FURNITURE CORPORATION

By /s/ Paul B. Toms, Jr.

Chairman and Chief Executive Officer

And by /s/ E. Larry Ryder

Executive Vice President – Finance and Administration

City of Richmond
Commonwealth of Virginia

January 2, 2003

RENEWAL TERM NOTE

FOR VALUE RECEIVED, the undersigned ("Borrower") promises to pay to the order of SunTrust Bank ("Lender") without offset or deduction at its office in Martinsville, Virginia, or at such other place as the holder of this Note shall designate in writing the principal sum of Seventeen Million Ninety-eight Thousand Five Hundred Sixty-eight and 53/100 Dollars ($17,098,568.53) in lawful money of the United States and in immediately available funds in thirty-one (31) consecutive quarterly installments of Eight Hundred Thousand Eight Hundred Fifty Dollars ($800,850.00) each including interest on the unpaid principal balance at the LIBOR Rate plus one percent (1.00%) per annum until paid, commencing on March 1, 2003 and continuing on the first day of each June, September, December and March thereafter, with a final installment on December 1, 2010; provided, however, that the final installment shall be in the amount necessary to repay in full the unpaid principal balance of this Note and all accrued but unpaid interest thereon. All payments will be applied first to accrued interest, then in reduction of principal.

Upon occurrence and during the continuance of an Event of Default, the unpaid balance of this Note shall bear interest at the Default Rate.

If any installment of this Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day, and interest shall be payable thereon at the rate herein specified during such extension.

This Note is in renewal of the Term Note in the original principal amount of $22,500,000.00 referred to in, and is entitled to the benefits of, the Term Loan Agreement, dated as of September 18, 2000 and amended by Loan Modification Agreement dated as of December 31, 2002, between Borrower and Lender (as amended, the "Loan Agreement"). Terms used herein which are defined in the Loan Agreement shall have their defined meanings when used herein. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated Events of Default and also the prepayments on account of principal hereof prior to the maturity of this Note upon the terms and conditions specified in the Loan Agreement.

Borrower agrees, in the event that this Note or any portion hereof is collected by law or referred to an attorney at law for collection or for the protection of Lender's rights and remedies, to pay all reasonable costs of collection, including without limitation, reasonable attorney's fees.

Borrower hereby waives presentment, demand, protest, notice of demand, protest and nonpayment and any other notice required by law relative hereto, except to the extent as otherwise may be provided for in the Loan Agreement.

This Note shall be governed by the laws of the Commonwealth of Virginia, provided that, as to the maximum rate of interest which may be charged or collected, if the laws applicable to the Bank permit it to charge or collect a higher rate than the laws of the Commonwealth of Virginia, then such law applicable to the Bank shall apply to Lender under this Note.

HOOKER FURNITURE CORPORATION

By: /s/ Paul B. Toms, Jr.

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

and By: /s/ E. Larry Ryder

E. Larry Ryder, Executive Vice President – Finance and Administration

EXHIBIT 4.5

PROMISSORY NOTE

$25,000,000 January 2, 2003

FOR VALUE RECEIVED, HOOKER FURNITURE CORPORATION, a Virginia corporation (the "Borrower"), promises to pay to the order of

BANK OF AMERICA, N.A., a national banking association (the "Lender"), at its offices in Roanoke, Virginia (or at such other place or places as the Lender may designate) the principal sum of up to

TWENTY FIVE MILLION DOLLARS ($25,000,000) (the "Loan") under the terms and conditions of this promissory note (as amended, modified, supplemented, restated and/or replaced from time to time, the "Note").

Section 1. Definitions. For purposes of this Note, the following terms shall have the meanings specified below:

(a) "Alternate Base Rate" shall mean, for any day, an interest rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days and rounded upwards, if necessary, to the next highest 1/100 of 1%) equal to the greatest of (a) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (b) the Prime Rate in effect on such day. If the Lender shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate on such date for any reason, including the inability or failure of the Lender to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (a) of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively, without notice to the Borrower. Promptly after a request by the Borrower, the Lender will inform the Borrower of any change in the Prime Rate or the Federal Funds Effective Rate.

(b) "Business Day" shall mean any day, other than a Saturday, Sunday or legal holiday in the Commonwealth of Virginia or State of New York, on which banks are open for substantially all their banking business in Roanoke, Virginia and New York City.

(c) "Capitalization" means the sum of Funded Debt plus shareholder's equity plus common stock held by the Borrower's employee stock ownership plan.

(d) "Change of Control" shall mean, with respect to any Person, an event or series of events by which:

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time) of 25% or more of the equity securities of such person entitled to vote for members of the board of directors or equivalent governing body of such person on a partially-diluted basis (i.e., taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(ii) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

(e) "Closing Date" shall mean the date hereof.

(f) "Default" shall mean any act, event or condition which upon notice, lapse of time or both would constitute an Event of Default.

(g) "EBITDA" means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense, plus depreciation, depletion, amortization and other non-cash charges.

(h) "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Lender from three Federal funds brokers of recognized standing selected by it. Each change in the Federal Funds Effective Rate shall be effective on the date thereof, without notice to the Borrower.

(i) "Funded Debt" means all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long-term debt, less the balance of cash held in excess of $1,500,000.

(j) "GAAP" shall mean accounting principals generally accepted in the United States.

(k) "Interest Payment Date" shall mean (a) if the Loan is presently bearing interest at the Alternate Base Rate, the last day of each calendar month and (b) if the Loan is presently bearing interest at the LIBOR Rate, the last day of the Interest Period applicable thereto.

(l) "Interest Period" shall mean a period of one month's duration, commencing on the date of borrowing; provided, however, the Borrower and the Lender may agree to an Interest Period of less than 1 month's duration; and provided, further, however, if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day).

(m) "LIBOR Rate" shall mean the fluctuating rate of interest equal to the One Month London Interbank Offered Rate as published in the "Money Rates" section of *The Wall Street Journal* on the second preceding Business Day, as adjusted from time to time in the Lender's sole discretion for then-applicable reserve requirements, deposits insurance assessment rates and other regulatory costs (the "LIBOR Reserve Requirement"). If for any reason such rate is not available, the term "LIBOR Rate" shall mean the fluctuating rate of interest equal to the one month rate of interest (rounded upwards if necessary to the nearest 1/100th of 1%) appearing on Telerate Page 3750 (or any successor page) as the one month London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) on the second preceding Business Day, as adjusted from time to time in the Lender's sole discretion for the LIBOR Reserve Requirement.

(n) "Lien" shall mean any mortgage, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

(o) "Maturity Date" shall have the meaning assigned to such term in Section 3 hereof.

(p) "Material Adverse Change" shall mean (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Borrower to perform its obligations under this Note; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of this Note.

(q) "Person" shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

(r) "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Lender in effect at its principal office in Charlotte, North Carolina as its prime rate. Any change in the Prime Rate shall be effective on the effective date of such change in such prime rate. Such prime rate is a reference rate used by the Lender in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged on any extension of credit by the Lender to any debtor.

(s) "Responsible Officer" shall mean, with respect to any person, any executive officer, or the chief financial officer or controller of such person (or, in the case of a partnership, of its general partner).

Section 2. Interest. Subject to the provisions of Section 5(b), the Loan shall bear interest at a per annum rate equal to the sum of the LIBOR Rate plus 0.625%. Interest shall be computed on the basis of a 360-day year on the actual number of days the principal is outstanding.

Interest on the Loan shall be payable in arrears on each applicable Interest Payment Date and on the Maturity Date.

Section 3. Maturity Date. The principal balance outstanding hereunder plus all accrued but unpaid interest shall be due and payable on April 2, 2003 (the "Maturity Date"), unless accelerated sooner pursuant to Section 9.

Section 4. Interest on Overdue Amounts: Alternate Rate of Interest.

(a) If the Borrower shall default in the payment of the principal of or interest on the principal balance outstanding hereunder or any other amount becoming due hereunder, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount up to the date of actual payment (after as well as before judgment) at a rate equal to the then applicable interest rate plus 2.00%. Such interest shall be computed based on the actual number of days elapsed in a year of 360 days. The Borrower shall pay all such accrued but unpaid interest from time to time upon demand.

