SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

# Form 10-Q

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

For the quarterly period ended May 31, 2002 or

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) | (IRS Employer Identification No.) |

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of July 1, 2002.

| | |
|---|---|
| Common stock, no par value | 7,271,821 |
| (Class of common stock) | (Number of shares) |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | (Unaudited) May 31, 2002 | November 30, 2001 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash, primarily interest-bearing deposits | $ 19,076 | $ 7,926 |
| Trade receivables, less allowances of $674 and $650 | 27,928 | 29,430 |
| Inventories | 29,948 | 33,522 |
| Income tax recoverable | 97 | 1,359 |
| Prepaid expenses and other | 3,641 | 2,368 |
| Total current assets | 80,690 | 74,605 |
| Property, plant, and equipment, net | 49,256 | 49,952 |
| Other assets | 5,941 | 6,138 |
| Total assets | $135,887 | $130,695 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | | |
| Trade accounts payable | $ 3,326 | $ 4,088 |
| Accrued salaries, wages, and benefits | 5,404 | 4,789 |
| Other accrued expenses | 4,505 | 3,374 |
| Current maturities of long-term debt | 2,794 | 2,730 |
| Total current liabilities | 16,029 | 14,981 |
| Long-term debt | 22,797 | 24,181 |
| Other long-term liabilities | 4,056 | 4,395 |
| Total liabilities | 42,882 | 43,557 |
| Common stock held by ESOP | 9,961 | 9,397 |
| Shareholders' equity | | |
| Common stock, no par value, 10,000 shares authorized, 7,274 and 7,304 shares issued and outstanding | 2,868 | 2,789 |
| Unearned ESOP shares (1,615 and 1,663 shares) | (20,188) | (20,793) |
| Retained earnings | 101,895 | 97,432 |
| Accumulated other comprehensive loss | (1,531) | (1,687) |
| Total shareholders' equity | 83,044 | 77,741 |
| Total liabilities and shareholders' equity | $135,887 | $130,695 |

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

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

| | Three Months Ended May 31, 2002 | Three Months Ended May 31, 2001 | Six Months Ended May 31, 2002 | Six Months Ended May 31, 2001 |
|---|---|---|---|---|
| Net sales | $ 62,253 | $ 55,578 | $123,182 | $111,502 |
| Cost of sales | 46,231 | 42,948 | 91,760 | 85,272 |
| Gross profit | 16,022 | 12,630 | 31,422 | 26,230 |
| Selling and administrative expenses | 10,690 | 10,247 | 20,538 | 19,709 |
| Operating income | 5,332 | 2,383 | 10,884 | 6,521 |
| Other income, net | 140 | 330 | 308 | 635 |
| Interest expense | 502 | 509 | 1,014 | 1,013 |
| Income before taxes | 4,970 | 2,204 | 10,178 | 6,143 |
| Income taxes | 1,887 | 836 | 3,866 | 2,332 |
| Net income | $ 3,083 | $ 1,368 | $ 6,312 | $ 3,811 |
| Earnings per share: | | | | |
| Basic and diluted | $ .55 | $ .23 | $ 1.12 | $ .65 |
| Weighted average shares outstanding | 5,636 | 5,877 | 5,628 | 5,867 |

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

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

| | Six Months Ended May 31, 2002 | Six Months Ended May 31, 2001 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from customers | $ 124,878 | $ 117,356 |
| Cash paid to suppliers and employees | (104,508) | (102,548) |
| Income taxes paid, net | (2,656) | (3,497) |
| Interest paid, net | (843) | (887) |
| Net cash provided by operating activities | 16,871 | 10,424 |
| Cash flows from investing activities: | | |
| Purchase of property, plant, and equipment, net of disposals | (3,121) | (4,680) |
| Sale of property | 17 | 2,732 |
| Net cash absorbed by investing activities | (3,104) | (1,948) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | | 2,500 |
| Payments on long-term debt | (1,320) | (3,409) |
| Cash dividends paid | (752) | (1,131) |
| Purchase and retirement of common stock | (545) | |
| Net cash absorbed by financing activities | (2,617) | (2,040) |
| Net increase in cash | 11,150 | 6,436 |
| Cash at beginning of year | 7,926 | 1,243 |
| Cash at end of period | $ 19,076 | $ 7,679 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | $ 6,312 | $ 3,811 |
| Depreciation and amortization | 3,805 | 3,584 |
| Non-cash ESOP cost | 696 | 562 |
| Gain on disposal of property | (5) | (20) |
| Changes in assets and liabilities: | | |
| Trade receivables | 1,502 | 5,292 |
| Inventories | 3,574 | 5,519 |
| Income tax recoverable | 1,262 | (1,165) |
| Prepaid expenses and other assets | (1,076) | (1,932) |
| Trade accounts payable | (762) | (2,260) |
| Other accrued expenses | 1,999 | (2,892) |
| Other long-term liabilities | (436) | (75) |
| Net cash provided by operating activities | $ 16,871 | $ 10,424 |

