

**UNITED STATES
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 February 28, 2003

Commission file number 000-25349.

HOOKER FURNITURE CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of incorporation or organization)

54-0251350
(IRS Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of **April 3, 2003**.

Common stock, no par value
(Class of common stock)

7,237,650
(Number of shares)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	February 28, 2003	November 30, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,143	\$ 2,316
Trade receivables, less allowances of \$800 in each period	37,314	33,771
Inventories	60,215	54,959
Prepaid expenses and other	2,457	2,225
Total current assets	103,129	93,271
Property, plant, and equipment, net	58,685	49,577
Other assets	13,993	7,033
Total assets	\$ 175,807	\$ 149,881
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 4,378	\$ 5,427
Accrued salaries, wages, and benefits	4,471	6,022
Accrued income taxes	4,541	3,169
Other accrued expenses	4,650	4,372
Current maturities of long-term debt	6,507	2,905
Total current liabilities	24,547	21,895
Long-term debt, less current maturities	41,993	21,798
Other long-term liabilities	3,862	5,144
Total liabilities	70,402	48,837
Shareholders' equity:		
Common stock, no par value, 10,000 shares authorized, and 7,238 shares issued and outstanding in each period	3,166	3,025
Unearned ESOP shares (1,514 and 1,541 shares)	(18,929)	(19,261)
Retained earnings	123,634	119,213
Accumulated other comprehensive loss	(2,466)	(1,933)
Total shareholders' equity	105,405	101,044
Total liabilities and shareholders' equity	\$ 175,807	\$ 149,881

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

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

	Three Months Ended	
	February 28, 2003	February 28, 2002
Net sales	\$ 74,475	\$ 60,929
Cost of sales	53,953	45,528
Gross profit	20,522	15,401
Selling and administrative expenses	12,021	9,849
Operating income	8,501	5,552
Other income, net	190	167
Income before interest and income taxes	8,691	5,719
Interest expense	643	511
Income before income taxes	8,048	5,208
Income taxes	3,057	1,979
Net income	\$ 4,991	\$ 3,229
Earnings per share:		
Basic and diluted	\$ 0.88	\$ 0.57
Weighted average shares outstanding	5,697	5,621

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

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

	Three Months Ended	
	February 28, 2003	February 28, 2002
Cash flows from operating activities		
Cash received from customers	\$ 76,683	\$ 59,199
Cash paid to suppliers and employees	(68,189)	(47,853)
Income taxes paid, net	(1,685)	(7)
Interest paid, net	(797)	(445)
Net cash provided by operating activities	<u>6,012</u>	<u>10,894</u>
Cash flows from investing activities		
Purchase of property, plant, and equipment, net of disposals	(922)	(2,031)
Acquisition of Bradington-Young, net of cash acquired	(20,416)	
Sale of property		53
Net cash used in investing activities	<u>(21,338)</u>	<u>(1,978)</u>
Cash flows from financing activities		
Proceeds from long-term debt	30,500	
Payments on long-term debt	(6,704)	(635)
Repayment of debt assumed in Bradington-Young acquisition	(4,072)	
Payment to terminate interest rate swap agreement	(3,001)	
Cash dividends paid	(570)	(563)
Purchase and retirement of common stock		(487)
Net cash provided by (used in) financing activities	<u>16,153</u>	<u>(1,685)</u>
Net increase in cash	827	7,231
Cash and cash equivalents at beginning of year	2,316	7,926
Cash and cash equivalents at end of period	\$ 3,143	\$ 15,157
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 4,991	\$ 3,229
Depreciation and amortization	2,031	1,816
Non-cash ESOP cost	473	348
Loss on disposal of property	4	4
Changes in assets and liabilities, net of effects of acquisition:		
Trade receivables	2,019	(1,861)
Inventories	868	5,883
Prepaid expenses and other assets	33	1,621
Trade accounts payable	(3,015)	(956)
Accrued salaries, wages, and benefits	(2,234)	48
Accrued income taxes	1,372	613
Other accrued expenses	(2,249)	333
Other long-term liabilities	1,719	(184)
Net cash provided by operating activities	<u>\$ 6,012</u>	<u>\$ 10,894</u>

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

HOOKER FURNITURE CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in tables in thousands unless otherwise indicated)

For the Quarterly Period Ended February 28, 2003

1. Preparation of Interim Financial Statements

The consolidated financial statements of Hooker Furniture Corporation (referred to as “Hooker” or the “Company”) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with accounting principles generally accepted in the United States of America are condensed or omitted pursuant to SEC rules and regulations. However, management believes that the disclosures made are adequate for a fair presentation of results of operations and financial position. Operating results for the interim periods reported herein may not be indicative of the results expected for the year. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2002.