(b) In the event that, on the day two Business Days prior to the commencement of any Interest Period, the Lender shall have determined in good faith and in a commercially reasonable manner that deposits in the relevant amount and for the relevant Interest Period are not generally available in the London interbank market, or that the rate at which such deposits are being offered will not adequately and fairly reflect the cost to the Lender of making or maintaining the loan, or that reasonable means do not exist for ascertaining the LIBOR Rate, the Lender shall as soon as practicable thereafter give written or telex notice of such determination to the Borrower, and until the circumstances giving rise to such notice no longer exist, the outstanding principal balance hereunder shall bear interest at the Alternate Base Rate. Each determination of the Lender made hereunder shall be conclusive and binding absent manifest error.

Section 5. **Voluntary Prepayment**. Subject to the terms and conditions of Section 10, the Borrower shall have the right to prepay the principal balance outstanding hereunder at any time in whole or in part. Amounts repaid on the outstanding principal balance hereunder may not be reborrowed.

Section 6. **Automatic Payment.** The Borrower has elected to authorize the Lender to effect payment of sums due under this Note by means of debiting Borrower's account number 000010067279. This authorization shall not affect the obligation of the Borrower to pay such sums when due, without notice, if there are insufficient funds in such account to make such payment in full on the due date thereof, or if the Lender fails to debit the account; provided, however, that if there are sufficient funds in such account to make such payment in full on the due date thereof and the Lender fails to debit the account, the Borrower shall not be deemed to be in Default with respect to such payment unless the Borrower fails to make such payment within three (3) Business Days after the Borrower receives written notice from the Lender of such failure.

Section 7. **Affirmative Covenants.** So long as the Loan or other obligation hereunder shall remain unpaid or unsatisfied, the Borrower shall:

(a) Financial Statements. Deliver to the Lender, in form and detail satisfactory to the Lender:

(i) as soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Lender, which report and opinion shall be prepared in accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to the Lender; and

(ii) as soon as available, but in any event within 45 days after the end of each of each fiscal quarter of the Borrower, a consolidated balance sheet of the Borrower and its subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations and cash flows of the Borrower and its subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

(b) Other Information. Deliver to the Lender, in form and detail reasonably satisfactory to the Lender such additional information regarding the business, financial or corporate affairs of the Borrower as the Lender, may from time to time reasonably request.

(c) Notices. Promptly notify the Lender of the occurrence of any Default or Event of Default or of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(d) Use of Proceeds. Use the proceeds of the Loan for the acquisition of Bradington-Young, LLC.

Section 8. Negative Covenants. So long as any Loan or other obligation hereunder shall remain unpaid or unsatisfied, the Borrower shall not, directly or indirectly:

(a) Liens. Create, incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(i) any Lien existing as of the Closing Date and set forth on Schedule 8 hereto;

(ii) any Lien with respect to the assets of Bradington-Young, LLC acquired by B-Y Acquisition LLC, a Virginia limited liability company and wholly owned subsidiary of the Borrower ("Buyer"), that exist as of the closing date for that transaction as set forth on Schedule 8 hereto;

(iii) any Lien arising under the factoring arrangement to be entered between Buyer and The CIT Group/Commercial Services, Inc., with respect to the trade accounts receivable of Buyer;

(iv) any purchase money security interest on any capital asset of the Borrower if such purchase money security interest attaches to such capital asset concurrently with the acquisition thereof and if the debt secured by such purchase money security interest does not exceed the lesser of the cost or fair market value as of the time of acquisition of the asset covered thereby to the Borrower;

(v) Liens securing taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords or other like persons;

(vi) Liens not securing debt which are incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, social security and other like laws;

(vii) Liens arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being diligently contested in good faith by appropriate proceedings; and

(viii) zoning restrictions, easements, licenses, reservations, covenants, conditions, waivers, restrictions on the use of property or other minor encumbrances or irregularities of title which do not materially impair the use of any property in the

operation or business of the Borrower or the value of such property for the purpose of such business.

(b) Funded Debt to EBITDA Ratio. Permit the ratio of Funded Debt to EBITDA as of the end of any fiscal quarter of the Borrower to be greater than 1.75:1.00.

(c) Funded Debt to Capitalization Ratio. Permit the ratio of Funded Debt to Capitalization as of the end of any fiscal quarter of the Borrower to be greater than 0.40:1.00.

Section 9. Events of Default. In case of the happening of any of the following events ("Events of Default"):

(a) default shall be made in the payment of any principal when and as the same shall become due and payable, whether at the due date thereof or by acceleration thereof or otherwise;

(b) default shall be made in the payment of any interest on the principal balance outstanding hereunder or any other amount payable hereunder when and as the same shall become due and payable (other than those specified in (a) above) and such default continue for five (5) days;

(c) default shall be made in the due observance or performance of any covenant, condition or agreement to be observed or performed on the part of the Borrower pursuant to the terms of this Note (other than those specified in (a) and (b) above) and such default shall continue unremedied for a period of 30 days after written notice thereof by Lender;

(d) any representation, warranty or statement made or deemed to be made by the Borrower herein or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made;

(e) with respect to any indebtedness in excess of $1,000,000 (other than indebtedness outstanding under this Note) of the Borrower, (1) the Borrower shall (A) default in any payment (beyond the applicable notice requirement or grace period with respect thereto, if any) with respect to any such indebtedness, or (B) the occurrence and continuance of a default in the observance or performance relating to such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such indebtedness (or trustee or agent on behalf of such holders) to cause (after giving effect to any applicable notice requirement or grace period), any such indebtedness to become due prior to its stated maturity; or (2) any such indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof;

(f) any voluntary or involuntary bankruptcy, reorganization, insolvency, arrangement, receivership, or similar proceeding is commenced by or against the Borrower under any federal or state law, or the Borrower makes an assignment for the benefit of creditors;

(g) one or more judgments or decrees shall be entered against the Borrower involving a liability of $1,000,000 or more in the aggregate (to the extent not paid or fully covered by insurance provided by a carrier who has acknowledged coverage and has the ability to perform) and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 21 days from the entry thereof;

(h) this Note ceases to be in full force and effect; or the Borrower or any governmental authority contests in any manner the validity or enforceability of this Note; or the Borrower denies that it has any or further liability or obligation under this Note, or purports to revoke, terminate or rescind this Note;

(i) there shall occur a Change of Control; or

(j) there occurs any event or circumstance that has a Material Adverse Change.

then, and in any such event (other than an event described in Section 9(f) above), and at any time thereafter during the continuance of such event, the Lender may, by written or telecopy notice to the Borrower, take any or all of the following actions at the same or different times: (i) declare the principal balance outstanding hereunder to be forthwith due and payable, whereupon the principal balance outstanding hereunder, together with accrued interest and other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable both as to principal and interest, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding; or (ii) enforce any and all rights and interests created and existing hereunder and all rights of set-off; provided, that with respect to a default described in Section 9(f) above, the principal balance outstanding hereunder, any unpaid accrued fees and any other liabilities of the Borrower accrued hereunder shall automatically become due and payable, both as to principal and interest, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

Section 10. Indemnity. The Borrower shall indemnify the Lender against any loss or expense which the Lender may sustain or incur as a consequence of any failure of the Borrower to borrow hereunder after making a request for a borrowing at the LIBOR Rate, any payment or prepayment of the principal balance outstanding hereunder on a date other than the last day of the relevant Interest Period (if the Loan is presently bearing interest at the LIBOR Rate) and any default in the payment or prepayment of the principal balance outstanding hereunder or interest accrued thereon, as and when due and payable. Such loss or expense shall include an amount equal to the excess, if any, of (a) the amount of such interest that would have accrued on the principal amount so paid, prepaid or not borrowed for the period from the date of such payment, prepayment or failure to borrow to the last day of the Interest Period (or, in the case of a failure

to borrow at the LIBOR Rate, the Interest Period that would have commenced on the date of such failure to borrow at the LIBOR Rate) at the applicable rate of interest for the Loan provided for herein over (b) the amount of interest (as determined by the Lender) that would be realized by the Lender in reemploying the funds so paid, prepaid or not borrowed in United States Treasury obligations with comparable maturities for comparable periods. The Lender shall provide to the Borrower a statement, signed by an officer of the Lender, explaining any loss or expense and setting forth, if applicable, the computation pursuant to the preceding sentence, and such statement shall be conclusive and binding absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such statement within ten days after the receipt of the same.

Section 11. Expenses. The Borrower agrees to pay all reasonable out-of-pocket expenses of the Lender in connection with the preparation, due diligence, execution and delivery of this Note or with any amendments, modifications or waivers hereof (whether or not the transactions hereby contemplated shall be consummated) and further agrees to pay all expenses of the Lender in connection with the enforcement or protection of its rights in connection with this Note or in connection with any pending or threatened action, proceeding or investigation relating to the foregoing, including but not limited to the reasonable fees and disbursements of Moore & Van Allen, PLLC.