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

HOOKER FURNITURE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in tables, in thousands unless otherwise indicated)

1. Preparation of Interim Financial Statements

The consolidated financial statements of Hooker Furniture Corporation (referred to as "Hooker" or the "Company") have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with generally accepted accounting principles are condensed or omitted pursuant to SEC rules and regulations. However, management believes that the disclosures made are adequate for a fair presentation of results of operations and financial position. Operating results for the interim periods reported herein may not be indicative of the results expected for the year. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10K for the fiscal year ended November 30, 2001.

2. Inventories

| | (Unaudited) May 31, 2002 | November 30, 2001 |
|---|---|---|
| Finished furniture | $ 32,298 | $ 33,481 |
| Furniture in process | 1,716 | 1,712 |
| Materials and supplies | 7,550 | 9,685 |
| Inventories at FIFO | 41,564 | 44,878 |
| Reduction to LIFO basis | 11,616 | 11,356 |
| Inventories | $ 29,948 | $ 33,522 |

3. Property, Plant, and Equipment

| | (Unaudited) May 31, 2002 | November 30, 2001 |
|---|---|---|
| Buildings | $ 44,682 | $ 44,314 |
| Machinery and equipment | 47,098 | 46,231 |
| Furniture and fixtures | 19,628 | 17,404 |
| Other | 2,909 | 3,291 |
| Total depreciable property at cost | 114,317 | 111,240 |
| Accumulated depreciation | 66,347 | 62,574 |
| Total depreciable property, net | 47,970 | 48,666 |
| Land | 1,286 | 1,286 |
| Property, plant, and equipment, net | $ 49,256 | $ 49,952 |

4. Long-Term Debt

| | (Unaudited) May 31, 2002 | November 30, 2001 |
|---|---|---|
| Term loan | $19,191 | $20,511 |
| Industrial revenue bonds | 6,400 | 6,400 |
| Total debt outstanding | 25,591 | 26,911 |
| Less current maturities | 2,794 | 2,730 |
| Long-term debt | $22,797 | $24,181 |

5. Assets Held For Sale

The Company owns an 189,000 square foot warehouse facility located in Martinsville, Virginia that is idle and presently held for sale or lease. This facility has a carrying value of $1.7 million, stated at the lower of carrying value, or fair value net of estimated selling expenses, and is classified in the balance sheets as "other assets."

On May 31, 2001, the Company's wholly-owned subsidiary, Triwood, Inc. ("Triwood"), sold land and a building that was being leased to a third party for $2.7 million in cash. The property had been leased with an option to purchase. The transaction did not have a material impact on results of operations or financial position. The Company continues to operate its import furniture business as a wholly-owned subsidiary through Triwood.

6. Common Stock

During the first six months of 2002, the Company redeemed approximately 30,000 shares from terminating ESOP participants at a total cost of $545,000, or $17.95 per share as required by the terms of the ESOP plan. Approximately 13,000 of the shares redeemed were from ESOP participants who terminated in connection with the Martinsville downsizing, which occurred in August 2001.

7. Other Comprehensive Income

| | (Unaudited) Three Months Ended May 31, 2002 | (Unaudited) Six Months Ended May 31, 2002 |
|---|---|---|
| Portion of interest rate swaps' fair value reclassified to interest expense | $362 | $693 |
| Loss on interest rate swaps | 136 | 441 |
| Other comprehensive income before tax | 226 | 252 |
| Income tax expense | 86 | 96 |
| Other comprehensive income, net of tax | $140 | $156 |

The amount reclassified to interest expense includes $44,000 related to the ineffective portion of the interest rate swap agreements.

Item 2. Management's Discussion and Analysis

Results of Operations

The Company's net sales for the second quarter ended May 31, 2002, increased 12.0% to $62.3 million from $55.6 million in the second quarter of 2001. For the first half of 2002, net sales of $123.2 million increased 10.5% from $111.5 in the first half of 2001. During the 2002 periods, increased unit volume in imported product lines and home office furniture was partially offset by lower unit volume in 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 the prior year second quarter, the Company reported a marked downturn in shipments, reflecting the industry-wide recession experienced during most of last year.

Gross profit margin increased to 25.7% in the 2002 first quarter, compared to 22.7% in the 2001 period. For the first half of 2002, gross profit margin increased to 25.5%, compared to 23.5% in the 2001 period. Most of the improvement during the 2002 periods can be attributed to a decrease in raw material costs, principally lumber and wood products, as a percentage of sales volume. The Company also shipped more "higher margin" goods (principally imported products) as a percentage of total volume. In addition, operating the Company's factories at full production schedules contributed to the improvement in gross profit margin; as a result, overhead decreased as a percentage of sales volume. For the six-month period of 2002, the delivered cost of imported furniture also decreased as a percentage of sales volume.