2. Inventories

	February 28, 2003	November 30, 2002
Finished furniture	\$ 56,566	\$ 55,380
Furniture in process	2,652	1,963
Materials and supplies	11,698	7,997
Inventories at FIFO	70,916	65,340
Reduction to LIFO basis	10,701	10,381
Inventories	\$ 60,215	\$ 54,959

3. Property, Plant, and Equipment

	February 28, 2003	November 30, 2002
Buildings	\$ 51,485	\$ 46,758
Machinery and equipment	49,930	48,423
Furniture and fixtures	23,586	20,804
Other	3,922	3,008
Total depreciable property at cost	128,923	118,993
Less accumulated depreciation	72,674	70,787
Total depreciable property, net	56,249	48,206
Land	2,436	1,371
Property, plant, and equipment, net	\$ 58,685	\$ 49,577

4. Acquisition

The Company, through a wholly owned subsidiary, completed its acquisition of substantially all of the assets of Cherryville, N.C.-based leather seating specialist Bradington-Young, LLC (“B-Y”), on January 2, 2003. The Company will continue to operate the upholstery business under the Bradington-Young name and specialize in upscale leather reclining chairs, executive desk chairs and motion and stationary

Notes To Unaudited Consolidated Financial Statements—Continued

upholstery products in the upper-medium to high-end price niches. The Company acquired the B-Y operation for \$24.5 million in cash less approximately \$4.1 million in assumed debt, subject to a post-closing working capital adjustment expected to be approximately \$1.6 million. The Company also expects to capitalize acquisition-related fees of approximately \$500,000, most of which were incurred during the first quarter of 2003. The acquisition was financed principally with \$25 million in bank debt. See “Note 5—Long-Term Debt”.

5. Long-Term Debt

	February 28, 2003	November 30, 2002
Revolving credit line		\$ 500
Term loan	\$ 17,100	17,803
Industrial revenue bonds	6,400	6,400
Bank debt to acquire Bradington-Young	25,000	
	48,500	24,703
Total debt outstanding	48,500	24,703
Less current maturities	6,507	2,905
	41,993	21,798
Long-term debt	\$ 41,993	\$ 21,798

On January 2, 2003, the Company borrowed \$25.0 million in bank debt to acquire substantially all of the assets of B-Y and to repay debt assumed as part of the acquisition. The unsecured bank debt bears a variable interest rate (2.0% on February 28, 2003), and matures April 30, 2003. The Company has received commitments from its lenders to refinance the bank debt with a five-year term loan. In connection with the refinancing of the bank debt, the Company also expects to refinance its existing term loan and replace its existing revolving credit line. The Company expects the refinancing of its loans and revolving credit line to be completed in April 2003.

The Company entered into interest rate swap agreements in February 2003 that in effect provide a fixed interest rate of 4.0% on \$24.5 million of the B-Y acquisition-related bank debt through 2008 and 4.1% on its term loan through 2010. See “Note 6—Derivatives”.

6. Derivatives

In February 2003, the Company terminated an interest rate swap agreement that in effect provided a fixed interest rate of 7.4% on its term loan and entered into a new interest rate swap agreement on substantially the same terms as the terminated agreement, except that it provides for a fixed interest rate of 4.1%. The Company’s payment of \$3.0 million to terminate the swap agreement will be amortized as interest expense over the remaining seven and a half year repayment period of the term loan in accordance with applicable accounting pronouncements.

Also in February 2003, the Company entered into a new interest rate swap agreement that in effect provides a fixed interest rate of 4.0% for a period of five years on \$24.5 million of bank debt used to acquire B-Y.

Since 2001, the Company has recognized a decrease in the aggregate fair market value of its interest rate swap agreements, resulting from the general decline in interest rates. The aggregate decrease in the fair market value of the effective portion of the agreements of \$2.5 million after tax (\$4.0 million pretax) as of February 28, 2003, and \$1.9 million after tax (\$3.1 million pretax) as of November 30, 2002, is reflected under the caption “accumulated other comprehensive loss” in the consolidated balance sheets.

7. Comprehensive Income

	Three Months Ended February 28,	
	2003	2002
Net income	\$ 4,991	\$ 3,229
Loss on interest rate swaps	1,280	306
Portion of interest rate swaps' fair value reclassified to interest expense	422	331
Other comprehensive (income) loss before tax	858	(25)
Income tax (benefit) expense	(326)	9
Other comprehensive (income) loss, net of tax	532	(16)
Comprehensive income	\$ 4,459	\$ 3,245

The amount reclassified to interest expense includes \$98,000 for the 2003 first quarter and \$25,000 for the 2002 first quarter related to the ineffective portion of the interest rate swap agreements.