Section 12. Assignment. The Lender may assign this Note, in whole or in part, to any other person, firm, or legal entity approved by the Borrower, which approval shall not be unreasonably withheld, and in the event of such assignment, the Lender shall thereafter be relieved of all liabilities hereunder; provided, however, the Borrower may not assign or transfer any of its rights or obligations hereunder without the written consent of the Lender (and any purported assignment or transfer without such consent shall be void) which consent shall not be unreasonably withheld.

Section 13. Severability. In the event any one or more of the provisions contained in this Note should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 14. Counterparts. This Note may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Note shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia (other than the conflicts of law principles thereof). Except as prohibited by law, each party hereto hereby waives any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Note.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed as of the day and year first above written.

HOOKER FURNITURE CORPORATION,
a Virginia corporation

By: /s/ Paul B. Toms, Jr.

Name: Paul B. Toms, Jr.
Title: Chairman and Chief Executive Officer

By: /s/ E. Larry Ryder

Name: E. Larry Ryder
Title: Executive Vice President – Finance and Administration

ACKNOWLEDGED AND AGREED:

BANK OF AMERICA, N.A.

By: /s/ Greg L. Richards

Name: Greg L. Richards
Title: Vice President

EXHIBIT 10.7

LEASE OF SPACE IN INTERNATIONAL HOME FURNISHINGS CENTER®

IHFC®: IHFC Properties, LLC
Post Office Box 828
High Point, North Carolina 27261

LESSEE: Hooker Furniture Corporation
PO Box 4708
440 E Commonwealth Blvd
Martinsville, VA 24115

DESCRIPTION OF PREMISES: Space No W1047 including bays W1041, C1003, G1062, G1066, G1067, G1082, G1077, H1042, H1043 and H1045 in the International Home Furnishings Center®, High Point, North Carolina.

TERM: **5 Years**

COMMENCEMENT DATE: **November 1, 2002**
EXPIRATION DATE: **October 31, 2007**

BASE RENTAL: **60,205.00 sq. ft. @ $9.50 per sq. ft. per year**

ADDITIONAL OR SUPPLEMENTAL TERMS AND PROVISIONS

Addendum A for Hamilton Wing Leases is attached hereto and made a part of this lease.

This lease supersedes the present lease between the Lessor and Lessee for Space No. W1047, dated August 3, 2000, and such prior lease shall be deemed cancelled.

Lessee agrees that the Green Wing elevator lobby and corridor providing access to the tenth floor Design Center will remain open.

IHFC®, by this Agreement, leases to Lessee and Lessee leases from IHFC®, the Premises described above, at the rental, for the term and upon the other terms and conditions contained on this page and in IHFC's® Standard Terms and Conditions of Lease (IHFC® Form No. 201230) which are incorporated by reference in and made a part of this lease.

IHFC® and Lessee have caused this Lease to be executed by their duly authorized officers, this the 8th day of August, 2002.

IHFC®:
IHFC Properties, LLC

By: /s/ William D. DiPaolo
VICE PRESIDENT

Attest: /s/ Jane D. Lain
SECRETARY

CORPORATE SEAL

EXHIBITOR:
Hooker Furniture Corporation
Complete Formal Business Name

LEGAL FORM OF BUSINESS: CORPORATION, PARTNERSHIP OR INDIVIDUAL AND STATE OF PRINCIPAL OFFICE

By: /s/ Paul B. Toms, Jr., CEO
NAME TITLE
PRESIDENT, VICE PRESIDENT, GENERAL PARTNER, OWNER

Attest: /s/ Edwin L. Ryder
SECRETARY IF LESSEE IS A CORPORATION

CORPORATE SEAL

STANDARD TERMS AND CONDITIONS OF LEASE
IHFC® FORM NO. 201230

1.0 PREMISES

§1.1. **Description.** Lessee acknowledges receipt of a drawing or floor plan showing the exact location of the Premises in the International Home Furnishings Center® showroom complex owned and operated by IHFC® (the "Home Furnishings Center"). The Home Furnishings Center is more particularly described on a map or plat prepared by Davis-Martin-Powell and Associates, Inc. and designated Job No. S-18512, a copy of which is on file at the office of IHFC® and is incorporated in this Lease by reference. The lease of the Premises includes the right of access to the Premises through the common areas of the Home Furnishings Center.

§1.2. **Relocation.** Lessee acknowledges and agrees that it is essential to the orderly and efficient operation of the Home Furnishings Center by IHFC® that IHFC® have the right from time to time to relocate lessees in order to achieve optimum utilization of all space in the Home Furnishings Center. Consequently, IHFC® shall be entitled to relocate Lessee as provided in this section if IHFC® determines that relocation of Lessee is in the best interest of the Home Furnishings Center in the conduct of its business. IHFC® shall exercise its right to relocate Lessee in the following manner: (a) the premises to which Lessee is to be relocated (the "New Premises") shall be selected by IHFC® and shall be equivalent (as determined by IHFC® in its sole discretion) in size and value to the Premises; (b) IHFC® shall notify Lessee of its intent to relocate Lessee within a time period prior to the commencement of the next regularly scheduled Market such that the Lessee has a reasonable period of time (as determined by IHFC® in its sole discretion) to refixture, redecorate, and prepare to show at that Market and identify the proposed New Premises, (c) within ten (10) days after notice of relocation by IHFC®, Lessee, at its option, may terminate this Lease by written notice to IHFC®; (d) if Lessee fails to terminate this Lease as provided in (c) above, the New Premises shall be substituted for the original Premises. This Lease shall continue in full force and effect without any other change, and IHFC®, at its expense, shall move Lessee's property to the New Premises and shall pay the costs (less a reasonable allowance for depreciation) of replacing (as nearly as possible) all installations and improvements of Lessee which cannot be moved to the New Premises.

2.0 TERM

§2.1. **Commencement and Expiration Date.** The Commencement Date and Expiration Date of the Lease term are the dates set forth on the first page of this Lease.

§2.2. **Holding Over.** If Lessee remains in possession of the Premises after the expiration or termination of this Lease, Lessee shall be only a tenant at will but its occupancy shall otherwise be subject to all of the terms and provisions of this Lease, except that Lessee shall pay per diem rent for each day Lessee occupies the premises, in an amount equal to one hundred fifty percent (150%) of the then prevailing annual rates for comparable space charged by IHFC® to new tenants, prorated on a daily basis.

3.0 RENT

§3.1. **Annual Rental.** Lessee shall pay to IHFC® without offset or deduction the Annual Rental for the Premises, consisting of (i) the Base Rent set forth on the first page of this Lease, plus (ii) an additional amount equal to 8.75% of the Base Rent, as partial reimbursement for the costs of unleased common areas provided by the Market Center for ancillary services, including restaurants, meeting rooms, lobbies and lounges. The Annual Rental is due and payable in semiannual installments, each such semiannual installment being due and payable in advance on or before the first day of November and on or before the first day of May (the "Rental Payment Dates") of each calendar year during the Lease term, except as provided in §3.2. The first semiannual installment of rent is due and payable upon the execution of this Lease. All payments of rent are final and nonrefundable.

§3.2. **No Reduction.** If the Commencement Date is a day other than a Rental Payment Date, Lessee acknowledges and agrees that by receiving possession of the Premises on the Commencement Date, Lessee will be able to show its merchandise at the next ensuing Market and will receive the same benefits as would have been the case had the Lease term commenced on the Rental Payment Date next preceding the actual Commencement Date. Lessee therefore agrees to pay a full semiannual rental payment for the period of time beginning with the Commencement Date and ending on the day before the next Rental Payment Date.