Selling and administrative expenses increased $443,000 to $10.7 million for the 2002 second quarter from $10.2 million in the comparable 2001 period. For the first half of 2002, selling and administrative expenses increased $829,000 to $20.5 million from $19.7 million in the comparable 2001 period. The increase in expenses for both the three and six-month periods was due principally to higher selling expenses to support increased sales (principally sales commissions). A decrease in selling and administrative expenses as a percentage of net sales also contributed to the improvement in operating margins. Selling and administrative expenses as a percentage of net sales decreased to 17.2% in the 2002-second quarter from 18.4% in the 2001 period. As a percentage of net sales, selling and administrative expenses decreased to 16.7% for the first half of 2002 from 17.7% in the same six-month period one year ago. Selling and administrative expenses as a percentage of net sales decreased as a result of higher net sales in the 2002 periods.

As a result of the above, operating income as a percentage of net sales improved to 8.6% in the 2002 quarterly period, compared to 4.3% for the 2001 first quarter. Operating income as a percentage of net sales improved to 8.8% in the 2002 first half, compared to 5.9% for the 2001 first half.

Other income for the 2002-second quarter declined to $140,000 from $330,000 in the prior year quarter. For the first half of 2002, other income declined to $308,000 from $635,000 in the first half of 2001. The decline in other income for both the three and six month periods of 2002 is due principally to lower rental income. During the first half of 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. The warehouse facility, which is presently held for sale or lease, has a carrying value of $1.7 million stated at the lower of carrying value, or fair value net of estimated selling expenses.

The Company's effective tax rate approximated 38.0% in each of the 2002 and 2001 three and six month periods.

Results of Operations - Continued

Net income increased 125.4% to $3.1 million for second quarter 2002, compared to $1.4 million in the comparable 2001 period. Earnings per share increased 139.1% to $0.55 for the 2002-quarter from $0.23 in the year-earlier period.

For the first half of 2002, net income increased 65.6% to $6.3 million from $3.8 million in the 2001 first half. Earnings per share for the first half of 2002 increased 72.3% to $1.12 from $0.65 for the same period of 2001.

Outlook

Retail activity has been slow since early April and order rates for domestically manufactured products have softened. However, order rates for imported products remain strong. The Company has planned reduced work schedules on a selective basis at some of its production facilities during June and July 2002 in order to maintain a proper balance between orders, production, and inventory levels. Additionally, the Company's production facilities will be closed for one week in July for annually scheduled maintenance. Prior to the end of July, management will evaluate the need to adjust production work schedules for August and beyond. The Company expects that shipments during the third quarter of fiscal 2002 will reflect an increase of 15-20% from the comparable 2001 period.

Financial Condition, Liquidity, and Capital Resources

As of May 31, 2002, assets totaled $135.9 million, increasing from $130.7 million at November 30, 2001. Shareholders' equity at May 31, 2002, was $83.0 million, compared to $77.7 million at November 30, 2001. The Company's long-term debt, including current maturities, was $25.6 million at May 31, 2002, declining from $26.9 million at November 30, 2001. Working capital increased to $64.7 million as of May 31, 2002, from $59.6 million at the end of fiscal 2001, reflecting an $11.2 million increase in cash, partially offset by declines of $1.5 million in trade receivables and $3.6 million in inventories; and, an increase of $1.0 million in current liabilities.

During the six months ended May 31, 2002, cash generated from operations ($16.9 million) funded an increase in available cash ($11.2 million), capital expenditures ($3.1 million), repayment of long-term debt ($1.3 million), dividend payments ($752,000), and the purchase and retirement of common stock ($545,000). During the comparable 2001 period, cash generated from operations ($10.4 million) and the sale of property ($2.7 million) funded an increase in available cash ($6.4 million), capital expenditures ($4.7 million), dividend payments ($1.1 million), and net repayments of long-term debt ($909,000).

Cash generated from operations of $16.9 million during the 2002 period increased $6.4 million from $10.4 million in the comparable 2001 period. The increase is due to higher payments received from customers and lower tax and interest payments, partially offset by higher payments to suppliers and employees. Cash received from customers increased $7.5 million as a result of higher sales, partially offset by higher trade receivables. Payments to suppliers and employees increased $2.0 million, principally a reflection of higher production levels partially offset by higher current liabilities. Tax payments decreased $841,000 attributable to the timing of amounts due in each respective period.