8. Supplemental Schedule of Non-cash Financing Activities

	Three Months Ended February 28, 2003	
Acquisition of B-Y:		
Fair value of assets acquired (including cash of \$462)	\$	29,269
Cash paid (including fees of \$451)		20,903
Liabilities assumed (including debt of \$4,072)	\$	8,366

9. Subsequent Event

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

Item 2. Management's Discussion and Analysis

Results of Operations

Net sales of \$74.5 million for the first quarter ended February 28, 2003, increased \$13.6 million, or 22.2% from \$60.9 million in the first quarter of 2002. The increase was due principally to higher unit volume in imported product lines and the inclusion of \$8.7 million of net sales for Bradington-Young ("B-Y"), the Company's newly acquired upscale leather upholstery operation, for January and February 2003. Net sales for the Company's imported case goods lines increased \$15.0 million, or 76.1% for the 2003 first quarter compared with the year ago period. Net sales of domestically produced case goods declined \$10.0 million, or 24.4%, in the 2003 first quarter from the year ago period. Average selling prices for both domestically produced and imported case goods were lower during the 2003 period due to the mix of products shipped.

Gross profit margin increased to 27.6% of net sales for the first quarter of 2003, compared to 25.3% for the first quarter of 2002, due primarily to the increased shipment of imported products. As a percentage of net sales, imported products generally reflect higher gross profit margins than domestically produced

Management's Discussion and Analysis—Continued

case goods. However, imported products also carry a higher component of selling and administrative expenses than domestically produced case goods primarily for product sourcing, warehousing, and distribution. The gross profit margin for B-Y upholstery products is comparable to the gross profit margin the Company achieves on its domestically produced case goods, generally ranging from 20-25% of net sales.

During the 2003 first quarter, the Company's domestic case goods operations continued to experience reductions in raw material costs as a percentage of net sales, compared to the prior year period. However, these improvements were offset by increased labor and overhead costs as a percentage of net sales resulting from reduced work schedules and weather-related downtime experienced during the 2003 quarter. The Company's domestic case goods manufacturing employees continued to work reduced, 35-hour per week schedules for the 2003 first quarter and also shut down for an additional week down in December, reflecting the weakness in incoming orders and to control inventory levels. In comparison, the Company's domestic case goods factories worked full 40 hour-per-week schedules during January and February of 2002. B-Y's upholstery facilities continued to operate on reduced, 36-hour work schedules during January and February 2003.

Selling and administrative expenses as a percentage of net sales of 16.1% for the first quarter of 2003 approximated selling and administrative expenses in the 2002 first quarter. The dollar amounts of these expenses increased \$2.2 million during the 2003 quarter, mainly due to the addition of selling and administrative expenses for B-Y and increased selling, warehousing, and distribution expenses to support higher volumes of imported products.

As a result of the above, operating income as a percentage of net sales improved to 11.4% in the 2003 quarterly period, compared to 9.1% for the 2002 first quarter.

Other income, net increased to \$190,000 in the 2003 first quarter from \$167,000 in the 2002 quarter. Interest expense increased \$132,000 to \$643,000 during the first quarter of 2003 from \$511,000 in the 2002 period, principally due to higher debt levels.

The Company's effective tax rate approximated 38.0% in both of the 2003 and 2002 first quarters.

First quarter 2003 net income increased to \$5.0 million, compared to \$3.2 million in the comparable 2002 period. Earnings per share increased to \$0.88 for the 2003-quarter from \$0.57 in the year-earlier period.

Outlook

The Company remains cautiously optimistic in its outlook for the remainder of fiscal 2003. Given the current sluggish retail conditions, slumping consumer confidence and the uncertainty posed by geopolitical concerns, particularly the war in Iraq, the Company expects at least one more challenging quarter ahead. The long-term outlook, however, remains more positive. The Company believes that there should be considerable pent-up demand for furniture, based on strong housing activity over the last few years. When the overall economy improves, the Company believes that it is well positioned to capitalize on the upturn with a product line that is desirable by consumers and available for quick shipment.

The latest quarter continues trends seen in the last several quarters: solid sales growth in imported product lines offset by declining levels of incoming orders and shipments for domestically produced case goods products. The Company expects that this trend will continue into the upcoming quarter.

Management's Discussion and Analysis—Continued

The Company expects to operate its domestic case goods manufacturing facilities on 35-hour work weeks for the foreseeable future and has scheduled to shut down an additional week in April 2003. The Company expects its B-Y upholstery production facilities to also continue working on reduced schedules for the foreseeable future. Management evaluates B-Y's work schedules monthly based on incoming order rates. As a result of the overall decline in order rates for domestically produced case goods during fiscal 2002 and the first quarter of 2003, the Company will continue to evaluate work schedules at its factories as well as assess overall manufacturing capacity.