§3.3. **Rent Adjustment.** In addition to the Annual Rental provided for in §3.1, Lessee agrees to pay IHFC®, for each Lease Year, an amount determined by multiplying the Annual Rental by a percentage equal to the cumulative percentage increase, if any, in the CPI, determined as follows:

(a) "CPI" means the Consumer Price Index, All Urban Consumers—U.S. City Average—All items (1982-4=100) as published by the Bureau of Labor Statistics of the United States Department of Labor;

(b) If the Commencement Date is a Rental Payment Date, A Lease Year is the annual period commencing on the Commencement Date and on each anniversary thereof. If the Lease Term commences on any other date, a Lease Year is the annual period commencing on the Rental Payment Date next preceding the Commencement Date, and on each anniversary thereof;

(c) The cumulative percentage increase in the CPI shall be the percentage increase, if any, in the CPI for the sixth month prior to the Lease Year in question over the CPI for the same month next preceding the Commencement Date;

(d) If the CPI ceases to use the 1982-4 average equaling 100 as the basis of calculation, or if a change is made in the term or number of items contained in the CPI, or if the CPI is altered, modified, converted or revised in any other way, then the foregoing computations shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics or, if the Bureau shall not publish the same, then with the use of a conversion factor which adjusts the modified CPI to the figure that would have been arrived at had the change in the manner of computing the CPI in effect on the date of this lease not been altered. If the Bureau shall cease publication of the CPI, then any substitute or successor index published by the Bureau or other governmental agency of the United States shall be used, similarly adjusted. If neither the CPI or a successor or substitute index similarly adjusted is available, then a reliable governmental or other reputable publication selected by IHFC® and evaluating the information theretofore used in determining the CPI shall be used;

(e) IHFC® shall bill the Lessee for the cumulative increase in the Annual Rental at the same time as its normal invoices for Annual Rental are sent prior to each Lease Year, and, upon request by Lessee, shall furnish Lessee with a statement explaining the method of computation of the CPI increase; and

(f) IHFC® shall not be obliged to make any adjustments or recomputations, retroactive or otherwise, by reason of any revision which may later be made in the amount of the CPI first published for any month.

4.0 USE AND OCCUPANCY BY LESSEE

§4.1. **Use.** Lessee shall use the Premises for the display, exhibition, and sale of home furnishings, furniture, accessories, carpeting and wall coverings, and for office or clerical purposes to the extent reasonably required for the conduct of such activities at the Premises, and for no other purpose.

§4.2. **Operation During Markets.** Lessee shall open the Premises, exhibit its products and staff the Premises with employees for the entire period of each regularly scheduled Market.

§4.3. **Rules and Regulations.** IHFC® has established rules, regulations guidelines and polices (the “Guidelines”) regarding the operation of the Home Furnishings Center, and shall be entitled to establish Guidelines from time to time after the execution of this Lease. Lessee acknowledges receipt of a copy of the current Guidelines and agrees to comply, and to cause its employees, contractors, agents and others occupying the Premises to comply, with all current and future Guidelines, provided that (a) IHFC® notifies Lessee of any Guidelines established after the date of this Lease and (b) the Guidelines established by IHFC® do not unreasonably interfere with Lessee’s use of the Premises for the purposes set forth in §4.1.

§4.4. **Restriction on Other Operations of Lessee.** Lessee agrees (insofar as and to the extent Lessee may lawfully do so) that during all regularly scheduled Markets or other times at which the Home Furnishings Center is officially open to buyers during the term of this Lease, Lessee will not, within a five (5) mile radius of the Home Furnishings Center (a) operate any other showroom under the same trade name or names under which Lessee does business from the Premises or (b) exhibit in any other location the same merchandise which Lessee exhibits in the Premises. Lessee acknowledges and agrees that it is in the best interest of Lessee and other tenants in the Home Furnishings Center as exhibitors, and in the best interest of the successful operation of the Home Furnishings Center as a national market for home furnishings, to maximize buyer traffic in, and the duration of buyer visits to, the Home Furnishings Center. Lessee agrees that the foregoing provisions are reasonably necessary to accomplish these purposes, and that a breach of these provisions by Lessee will constitute a material breach of the Lease.

§4.5. **Property of Others.** Lessee will not place or permit to be placed in the Premises property of any other person or entity, unless it has first secured the written consent of IHFC®.

§4.6. **Market Dates; Admission.** IHFC® shall have the sole right to prescribe the dates of regularly scheduled Markets applicable to Lessee’s lines of merchandise, and qualifications, conditions and times of admission to the Home Furnishings Center. IHFC® may restrict admission to accredited buyers and condition admission upon the presentation of credentials prescribed or provided by IHFC®. Without limiting the generality of the foregoing, Lessee agrees not to admit any buyers to the Premises during the seven-day period prior to each Market.

§4.7. **Compliance.** Lessee agrees not to use or occupy the Premises, or permit them to be used or occupied, in any manner which violates applicable laws or regulations affecting the Premises or the Home Furnishings Center established by any governmental or public authority having jurisdiction to promulgate such laws or regulations, or by any insurance carrier insuring the Premises, property located therein, or the Home Furnishings Center.

§4.8. **Inspection by IHFC®.** IHFC® and its representatives shall be entitled to enter the Premises at any reasonable time for the purpose of inspecting the Premises, performing any work required or permitted to be performed by IHFC® under this Lease, and exhibiting the Premises to prospective mortgagees and tenants. IHFC® agrees that to the extent practical, it will not unreasonably interfere with the operation of Lessee’s business in the exercise of its rights under this Section.

5.0 ASSIGNMENT AND SUBLETTING

§5.1. **Transfers by Lessee.** Lessee agrees not to assign this Lease or sublet all or any part of the Premises without Lessor’s prior written consent in each instance. In the event of an assignment or sublease, Lessee shall remain primarily liable for payment and performance of all obligations under this Lease upon default by the assignee or subtenant, notwithstanding the acceptance of rent or performance directly from the assignee or subtenant by IHFC®.

§5.2. **Subleasing Policy.** All proposed subleases which IHFC® is requested to approve pursuant to §5.1 must conform to subleasing policies established by IHFC® from time to time, and Lessee acknowledges and agrees that IHFC’s® subleasing policies, among other things, may provide for selection of sublessees from a priority waiting list, the use of standard forms, direct billing by IHFC®, the imposition of subleasing fees by IHFC®, and the retention by IHFC® of the excess of any amounts payable under the sublease over the rent and other charges payable under this Lease. Nothing in this section may be construed to create any inference that IHFC® is obligated to approve any sublease which complies with the provisions of this section.

§5.3. **Change of Ownership.** For purposes of this Paragraph, an assignment includes: (1) one or more sales or transfers by operation of law or otherwise by which an aggregate of more than fifty percent (50%) of Lessee’s shares or ownership shall be vested in a party or parties who are not shareholders or owners of Lessee as of the date of this Lease; (2) any transfer by operation of law; (3) any assignment among co-tenants; and (4) any assignment of a part interest in this lease.

6.0 REPAIRS AND MAINTENANCE

§6.1. **Acceptance.** Lessee has examined the Premises and accepts them in their present conditions, without any representation on the part of IHFC® as to the present or future condition of the Premises except as otherwise specifically provided in this Lease.

§6.2. **IHFC’s® Repair Obligations.** IHFC® shall at IHFC’s® expense maintain the exterior walls, roof, structural supports and common areas of the Home Furnishings Center in good order and repair; provided, however, that (a) IHFC® is not an insuror and its responsibility to do so shall be confined to making the proper repairs within a reasonable time after it has received notice of the necessity, nature and location of the repairs and (b) Lessee shall repair any damage to the Home Furnishings Center caused by Lessee or its agents.

§6.3. **Lessee's Repair Obligations.** Lessee agrees to **maintain the Premises** in a neat and clean condition, in good order and repair, and in full compliance with applicable laws, ordinances, regulations, and codes.

§6.4. **Surrender.** At the expiration or termination of this Lease, Lessee agrees to quit and surrender the Premises to IHFC® in as good a condition as when received, reasonable wear and tear and damage by fire or other casualty excepted.

7.0 LESSEE'S PROPERTY; ALTERATIONS AND IMPROVEMENTS

§7.1. **Lessee's Property.** Subject to the security interest granted in §12.4 of this Lease, all merchandise, office furniture and equipment, samples, inventory and other unattached movable property placed in the Premises by Lessee shall remain the property of Lessee, and Lessee, if it is not in default under this Lease, shall be entitled to remove such items from the Premises, provided Lessee repairs any damage to the Premises or the Home Furnishings Center caused by such removal.

§7.2. **Placing Property in or Removing Property From Premises.** Except as otherwise specifically permitted by IHFC's® Guidelines, all property of Lessee shall be moved to or from the Premises by the employees or designated contractors of IHFC®, at the expense and risk of Lessee, and Lessee agrees to pay IHFC® upon receipt of IHFC's® invoice IHFC's® standard charges for moving such items to and from the Premises. IHFC® shall not be liable for any loss or damage to property of Lessee, unless caused by the negligence of IHFC® or its employees.