Investing activities consumed $3.1 million during the 2002 period compared to $1.9 million in the comparable 2001 period. Expenditures in each year were incurred principally for plant, equipment, and

Financial Condition - Continued

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 $2.6 million for financing activities in the 2002 period compared to $2.0 million in the 2001 period. During the 2002 period, the Company repaid $1.3 million of long-term debt, paid dividends of $752,000, and redeemed approximately 30,000 shares of common stock from terminating ESOP participants at a total cost of $544,000, or $17.95 per share, as required by the terms of the ESOP plan. During the 2001 period, the Company paid dividends of $1.1 million.

In 2001, the Company's Board of Directors authorized the repurchase of up to an aggregate of $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 May 31, 2002, the Company has repurchased 286,000 shares at a total cost of $2.4 million or an average of $8.47 per share. Based on the market value of the common stock as of June 28, 2002, the remaining $2.8 million of the authorization would allow the Company to repurchase approximately 2.4% of the 7.3 million shares outstanding, or 3.5% of the Company's outstanding shares excluding the 2.3 million shares held by the ESOP.

Since May 31, 2002, the Company increased its existing lines of credit by $22.0 million to collateralize letters of credit for imported inventory purchases. As of July 3, 2002, the Company had $9.6 million available under its revolving line of credit and $20.7 million available under additional lines of credit to fund working capital needs. The Company believes it has the financial resources (including available cash, 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.

Recent Events

On June 25, 2002 the Company announced that it would be listed on the Nasdaq SmallCap Market, a nationally recognized electronic stock market, effective June 27, 2002. The Company's stock will be traded under the symbol HOFT. The Company believes that listing on the Nasdaq SmallCap Market will increase its visibility in the public markets and facilitate greater liquidity and price efficiency for investors in the Company's stock.

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," 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 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 lumber, which is the most significant raw material used by the

Forward-Looking Statements - Continued

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 3. Quantitative and Qualitative Disclosures About Market Risk

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

The Company's obligations under its lines of credit, industrial revenue bonds, and term 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 May 31, 2002, $6.4 million was outstanding under the Company's industrial revenue bonds and $19.2 million was outstanding under the term loan. No balance was outstanding under the Company's lines of credit as of May 31, 2002. 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 the products the Company imports. As a result, a weakening U.S. Dollar exchange rate could adversely impact sales volume and profit margins during such periods.

## PART II. OTHER INFORMATION

### Item 4. Submission of Matters to a Vote of Security Holders

On March 28, 2002, the Company held its Annual Meeting of Shareholders. At the meeting, the following business was transacted:

Messrs. Toms, Williams, Ryder, Long, J. C. Hooker, Jr., Beeler, Gregory, Groves, A. F. Hooker, Jr., and Walker were elected to serve as directors of the Company for a term of one year. The votes cast for the election of each Director were:

| Director | For | Withheld* |
|---|---|---|
| Paul B. Toms, Jr. | 6,700,029 | 280,399 |
| Douglas C. Williams | 6,700,114 | 280,314 |
| E. Larry Ryder | 6,654,065 | 326,363 |
| Henry P. Long, Jr. | 6,700,114 | 280,314 |
| J. Clyde Hooker, Jr. | 6,976,666 | 3,762 |
| W. Christopher Beeler, Jr. | 6,976,666 | 3,762 |
| John L. Gregory, III | 6,976,666 | 3,762 |
| Irving M. Groves, Jr. | 6,930,515 | 49,913 |
| A. Frank Hooker, Jr. | 6,930,666 | 49,762 |
| L. Dudley Walker | 6,974,968 | 5,460 |

*Including abstentions and broker non-votes.

The shareholders also ratified the selection of BDO Seidman, LLP as the Company's independent auditors. The votes cast were:

For - 6,971,910 Against - 5,150 Abstain - 3,368 (including broker non-votes)

### Item 5. Other Information

On June 25, 2002 the Company announced that it would be listed on the Nasdaq SmallCap Market, a nationally recognized electronic stock market, effective June 27, 2002. The Company's stock will be traded under the symbol HOFT.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 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.

10.2 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.

(b) Reports on Form 8-K

Form 8-K, filed July 2, 2002, announcing that the Company's common stock would be listed on the Nasdaq SmallCap Market effective June 27, 2002, under the symbol HOFT.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOOKER FURNITURE CORPORATION

Date: July 9, 2002

By: /s/ R. Gary Armbrister

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

EXHIBIT 10.1

April 19, 2002

Mr. E. Larry Ryder
Executive Vice President-Finance &
Administration
Hooker Furniture Corporation
Post Office Box 4708
Martinsville, VA 24115

Dear Larry:

Branch Banking and Trust Company ("Bank") is pleased to renew its line of credit in the amount of $20,000,000 to accommodate the issuance of Letters of Credit on behalf of Hooker Furniture Corporation. Terms and conditions of this commitment are as follows:

Borrower: The Borrower shall be Hooker Furniture Corporation.

Purpose: The line of credit shall be used exclusively for the issuance of Commercial Letters of Credit as required in normal operations.

Amount: The maximum amount of this line of credit shall be Twenty Million Dollars ($20,000,000).

Term: This commitment shall be outstanding until April 30, 2003, at which time it will expire and be subject to review. All Letters of Credit issued under this line shall remain in force until their respective dates of expiration.

Advances/Repayment: Each Letter of Credit will be issued under the $20,000,000 Promissory Note to be executed by Borrower. Any advance of funds by BB&T resulting from the issuance of Letters of Credit shall be repayable upon demand.

Interest Rate: The Promissory Note backing Letters of Credit issued under this line shall bear interest at BB&T's Prime Rate adjusted daily as prime changes.

Collateral: Unsecured.

Fees: Hooker Furniture Corporation and BB&T International Services Division shall agree upon all fees.

Financial Reporting: The Borrower shall furnish to BB&T an audited Annual Report within 120 days of each fiscal year end and quarterly unaudited financial statements within 45 days of each fiscal quarter end.

Other: The Borrower must at all times maintain a financial condition satisfactory to BB&T, including no events of default with other lenders. Any such event of default, notice of which must be given to BB&T immediately, constitutes and event of default under this commitment.

Larry, we sincerely appreciate your business and look forward to continuing our mutually beneficial relationship with Hooker Furniture. If the terms of our commitment described above are acceptable, please indicate by signing, dating, and returning the original of this letter to my attention before April 30, 2002.

Thank you for your assistance in this request. If you have any questions or concerns, please give me a call at 666-8570.

Sincerely,

/s/ Carolyn S. Shough
- --------------------------------
Carolyn S. Shough
Vice President-Business Services
Officer

Accepted this 24th day of April, 2002

HOOKER FURNITURE CORPORATION

By: /s/ E. Larry Ryder
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E. Larry Ryder
Title: Executive Vice President-Finance & Administration

By: /s/ Robert W. Sherwood
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Robert W. Sherwood
Title: Vice President - Credit, Secretary, & Treasurer

BB&T
PROMISSORY NOTE

Borrower: Hooker Furniture Corporation
Account Number: 9530265983 Note Number: 90001
Address: P.O. Box 4708 Date: April 19, 2002
Martinsville, Virginia 24115

THE UNDERSIGNED REPRESENTS THAT THE LOAN EVIDENCED HEREBY IS BEING OBTAINED FOR BUSINESS/COMMERCIAL OR AGRICULTURAL PURPOSES. For value received, the undersigned, jointly and severally, if more than one, promises to pay to BRANCH BANKING AND TRUST COMPANY OF VIRGINIA, a Virginia banking corporation (the "Bank"), or order, at any of Bank's offices in the above referenced city (or such other place or places that may be hereafter designated by Bank), the sum of Twenty Million Dollars and no/100th ($20,000,000.00), in immediately available coin or currency of the United States of America.

Interest shall accrue from the date hereof on the unpaid principal balance outstanding from time to time at the:

... Variable rate of the Bank's Prime Rate per annum to be adjusted daily as the Bank's Prime Rate changes.

Principal and interest is payable as follows:

... Principal plus accrued interest is due in full on demand. Prior to an event of default, Borrower may borrow, repay, and reborrow hereunder pursuant to the terms of the Commitment Letter, hereinafter defined.

In addition, the undersigned promises to pay to Bank, or order, a late fee in the amount of four percent (4%) of any installment past due for fifteen (15) or more days. When any installment payment is past due for fifteen (15) or more days, subsequent payments shall first be applied to the past due balance. All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days. In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in the variable interest rate. In no event shall the fixed payment amount be reduced below the original fixed payment amount specified above.

This note ("NOTE") is given by the undersigned in connection with the following agreements (if any) between the undersigned and the Bank:

... Commitment Letter dated April 19, 2002, executed by Hooker Furniture Corporation.

All of the terms, conditions and covenants of the above described agreements (the "Agreements") are expressly made a part of this Note by reference in the same manner and with the same effect as if set forth herein at length and any holder of this Note is entitled to the benefits of and remedies provided in the Agreements and any other agreements by and between the undersigned and the Bank.

In addition to collateral pledged pursuant to the terms of the Agreements (if any) described above, the undersigned, as collateral security for the indebtedness evidenced by this note, hereby grants the Bank a security interest and lien in and to all deposit accounts, certificates of deposit, securities and stocks now or hereafter in Bank's possession or on deposit with the Bank.

If any stock or securities are pledged to Bank herein, the security interest includes all stock splits, reissued shares, substituted shares, and all proceeds thereof, which the undersigned promises to deliver to Bank.