§7.3. **Alterations and Improvements.** Lessee shall be entitled to make alterations, additions, and improvements to the Premises, provided Lessee first obtains IHFC's® written consent, which IHFC® will not unreasonably withhold. Any alteration, addition, improvement or other property attached to the Premises by Lessee (including, without limitation electrical wiring, lighting fixtures, carpeting and track lighting) shall become the property of IHFC® upon the expiration or termination of this Lease, unless IHFC® elects to require Lessee to remove the same, repair any damages occasioned by such installation or removal, and restore the Premises to their original condition.

§7.4. **Performance of Work.** All work in connection with alterations, additions, or improvements to the Premises (a) shall be performed in a first class, workmanlike manner with all required governmental and utility permits obtained in advance by Lessee; (b) shall not weaken or impair the structural integrity of the Home Furnishings Center; and (c) shall be in accordance with plans and specifications, and performed by contractors, approved by IHFC®. All contractors performing such work shall carry insurance satisfactory to IHFC® and shall execute lien waivers, and indemnity agreements satisfactory to IHFC®. IHFC® shall have no duty to Lessee or anyone else to enforce these requirements or inspect the work of Lessee's contractors.

8.0 TAXES

IHFC® agrees to pay all ad valorem taxes and assessments levied, assessed or charged against the Home Furnishings Center. Lessee agrees to list and pay all license, privilege, ad valorem or other taxes levied, assessed or charged against Lessee or IHFC® on account of the operation of Lessee's business in the Premises or on account of property owned by Lessee.

9.0 UTILITIES

IHFC® agrees to furnish heat, electricity, air conditioning, and elevator service to the Premises for a period beginning thirty (30) days prior to the commencement of each regularly scheduled Market, and ending fourteen (14) days following the close of each such Market; provided, however, that IHFC® shall not be liable for interruptions in service due to breakdowns or other causes beyond its control. If Lessee uses the Premises at any other times, Lessee agrees to pay such additional charges as may be imposed by IHFC® for such excess utility use.

10.0 INSURANCE; INDEMNITY

§10.1. **Insurance.** Lessee agrees to keep its property located in the Premises, including all alterations, additions and improvements made by it, insured against loss or damage by fire or other casualty, under an "all risks" policy in an amountequal to full replacement cost value thereof. Lessee agrees to maintain in force comprehensive general liability insurance coverage on the Premises, with a minimum combined single limit of $1,000,000.00 for death, personal injury or property damage, naming IHFC® as an additional insured. This general liability coverage may be either on an "occurrence" or a "claims made" basis. If on a "claims made" basis, Lessee must either:

(a) Agree to provide certificates of insurance evidencing the above coverages for a period of three years after expiration of the lease, which certificate shall evidence a "retroactive date" no later than the Commencement Date; or

(b) Purchase the extended reporting period endorsement for the policy or policies in force during the term of this lease and evidence the purchase of this extended reporting period endorsement by means of a certificate of insurance or a copy of the endorsement itself.

All policies shall provide that unless IHFC® is given ten (10) days written notice of any cancellation, failure to renew, or material change, the insurance shall remain in full force and effect, without change. On or before the Commencement Date, Lessee agrees to provide IHFC® with satisfactory evidence that all required insurance is in force. Lessee may provide any insurance required under this Article through its corporate or blanket policies.

§10.2. **Waiver of Subrogation.** To the extent that any business interruption or loss or damage to property occurring in the Premises or in the Home Furnishings Center, or in any manner growing out of or connected with Lessee's occupation of the Premises or the condition thereof (whether or not caused by the negligence of IHFC® or Lessee or their respective agents, employees, contractors, tenants, licensees, or assigns) is covered by insurance (regardless of whether the insurance is payable to or protects IHFC® or Lessee, or both) neither IHFC® nor Lessee, nor their respective officers, directors, employees, agents, invitees, assignees, tenants, or subtenants, shall be liable to the other for such business interruption or loss or damage to property, it being understood and agreed that each party will look to its insuror for reimbursement. This release shall be effective only so long as the applicable insurance policies contain a clause to the effect that it shall not affect the right of the insured to recover under the policies. Such clauses shall be obtained by the parties wherever possible. Nothing in this Section may be construed to impose any other or greater liability upon either IHFC® or Lessee than would have existed in its absence.

§10.3. **Assumption of Risks, Release, and Indemnity.** Lessee (1) assumes all risks with respect to, (2) releases IHFC® from liability for, and (3) agrees (except to the extent IHFC® is effectively protected by insurance) to protect indemnify and save harmless IHFC® from and to defend IHFC® (through counsel acceptable to IHFC®) against any claim liability, loss, or damage arising out of or connected with the following, however caused and wherever originating and regardless of whether the cause or means of repairing the same is accessible to or under the control of Lessee:

(a) Damage to property of Lessee, or its agents, employees or subtenants occurring in or about the Home Furnishings Center;

(b) Damage to property of anyone occurring in or about the Premises;

(c) Any injury to or interruption of business or loss of profits attributable to or connected with any damage to property referred to in subparagraphs (a) or (b), above.

(d) Death or personal injury occurring in or about the Premises (unless resulting from the negligence of IHFC® or its employees); or

(e) Any other risks with respect to which Lessee is required to insure by the terms of this Lease (whether or not such insurance is actually in force).

In addition to and without limiting the generality of the foregoing, Lessee's assumption of risk, release, and indemnity obligations as set forth above shall apply to any claim, liability, loss or damage arising out of or in connection with (1) Lessee's occupancy of or conduct of business in the Premises (2) the condition of the Premises, (3) any default of Lessee under this Lease; and (4) mechanic's or materialmen's liens asserted by persons claiming to have dealt with Lessee or Lessee's contractors.

11.0 DAMAGE OR DESTRUCTION

§11.1. **Option to Terminate.** If the Premises are damaged or destroyed by fire or other casualty to such extent that they are completely untenantable, or if the area of the Home Furnishings Center in which the Premises are located is so severely damaged that IHFC® elects to demolish, or completely rebuild it, IHFC® may terminate this Lease by notifying Lessee within thirty (30) days following the damage or destruction, and rent and other charges payable by Lessee under this lease shall be apportioned to the date of the damage or destruction.

§11.2. **Obligation to Repair or Restore.** If the Premises are damaged by fire or other casualty, unless IHFC® has exercised its right to terminate, if any, under §11.1, IHFC® shall with reasonable dispatch, and in any event within one hundred eighty (180) days, repair and restore the Premises to their condition existing at the date of the damage or destruction (except for alterations and improvements installed by Lessee and other property of Lessee, which Lessee shall repair and restore within that time) and this Lease shall remain in full force and effect except that rent shall abate as provided in §11.3.

§11.3. **Rent Abatement.** If the Premises are damaged or destroyed by fire or other casualty and this Lease is not terminated, rent and other charges under this Lease shall abate in the same percentage as the rentable area of the Premises available for use bears to the entire rentable area of the Premises; provided, however, that if the Premises are damaged or destroyed to such extent that it is unreasonable to expect Lessee to continue to operate the Premises as a showroom, all rent shall abate from the date of the damage or destruction until the earlier of the date the Premises are repaired and restored, or the date Lessee reopens the Premises as a showroom. Notwithstanding the foregoing if IHFC® is able to repair and restore the Premises within such time as to permit Lessee (in the exercise of reasonable dispatch and considering the time required for Lessee to complete Lessee's restorations to the Premises and redecorate them) to use the Premises for a showroom at the next ensuing Market after the damage or destruction, there shall be no abatement of rent.

12.0 DEFAULT

§12.1. **Events of Default.** Lessee shall be in default under this Lease if any one of the following Events of Default occurs:

(a) Lessee fails to pay when due any installment of rent or other amount due under the terms of this Lease;

(b) Lessee fails to pay when due any other amount owed to IHFC®; or

(c) Lessee repudiates or fails to perform any obligation under §1.2 (Relocation), §4.0 (Use), §5.0 (Assignment and Subletting), §7.3 (Alterations), §13.0 (Subordination) or §14.0 (Estoppel Certificates).

(d) Lessee vacates or abandons the Premises;

(e) Lessee becomes insolvent, executes an assignment for the benefit of creditors, is adjudicated a bankrupt, files for relief under the reorganization provisions of any Federal bankruptcy law or state insolvency law, or a permanent receiver of the property of Lessee is appointed by any court of competent jurisdiction.