No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or of any other right on any future occasion. Every one of the undersigned and every endorser or guarantor of this note regardless of the time, order or place of signing waives presentment, demand, protest and notices of every kind and assents to any one or more extensions or postponements of the time of payment or any other indulgences, to any substitutions, exchanges or releases of collateral if at any time there be available to the holder collateral for this note, and to the additions or releases of any other parties or persons primarily or secondarily liable.

The failure to pay any part of the principal or interest when due on this Note or to fully perform any covenant, obligation or warranty on this or on any other liability to the Bank by any one or more of the undersigned, by any affiliate of the undersigned (as defined in 11 USC Section (101) (2)), or by any guarantor or surety of this Note (said affiliate, guarantor, and surety are herein called Obligor), or if any financial statement or other representation made to the Bank by any of the undersigned or any Obligor shall be found to be materially incorrect or incomplete, or in the event the default pursuant to any of the Agreements or any other obligation of any of the undersigned or any Obligor in favor of the Bank, or in the event the Bank demands that the undersigned secure or provide additional security for its obligations under this Note and security deemed adequate and sufficient by the Bank is not given when demanded, or in the event one or more of the undersigned or any Obligor shall die, terminate its existence, allow the appointment of a receiver for any part of its property, make an assignment for the benefit of creditors, or where a proceeding under bankruptcy or insolvency laws is initiated by or against any of the undersigned or any Obligor, or in the event the Bank should otherwise deem itself, its security interest, or any collateral unsafe or insecure; or should the Bank in good faith believe that the prospect of payment or other performance is impaired, or if there is an attachment, execution, or other judicial seizure of all or any portion of the Borrower's or any Obligor's assets, including an action or proceeding to seize any funds on deposit with the

Bank, and such seizure is not discharged within 20 days, or if final judgment for the payment of money shall be rendered against the Borrower or any Obligor which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon is effectively stayed, or the termination of any guaranty agreement given in connection with this Note, then any one of the same shall be a material default hereunder and this Note and other debts due the Bank by any one or more of undersigned shall immediately become due and payable without notice, at the option of the Bank. From and after any event of default hereunder, interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus 5% per annum ("Default Rate"), provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the State of Virginia, and further provided that such rate shall apply after judgment. In the event of any default, the then remaining unpaid principal amount and accrued but unpaid interest then outstanding shall bear interest at the Default Rate called for hereunder until such principal and interest have been paid in full. In addition, upon default, the Bank may pursue its full legal remedies at law or equity, and the balance due hereunder may be charged against any obligation of the Bank to any party including any Obligor. Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment instrument so marked will not satisfy or discharge its obligation under this Note, disputed or otherwise, even if such check or payment instrument is inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.

The term "Prime Rate," if used herein, means the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate. The Prime Rate is one of several rate indexes employed by the Bank when extending credit. Any change in the interest rate resulting from a change in the Bank's Prime Rate shall become effective as of the opening of business on the effective date of the change. If this Note is placed with an attorney for collection, the undersigned agrees to pay, in addition to principal and interest, all costs of collection, including but not limited to reasonable attorneys' fees. All obligations of the undersigned and of any Obligor shall bind his heirs, executors, administrators, successors, and/or assigns. Use of the masculine pronoun herein shall include the feminine and the neuter, and also the plural. If more than one party shall execute this Note, the term "undersigned" as used herein shall mean all the parties signing this Note and each of them, and all such parties shall be jointly and severally obligated hereunder. Wherever possible, each provision of this Note shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. All of the undersigned hereby waive all exemptions and homestead laws. The proceeds of the loan evidenced by this Note may be paid to any one or more of the undersigned. From time to time the maturity date of this Note may be extended, or this Note may be renewed in whole or in part, or a new note of different form any be substituted for this Note, or the rate of interest may be modified, or changes may be made in consideration of loan extensions, and the holder hereof, from time to time may waive or surrender, either in whole or in part any rights, guaranties, secured interest, or liens, given for the benefit of the holder in connection with the payment and the securing the payment of this Note; but no such occurrence shall in any manner affect, limit, modify, or otherwise impair any rights, guaranties or security of the holder not specifically waived, released, or surrendered in writing, nor shall the undersigned makers, or any guarantor, endorser, or any person who is or might be liable hereon, either primarily or contingently, be released from such event. The holder hereof, from time to time, shall have the unlimited right to release any person who might be liable hereon, and such release shall not affect or discharge the liability of any other person who is or might be liable hereon. No waivers and modifications shall be valid unless in writing and signed by the Bank. The Bank may, at its option, charge any fees for the modification, renewal, extension, or amendment of any of the terms of the Note permitted by N.C.G.S.ss.24-1 .1. In case of a conflict between the terms of this Note and the Loan Agreement or Commitment Letter issued in connection herewith, the priority of controlling terms shall be first this Note, then the Loan Agreement, and then the Commitment Letter. This Note shall be governed by and construed in accordance with the laws of Virginia; provided however that any Mortgage encumbering the Borrower's property in South Carolina shall be governed by and construed in accordance with the laws of South Carolina, and the Borrower hereby submits to the jurisdiction of South Carolina in connection with any foreclosure or enforcement proceeding undertaken in connection with the Borrower's property situated in South Carolina.

IN WITNESS WHEREOF, the undersigned, on the day and year first written above, has caused this note to be executed under seal.

HOOKER FURNITURE CORPORATION

| | |
|---|---|
| ATTEST: /s/ Robert W. Sherwood | By: /s/ E. Larry Ryder |
| Robert W. Sherwood | E. Larry Ryder |
| Title: Vice President - Credit, Secretary, & Treasurer | Title Executive Vice President - Finance & Administration |

By: /s/ Robert W. Sherwood

Robert W. Sherwood

Title: Vice President-Credit, Secretary & Treasurer

EXHIBIT 10.2

June 24, 2002

Mr. E. Larry Ryder
Executive Vice President-Finance &
Administration
Hooker Furniture Corporation
Post Office Box 4708
Martinsville, VA 24115

Dear Larry:

Branch Banking and Trust Company ("Bank") is pleased to increase its line of credit from $20,000,000 to $30,000,000 to accommodate the issuance of Letters of Credit on behalf of Hooker Furniture Corporation. Terms and conditions of this commitment are as follows:

Borrower: The Borrower shall be Hooker Furniture Corporation.

Purpose: The line of credit shall be used exclusively for the issuance of Commercial Letters of Credit as required in normal operations.

Amount: The maximum amount of this line of credit shall be Thirty Million Dollars ($30,000,000).

Term: This commitment shall be outstanding until April 30, 2003, at which time it will expire and be subject to review. All Letters of Credit issued under this line shall remain in force until their respective dates of expiration.

Advances/Repayment: Each Letter of Credit will be issued under the $30,000,000 Promissory Note to be executed by Borrower. Any advance of funds by BB&T resulting from the issuance of Letters of Credit shall be repayable upon demand.

Interest Rate: The Promissory Note backing Letters of Credit issued under this line shall bear interest at BB&T's Prime Rate adjusted daily as prime changes.

Collateral: Unsecured.

Fees: Hooker Furniture Corporation and BB&T International Services Division shall agree upon all fees.

Financial Reporting: The Borrower shall furnish to BB&T an audited Annual Report within 120 days of each fiscal year end and quarterly unaudited financial statements within 45 days of each fiscal quarter end.

Other: The Borrower must at all times maintain a financial condition satisfactory to BB&T, including no events of default with other lenders. Any such event of default, notice of which must be given to BB&T immediately, constitutes and event of default under this commitment.

Larry, we sincerely appreciate your business and look forward to continuing our mutually beneficial relationship with Hooker Furniture. If the terms of our commitment described above are acceptable, please indicate by signing, dating, and returning the original of this letter to my attention before July 15, 2002.

Thank you for your assistance in this request. If you have any questions or concerns, please give me a call at 666-3257.

Sincerely,

/s/ Scott Taylor
- --------------------------
Scott Taylor
City Executive

Accepted this 24th day of June, 2002

HOOKER FURNITURE CORPORATION

By: /s/ E. Larry Ryder
---------------------------------------------
E. Larry Ryder
Title: Executive Vice President-Finance & Administration

By: /s/ Robert W. Sherwood
---------------------------------------------
Robert W. Sherwood
Title: Vice President - Credit, Secretary, & Treasurer

BB&T
PROMISSORY NOTE

Borrower: Hooker Furniture Corporation
Account Number: 9530265983 Note Number: 90002
Address: P.O. Box 4708 Date: June 24, 2002
Martinsville, Virginia 24115

THE UNDERSIGNED REPRESENTS THAT THE LOAN EVIDENCED HEREBY IS BEING OBTAINED FOR BUSINESS/COMMERCIAL OR AGRICULTURAL PURPOSES. For value received, the undersigned, jointly and severally, if more than one, promises to pay to BRANCH BANKING AND TRUST COMPANY OF VIRGINIA, a Virginia banking corporation (the "Bank"), or order, at any of Bank's offices in the above referenced city (or such other place or places that may be hereafter designated by Bank), the sum of Thirty Million Dollars and no/100th ($30,000,000.00), in immediately available coin or currency of the United States of America.

Interest shall accrue from the date hereof on the unpaid principal balance outstanding from time to time at the:

... Variable rate of the Bank's Prime Rate per annum to be adjusted daily as the Bank's Prime Rate changes.