(f) Lessee repudiates or, within ten (10) days after notice of nonperformance by IHFC®, fails to perform any other obligation which it is required to perform under the terms of this Lease or, if performance cannot reasonably be had within ten (10) days after notice from IHFC®, Lessee fails to commence performance within that period and diligently proceed to completion of performance.

§12.2. **Remedies.** If an Event of Default occurs, IHFC®, at its option and without further notice to Lessee, may pursue any remedy now or hereafter available to IHFC® under the laws of the State of North Carolina. Without limiting the generality of the

foregoing, IHFC® shall be entitled to reenter the Premises by force, summary proceedings or otherwise, expelling Lessee and removing all property from the Premises, all without liability to Lessee or anyone else and either:

(a) attempt to relet the Premises for such term and rental and upon such other terms and conditions as IHFC® in its sole discretion deems advisable. All rentals received by IHFC® from such reletting shall be applied, first, to payment of any indebtedness other than rent due from Lessee to IHFC®; second, to payment of any expenses of reletting, including, without limitation, the costs of recovering the Premises, such alterations or repairs as may be necessary to relet the Premises, brokerage fees, and reasonable attorney's fees; third to payment of any rent unpaid under the terms of this Lease; and the residue, if any, to the payment of rent as the same becomes due and payable under this Lease. If the amount received from such reletting and applied to rent during any semiannual period is less than the rent reserved under this Lease, Lessee agrees to pay the deficiency to IH FC®. The deficiency shall be calculated and paid semiannually. No reentry or taking possession of the Premises by IHFC® shall be construed as an election upon its part to terminate this Lease unless IHFC® so notifies Lessee or this Lease is terminated by order of a court of competent jurisdiction; or

(b) notwithstanding any reletting without termination, at any time after an Event of Default occurs, elect to terminate this Lease, and, in addition to IHFC's® other remedies, recover from Lessee all damages incurred by reason of Lessee's default, including, without limitation, the costs of recovering the Premises, reasonable attorney's fees, and the worth, at the time of the termination, of the excess, if any, of the amount of rent reserved under this Lease over the then reasonable rental value of the Premises for the remainder of the term of the Lease, all of which amounts shall be immediately due and payable from Lessee to IHFC®.

§12.3. **Late Charges.** If any installment of rent or any other amount due under this Lease is not received by IHFC® within ten (10) days after the date such payment was due, then Lessee shall be obligated to pay, in addition to the amount due, a late charge equal to five percent (5%) of the overdue amount. Lessee agrees that this late charge represents a fair and reasonable estimate of the additional processing, accounting and other costs IHFC® will incur by reason of late payment by Lessee, the exact amount of which would be difficult to ascertain. Notification by IHFC® to Lessee that a late payment charge has been added to the amount of overdue rent or other charges shall not constitute a waiver of Lessee's default, nor preclude IHFC® from exercising any other remedy.

§12.4. **Security Interest.** As security for performance and payment of all present and future rents and other obligations required to be paid or performed by Lessee under the terms of this Lease, and for any other amounts owed IHFC® by Lessee, Lessee hereby grants unto IHFC® a security interest in all installations, samples, goods, merchandise, furniture, fixtures, and other property of Lessee, now owned or hereafter acquired, located in the Premises or the Home Furnishings Center. If an Event of Default occurs, IHFC® at any time thereafter may exercise, in addition to its other remedies, the rights of a secured party under Chapter 25 of the North Carolina General Statutes. The proceeds from any sale of the collateral pursuant to such remedies shall be applied in the following order: (a) the expense of taking, removing, holding for sale, and preparing for sale, specifically including IHFC's® reasonable attorney's fees; (b) the expense of liquidating any liens, security interests or other encumbrances superior to this security interest; and (c) amounts owed by Lessee to IHFC® under the terms of this Lease or otherwise, in the order herein provided for. Lessee agrees to execute such financing statements and other documents as may be required to perfect the security interest granted to IHFC® under this Section. If the tenant has granted the Landlord or its predecessor a security interest under a prior lease or other agreement (the Prior Lease), this paragraph continues and re-affirms the security interest granted under the Prior Lease(s) and is not intended to create a novation.

§12.5. **Partial Payment.** IHFC® shall not be obligated to accept partial payments of rent or other charges due under this Lease. If IHFC® accepts any such payment, IHFC® shall not be deemed to have waived the default of Lessee by reason of non-payment of such charges in full, nor to have waived its right to collect late charges. IHFC® will hold any partial payment so received as a deposit against full payment of such amounts. At any time prior to full payment by Lessee of such amounts, IHFC® may exercise any one or more of its remedies on default, and apply the deposit to any amounts or damages owed IHFC® as of the date IHFC® elects to exercise such remedies, including, without limitation, pro rata rent and other charges payable under this Lease for the current lease period up through the date of the exercise by IHFC® of its remedies upon default. The acceptance of such deposit by IHFC® shall be entirely without prejudice to IHFC's® right thereafter, at any time prior to payment in full, to assert such default, apply the deposit as provided in this section, and pursue all remedies available to IHFC® under this Lease or applicable law.

§12.6. **Default Under Prior Lease.** If this Lease is to take effect at the expiration of an earlier lease between IHFC® and Lessee for space in the Home Furnishings Center (the "Prior Lease"), then this Lease is subject to Lessee's performing its obligations under the Prior Lease up through the date of its expiration. If an Event of Default occurs under the Prior Lease and IHFC®, pursuant to its rights under the Prior Lease, either (a) terminates Lessee's right to possession of the Premises or (b) terminates the Prior Lease, then this Lease shall be automatically terminated, whether or not such termination is expressly stated in any notice from IHFC® to Lessee.

13.0 SUBORDINATION

At the election of IHFC®, this Lease shall be subordinate to a first mortgage or deed of trust held by a lending institution and secured by the Home Furnishings Center; provided, however, that IHFC® agrees to use reasonable efforts to secure from the mortgagee a nondisturbance agreement providing that in the event of foreclosure the mortgagee will recognize the validity of this Lease, and, provided Lessee is not in default, will not disturb Lessee's possession hereunder.

14.0 ESTOPPEL CERTIFICATES

Upon ten (10) days prior written notice from IHFC®, Lessee agrees to execute, acknowledge and deliver to IHFC®, Lessee's certificate: (a) stating whether this Lease is in full force and effect; (b) stating whether this Lease has been modified, and if so, the nature of such modification; (c) stating the date through which rent and other charges are paid in advance; (d)

stating whether, to Lessee's knowledge, there are any uncured defaults of IHFC® under this Lease, specifying the nature of any claimed default; and (e) providing such other information as IHFC® may reasonably request with respect to the status of the Lease. Any such certificate may be conclusively relied upon by IHFC® or any prospective purchaser or mortgagee of the Home Furnishings Center.

15.0 NOTICES

All notices required or permitted by the terms of this Lease shall be deemed given when deposited in the United States Registered or Certified Mail, Postage Prepaid, or with verification of delivery by telegram, cable, telex, commercial courier or any other generally accepted means of business communication, to either party, at the address set forth for such party on the first page of this Lease. Either party may change the address to which notices must be sent by giving notice to the other party in accordance with this Section.

16.0 MISCELLANEOUS

(a) This Lease shall be governed, contrued, and enforced under the laws of North Carolina and the parties submit to the jurisdiction of the courts of North Carolina and stipulate that Guilford County, North Carolina, is proper venue for the purpose of all controversies which may arise under this Lease;

(b) This Lease contains the entire understanding of the parties and there are no conditions precedent to its effectiveness or collateral understandings with respect to its subject matter;

(c) It may not be modified except by writing signed by both parties;

(d) It shall not be construed strictly against either party, but fairly in accordance with their intent as expressed herein;

(e) Lessor's remedies are cumulative and not exclusive of other remedies to which Lessor may be legally entitled;

(f) No waiver of any breach of a provision of this Lease may be construed to be a waiver of any succeeding breach of the same or any other provision, nor shall any endorsement or statement on any check or letter accompanying payment be deemed an accord and satisfaction, and IHFC® may accept payment without prejudice to its rights to pursue any remedy provided for in this Lease;

(g) Time is of the essence in every particular, especially where the obligation to pay money is involved;

(h) Amounts not paid IHFC® when due will bear interest on the unpaid balance at the lower of one and one-half percent (1-1/2%) per month or the maximum lawful rate; and

(i) This Lease binds the parties, their respective heirs, personal representatives, successors and assigns.

ADDENDUM A

This Addendum contains provisions which modify and supplement the provisions contained in the standard IHFC® Lease and in IHFC's® Standard Terms and Conditions of Lease. If there is any conflict between the terms of this Addendum and the terms of IHFC's® standard Lease or Standard Terms and Conditions of Lease, this Addendum controls.

1. SIGNAGE

Lessee agrees to pay for and maintain the standard exterior signage in accordance with signing specification on all fascias. (Signs are required on all fascias.) Lessee agrees not to place any other signs, banners, or other material of any kind on the exterior of the premises.

2. DESIGN STATEMENT

This Lease is contingent upon Lessee making a professionally designed showroom statement both interiorly and exteriorly.

3. WINDOWS

Lessee agrees that draperies, blinds, paper, curtains, or any other device that limits vision in the Premises will not be installed upon or near any window or door of the Premises.

[Floor plan appears on following page].

EXHIBIT 10.9

October 26, 2002

Addendum to lease dated March 14, 1994 by and between Fred B. Caffey, of Martinsville, Virginia herein referred to as “Lessor” and Hooker Furniture Corporation, of Martinsville, Virginia, herein referred to as “Lessee.” All portions of the said lease will be reactivated starting November 1, 2002 and ending October 31, 2003. The only exception will be Article Two listed below:

Article Two

Term, Rent, and Option

Lessor leases his property known as Caffey Warehouse located at 71 Gallagher Road off Highway 58 East of Martinsville to Lessee. The rent being $22,500 per month the rate being 18 cents per square foot per month. The rent us due and payable on the first of each month to lessor at 407 Starling Avenue, Martinsville, Virginia 24112. Lessee has option to renew with a 90 day notice to Lessor.

Lessor /s/ Fred B. Caffey

Fred B. Caffey

Lessee /s/ E. Larry Ryder

E. Larry Ryder
Senior Vice President Finance and Administration

EXHIBIT 10.10

SUBLEASE

THIS AGREEMENT OF SUBLEASE, made on the 29th day of January, 2003 by and between Pulaski Furniture Corporation, a Virginia corporation (hereinafter "Sublessor"), party of the first part, and Hooker Furniture Corporation, a Virginia Corporation (hereinafter "Sublessee"), party of the second part:

WITNESSETH:

That for and in consideration of the covenants and agreements hereinafter contained, Sublessor does hereby let and demise unto Sublessee 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 162,000 square feet (the "Premises") of that certain real property, including all improvements therein or to be provided by Sublessor 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 Sublessor is currently leasing from Commonwealth Boulevard Associates, LLC.
2. TERM: The term of this sublease shall commence on or before the 13th day of January, 2003 and shall terminate July 13th, 2003. Sublessee shall have the option to extend the sublease to August 31, 2003, upon 30 days notice prior to the termination, unless Sublessor has notified Sublessee of the withdrawal of this option with 45 days prior notice.
3. RENTAL: Sublessee covenants and agrees to pay to Sublessor as rental for the Premises $0.12 per square foot per month which represents (a) Base Rent, (b) Premium Charge, (c) Moving Expense Reimbursement, and (d) Utility Reimbursement. The fixed monthly rentals payable in advance on the first day of each month during the term of this lease. Rental payments for the option period, if any, will be prorated per week of occupancy.
4. UTILITIES: Sublessor shall provide and pay for all water, sewage, gas, fuel for temporary heaters and electrical charges used upon the Premises.
5. TAXES: Any type of inventory tax which may be levied by governmental bodies on inventory located in the Premises is to be paid by Sublessee.
6. RIGHT OF ENTRY: Sublessor, 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 Sublessee with the consent of Sublessee which shall not unreasonably be withheld.
7. LIABILITY: (a) Sublessee shall defend, pay, indemnify and save harmless Sublessor 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 Sublessee or any subtenant, concessionaire or licensee of Sublessee 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 Sublessee is not insured or required to be insured pursuant to Paragraph 16.1 of this Lease, and except as otherwise provided in this lease, Sublessor shall defend, pay, indemnify and save harmless Sublessee 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 negligence or willful misconduct of Sublessor 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: Sublessee accepts Premises in an “as is” condition. Notwithstanding any provision in this lease to the contrary, Sublessee acknowledges and agrees that Sublessor shall not be responsible or liable at any time for damage to any property or business of Sublessee or those claiming by, under or through Sublessee 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. Sublessor specifically retains responsibility and liability for its own acts or omissions that are determined to be intentional or negligent.

9. SURRENDER OF PREMISES: Upon the last day of the term of this lease or any renewal thereof, Sublessee shall deliver up and surrender the Premises to Sublessor 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 Sublessee or Sublessor 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 Sublessor.

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 Sublessee shall give immediate notice thereof to Sublessor, 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 Sublessor) either Sublessee or Sublessor 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 Sublessor and Sublessee shall have no further obligation hereunder except as otherwise provided in this Lease and except that Sublessee shall pay rental accrued to the date of damage.

12. REMOVAL: It is agreed that upon the termination of this lease, the Sublessee may remove from the Premises equipment which has been installed by it and shall return Premises to Sublessor 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 Sublessee or Sublessor 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 Sublessee or Sublessor 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 Sublessee; or the vacating of the Premises by Sublessee without providing a commercially reasonable level of security or without providing reasonable assurances to minimize potential vandalism.

13.1.2. The failure of Sublessee to make any payment of rent or any other payments required to be made by Sublessee hereunder, where such failure continues for a period of more than five days following written notice to Sublessee.

13.1.3. The failure of the Sublessee 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 Sublessee.

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

- the Sublessee officially commences remediation required with regard to Hazardous Substances within 15 days following written notice to Sublessee and diligently pursues such remediation to completion as quickly as possible; and

- Sublessee notifies and files a plan of remediation with the Sublessor and any necessary 3rd party within 15 days following written notice to Sublessee 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 Sublessee shall fail to take such immediate action.

13.1.5. The failure of the Sublessee 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 Sublessee; provided, however, that Sublessee 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.

13.1.6. The failure of the Sublessor 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 Sublessor; provided, however, that Sublessor 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. Sublessor: Upon the occurrence of any Breach, Sublessor shall have the immediate right to re-enter the Premises, either by summary proceedings, by force or otherwise and to dispossess Sublessee and all other occupants therefrom and remove all property therein and, at Sublessor’s election, to store such property at the cost and for the account of Sublessee, all without notice of intention to re-enter with or without resort to legal process (which Sublessee hereby expressly waives) and without Sublessor being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby. Sublessor 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 Sublessee three (3) days notice of cancellation. Sublessor shall also have the right to exercise any and all other remedies available to it at law or in equity. Sublessor may recover from Sublessee 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, Sublessor shall be entitled to recover from Sublessee, 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 Sublessee to Sublessor. The rights and remedies herein reserved by or granted to Sublessor are distinct, separate and cumulative, and the exercise of any one of them shall not be deemed to preclude, waive or prejudice Sublessor’s right to exercise any or all others.

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

14. COVENANT TO COMPLY WITH GOVERNMENTAL REQUIREMENTS: The Sublessee 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 Sublessee shall save the Sublessor harmless for any liability incurred or any penalty, claim, or damage imposed, made or recovered by reason of the neglect of the Sublessee 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. SUBLESSEE’S RESTRICTIONS: Sublessee 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 Sublessee’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 Sublessee may use Hazardous Substances as part of Sublessee’s ongoing business, which Sublessee 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 Sublessor prior to any such use or storage on the Premises.

15.3. ENVIRONMENTAL CLEAN-UP:

15.3.1. Sublessee shall, at Sublessee’s own expense, comply with all laws regulating the use, generation, storage, transportation, or disposal of “Hazardous Substances” (“Laws”).

15.3.2. Sublessee shall, at Sublessee’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 Sublessee or any subtenant, concessionaire or licensee of Sublessee or their respective employees, agents, contractors, servants, licensees or invitees, then Sublessee shall, at Sublessee’s own expense, prepare and submit the required plans and all related bonds and other financial assurances; and Sublessee shall promptly carry out all such cleanup plans. Sublessee is not required to pay for or arrange remediation plans for incidents that occur as the result of actions or omissions of the Sublessor or Sublessor’s employees, agents, contractors or invitees.