Principal and interest is payable as follows:

... Principal plus accrued interest is due in full on demand. Prior to an event of default, Borrower may borrow, repay, and reborrow hereunder pursuant to the terms of the Commitment Letter, hereinafter defined.

In addition, the undersigned promises to pay to Bank, or order, a late fee in the amount of four percent (4%) of any installment past due for fifteen (15) or more days. When any installment payment is past due for fifteen (15) or more days, subsequent payments shall first be applied to the past due balance. All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days. In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in the variable interest rate. In no event shall the fixed payment amount be reduced below the original fixed payment amount specified above.

This note ("NOTE") is given by the undersigned in connection with the following agreements (if any) between the undersigned and the Bank:

... Commitment Letter dated June 24, 2002, executed by Hooker Furniture Corporation.

All of the terms, conditions and covenants of the above described agreements (the "Agreements") are expressly made a part of this Note by reference in the same manner and with the same effect as if set forth herein at length and any holder of this Note is entitled to the benefits of and remedies provided in the Agreements and any other agreements by and between the undersigned and the Bank.

In addition to collateral pledged pursuant to the terms of the Agreements (if any) described above, the undersigned, as collateral security for the indebtedness evidenced by this note, hereby grants the Bank a security interest and lien in and to all deposit accounts, certificates of deposit, securities and stocks now or hereafter in Bank's possession or on deposit with the Bank.

If any stock or securities are pledged to Bank herein, the security interest includes all stock splits, reissued shares, substituted shares, and all proceeds thereof, which the undersigned promises to deliver to Bank.

No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or of any other right on any future occasion. Every one of the undersigned and every endorser or guarantor of this note regardless of the time, order or place of signing waives presentment, demand, protest and notices of every kind and assents to any one or more extensions or postponements of the time of payment or any other indulgences, to any substitutions, exchanges or releases of collateral if at any time there be available to the holder collateral for this note, and to the additions or releases of any other parties or persons primarily or secondarily liable.

The failure to pay any part of the principal or interest when due on this Note or to fully perform any covenant, obligation or warranty on this or on any other liability to the Bank by any one or more of the undersigned, by any affiliate of the undersigned (as defined in 11 USC Section (101) (2)), or by any guarantor or surety of this Note (said affiliate, guarantor, and surety are herein called Obligor), or if any financial statement or other representation made to the Bank by any of the undersigned or any Obligor shall be found to be materially incorrect or incomplete, or in the event the default pursuant to any of the Agreements or any other obligation of any of the undersigned or any Obligor in favor of the Bank, or in the event the Bank demands that the undersigned secure or provide additional security for its obligations under this Note and security deemed adequate and sufficient by the Bank is not given when demanded, or in the event one or more of the undersigned or any Obligor shall die, terminate its existence, allow the appointment of a receiver for any part of its property, make an assignment for the benefit of creditors, or where a proceeding under bankruptcy or insolvency laws is initiated by or against any of the undersigned or any Obligor, or in the event the Bank should otherwise deem itself, its security interest, or any collateral unsafe or insecure; or should the Bank in good faith believe that the prospect of payment or other performance is impaired, or if there is an attachment, execution, or other judicial seizure of all or any portion of the Borrower's or any Obligor's assets, including an action or proceeding to seize any funds on deposit with the

Bank, and such seizure is not discharged within 20 days, or if final judgment for the payment of money shall be rendered against the Borrower or any Obligor which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon is effectively stayed, or the termination of any guaranty agreement given in connection with this Note, then any one of the same shall be a material default hereunder and this Note and other debts due the Bank by any one or more of undersigned shall immediately become due and payable without notice, at the option of the Bank. From and after any event of default hereunder, interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus 5% per annum ("Default Rate"), provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the State of Virginia, and further provided that such rate shall apply after judgment. In the event of any default, the then remaining unpaid principal amount and accrued but unpaid interest then outstanding shall bear interest at the Default Rate called for hereunder until such principal and interest have been paid in full. In addition, upon default, the Bank may pursue its full legal remedies at law or equity, and the balance due hereunder may be charged against any obligation of the Bank to any party including any Obligor. Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment instrument so marked will not satisfy or discharge its obligation under this Note, disputed or otherwise, even if such check or payment instrument is inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.

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IN WITNESS WHEREOF, the undersigned, on the day and year first written above, has caused this note to be executed under seal.

HOOKER FURNITURE CORPORATION

ATTEST: /s/ Robert W. Sherwood
Robert W. Sherwood
Title: Vice President- Credit, Secretary, & Treasurer

By: /s/ E. Larry Ryder
E. Larry Ryder
Title: Executive Vice President - Finance & Administration

By: /s/ Robert W. Sherwood
Robert W. Sherwood
Title: Vice President-Credit, Secretary & Treasurer