15.3.4. Sublessee shall promptly provide all information regarding the use, generation, storage, transportation, or disposal of “Hazardous Substances” that is requested by Sublessor. If Sublessee fails to fulfill any duty imposed under this paragraph 15.3.4 within a reasonable time, Sublessor may do so at Sublessee’s cost and expense; and in such case, Sublessee shall cooperate with Sublessor in

order to prepare all documents Sublessor deems necessary or appropriate to determine the applicability of the laws to the Premises and Sublessee's use thereof, and for compliance therewith, and Sublessee shall execute all documents promptly upon Sublessor's request. No such action by Sublessor and no attempt made by Sublessor to mitigate damages under any law shall constitute a waiver of any of Sublessee's obligations under this paragraph 15.3.4.

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

15.4. INDEMNITY:

15.4.1. SUBLESSEE'S INDEMNITY: Sublessee shall indemnify, defend, hold harmless Sublessor, 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 Sublessee's use or occupancy of the Premises, or from Sublessee'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. SUBLESSOR'S INDEMNITY: Sublessor shall indemnify, defend, or hold harmless Sublessee, 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 Sublessor or Sublessor'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. Sublessee 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 Sublessee will not be responsible for "Hazardous Substances" or "Incidents" that may have occurred prior to the Sublessee taking occupancy of the Premises under this lease Sublessor shall indemnify, defend and hold harmless Sublessee, 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, Sublessor is not aware of the existence on the Premises of any reportable levels of Hazardous Substances.

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

At all times during the lease term:

16.1. Sublessee shall carry commercial general liability insurance in the amount of at least Two Million Dollars ($2,000,000.00) 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 Sublessee's stock-in-trade, trade fixtures, furniture, furnishings,

special equipment, floor and wall coverings and all other items of personal property of Sublessee located on or within the Premises, such coverage to be in an amount of at least Two Million Dollars ($2,000,000.00) for any occurrence. Sublessee will be responsible for carrying insurance to cover to entire value of the property of the Sublessee warehoused in the Premises. Sublessee shall also carry workers' compensation insurance in the amount and limits required by State law. Sublessee shall insure its personal property and fixtures located in the Premises and Sublessor shall have no interest in the proceeds from such insurance. Sublessee shall name the Sublessor as an additional insured on the above liability and property policies. Prior to occupying the Premises, Sublessee must furnish Sublessor with Certificates of Insurance evidencing such coverage.

17. EXTERIOR MAINTENANCE: Sublessor 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 Sublessee shall give Sublessor 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 Sublessee or its employees, agents, contractors, licensees, invitees, subtenants, successors or assigns, in which event, Sublessee shall be responsible therefor. Sublessor is expressly exculpated from any damage, caused to Sublessee's fixtures, inventory, and/or decor caused by leakage of pipes or leakage from roof, except for damaged caused by Sublessor's negligent or intentional act or omission. For the Premises hereunder being leased to Sublessee, Sublessee agrees to keep same neat and orderly and provide security.

18. INTERIOR MAINTENANCE: Sublessee 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, Sublessor shall be responsible to pay the amount over $750.00 per occurrence for repairs unless the repair was caused by the negligence, act, omission or willful misconduct of the Sublessee or its employees, agents, contractors, servants, licensees, invitees, subtenants, successors or assigns. With respect to any maintenance or repairs for which Sublessor is responsible under this lease, Sublessor 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. Sublessee 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. Sublessee will not overload the electrical wiring serving the Premises or within the Premises, and will install at its own expense, but only after obtaining Sublessor's written approval, any additional electrical wiring which may be required in connection with Sublessee's apparatus.

19. COMMON AREAS:

19.1. Sublessor grants to Sublessee and Sublessee's customers and invitees the right to use, in common with all others to whom Sublessor 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 Sublessor for the common use.Sublessor 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 Sublessor may grant or may have granted such rights in such manner as Sublessor may from time to time designate;

19.1.3. To close all or any portion thereof as may be deemed necessary by Sublessor 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 Sublessor's judgment may be desirable; provided that such acts do not unreasonably interfere with Sublessee's business activities on the Premises.

20. ALTERATIONS BY SUBLESSEE: Sublessee 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 Sublessor's written approval of such alterations, in Sublessor's sole discretion. Sublessee 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 Sublessor's written consent, in Sublessor's sole discretion.

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

22. SIGNS AND ADVERTISING: Sublessee 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 Sublessor's written approval thereof; and Sublessee 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: Sublessee 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 Sublessor first obtained. Such written consent of Sublessor shall not be unreasonably withheld. Consent by Sublessor 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 Sublessee as a result of any assignment or subletting entered into pursuant to this Paragraph, however denominated under the assignment or sublease, which exceed, in the aggregate (a) the total sums which Sublessee is obligated to pay Sublessor under this Lease, plus (b) (i) reasonable real estate brokerage commissions or fees payable by Sublessee in connection with such assignment or subletting, and (ii) the reasonable fees of attorneys, shall be paid by the Sublessee to the Sublessor as additional rent under this Lease without affecting or reducing any other obligations of the Sublessee 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 or by overnight delivery addressed as follows:

To Sublessor: Deryl DeLoach
Director of Operations and Continuous Improvement
Pulaski Furniture Corporation
One Pulaski Square
Pulaski, VA 24301

To Sublessee: E. Larry Ryder
ExecutiveVice President—Finance & Administration
Hooker Furniture Corporation
PO Box 4708
440 East Commonwealth Blvd.
Martinsville, VA 24115

With a Copy to:

Spencer A. Rygas, Esq.
General Counsel
Pulaski Furniture Corporation
P.O. Box 1371
Pulaski, VA 24301

With a Copy to:

John L. Gregory, III
Young, Haskins, Mann, Gregory & Smith, P.C.
Post Office Box 72
400 Starling Avenue
Martinsville, VA 24114

25. QUIET ENJOYMENT: Provided that no Breach exists, Sublessor warrants that Sublessee shall have peaceful possession and quiet enjoyment of the Premises during the term of this lease and, to the best of Sublessor'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 Sublessee for its stated use.

26. 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.

SUBLESSOR: Pulaski Furniture Corporation		SUBLESSEE: Hooker Furniture Corporation	
By:	/s/ Deryl DeLoach	By:	/s/ Edwin L. Ryder
Name:	Deryl DeLoach	Name:	Edwin L. Ryder
Title:	Director of Operations	Title:	January 29, 2003

ACKNOWLEDGMENT OF CORPORATE SUBLESSOR

STATE OF VIRGINIA
CITY OF MARTINSVILLE, TO WIT:

I, Diana C. Gravely, a Notary Public in and for the state aforesaid, do certify that Deryle DeLoach whose name is signed to the foregoing instrument, bearing date on the 29 day of January, 2003 has acknowledged the same before me in my City and State aforesaid. Given under my hand and seal this day of February 3, 2003.

Diana C. Gravely

Notary Public

My Commission Expires: October 31, 2005

ACKNOWLEDGMENT OF CORPORATE SUBLESSEE

STATE OF VIRGINIA
CITY/COUNTY OF Henry

I, Jill W. Brown , a Notary Public in and for the state aforesaid, do certify that Edwin L. Ryder whose name is signed to the foregoing instrument, bearing date on the 29th day of January, 2003 has acknowledged the same before me in my City and State aforesaid. Given under my hand and seal this 29th day of January, 2003.

Jill W. Brown

Notary Public

My Commission Expires: July 31, 2005

VERIFICATION OF COMMENCEMENT DATE AND LEASE TERM

DATE OF LEASE: January 13, 2003

Sublessor: Pulaski Furniture Corporation
One Pulaski Square
Pulaski, Virginia 24301

Sublessee: Hooker Furniture Corporation

COMMENCEMENT DATE: January 13, 2003

TERMINATION DATE: July 13, 2003

RENT COMMENCEMENT DATE: January 13, 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 day of January, 2003

SUBLESSOR: Pulaski Furniture Corporation

By: /s/ Deryl DeLoach

Name: Deryl DeLoach

Title: Director of Operations

SUBLESSEE: Hooker Furniture Corporation

By: /s/ Edwin L. Ryder

Name: Edwin L. Ryder

Title: January 29, 2003

Exhibit 99.1

**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”) Annual Report on Form 10-K for the period ending November 30, 2002 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.

By: /s/ Paul B. Toms, Jr.

Date: February 26, 2003

Paul B. Toms, Jr.
Chief Executive Officer

Exhibit 99.2

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”) Annual Report on Form 10-K for the period ending November 30, 2002 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.

By: /s/ E. Larry Ryder

Date: February 26, 2003

E. Larry Ryder
Chief Financial Officer