Acquisition

The Company, through a wholly owned subsidiary, completed its acquisition of substantially all of the assets of Cherryville, N.C.-based leather seating specialist Bradington-Young, LLC, on January 2, 2003. The Company will continue to operate the upholstery operation under the Bradington-Young name and specialize in upscale leather reclining chairs, executive desk chairs and motion and stationary upholstery in the upper-medium to high-end price niches. The Company acquired the B-Y operation for \$24.5 million in cash less approximately \$4.1 million in assumed debt, subject to a post-closing working capital adjustment expected to be approximately \$1.6 million. The Company also expects to capitalize acquisition-related fees of approximately \$500,000, most of which were incurred during the first quarter of 2003. The acquisition was financed principally with \$25 million in bank debt.

Financial Condition, Liquidity, and Capital Resources

As of February 28, 2003, assets totaled \$175.8 million, increasing from \$150.0 million at November 30, 2002 as a result of the acquisition of B-Y. Shareholders' equity at February 28, 2003, was \$105.4 million, compared to \$101.0 million at November 30, 2002. The Company's long-term debt, including current maturities, was \$48.5 million at February 28, 2003, increasing from \$24.7 million at November 30, 2002. This increase is attributed to the \$25.0 million in bank debt incurred to acquire B-Y. Working capital increased to \$78.6 million as of February 28, 2003, from \$71.4 million at the end of fiscal 2002, reflecting increases of \$5.3 million in inventories, \$3.5 million in trade receivables, and \$827,000 in cash, partially offset by an increase of \$2.7 million in current liabilities. These increases principally resulted from the acquisition of B-Y.

During the three months ended February 28, 2003, proceeds from borrowings (\$30.5 million) and cash generated from operations (\$6.0 million), funded the acquisition of B-Y (\$20.4 million, net of cash acquired), repayment of long-term debt (\$10.8 million, including the repayment of \$4.1 million of debt assumed in the B-Y acquisition), a payment to terminate an interest rate swap agreement (\$3.0 million), capital expenditures (\$922,000), an increase in available cash (\$827,000), and dividend payments (\$570,000).

During the 2002 first quarter, cash generated from operations (\$10.9 million) funded an increase in available cash (\$7.2 million), capital expenditures (\$2.0 million), repayments of long-term debt (\$635,000), dividend payments (\$563,000), and the purchase and retirement of common stock (\$487,000).

Cash generated from operations of \$6.0 million during the 2003 period decreased \$4.9 million from \$10.9 million in the 2002 period. The decrease was due to higher payments to suppliers and employees and higher income tax and interest payments, partially offset by higher payments received from customers. Payments to suppliers and employees increased \$20.3 million, principally to fund increased purchases of imported case goods, the production of upholstery products and the operating costs of B-Y during January and February 2003, and higher selling and administrative expenses. Cash received from customers increased \$17.5 million as a result of higher sales of imported case goods and B-Y upholstery.

Management's Discussion and Analysis—Continued

products sales during January and February 2003. Tax payments decreased \$1.7 million due to the timing of amounts due in each respective period.

Investing activities consumed \$21.3 million during the 2003 period compared to \$2.0 million in the 2002 quarter. The Company acquired B-Y in January 2003 for a cash payment of \$20.4 million (net of cash acquired). Purchases of plant, equipment, and other assets to maintain and enhance the Company's facilities and business operating systems declined \$1.1 million in the 2003 first quarter compared with the 2002 period.

The Company generated cash of \$16.2 million from financing activities in the 2003 period compared to using cash of \$1.7 million for financing activities in the 2002 first quarter. During the 2003 period, the Company borrowed \$25.0 million in bank debt to finance the purchase of B-Y and \$5.5 million under its revolving credit line. Also during the 2003 quarter, the Company repaid \$6.7 million under its revolving credit line and term loan, repaid \$4.1 million of debt assumed in the B-Y acquisition, paid \$3.0 million to terminate an interest rate swap agreement, and paid dividends of \$570,000. During the 2002 quarter, the Company repaid \$635,000 of long-term debt, paid dividends of \$563,000, and redeemed 27,000 shares of common stock from terminating ESOP participants at a total cost of \$487,000 as required by the terms of the ESOP plan.

In February 2003, the Company terminated an interest rate swap agreement that in effect provided a fixed interest rate of 7.4% on its term loan and entered into a new interest rate swap agreement on substantially the same terms as the terminated agreement, except that it provides for a fixed interest rate of 4.1%. The Company's payment of \$3.0 million to terminate the swap agreement will be amortized as interest expense over the remaining seven and a half year repayment period of the term loan in accordance with applicable accounting pronouncements.

Also in February 2003, the Company entered into a new interest rate swap agreement that in effect provides a fixed interest rate of 4.0% for a period of five years on \$24.5 million of bank debt used to acquire B-Y. The Company has received commitments from its lenders to refinance its term loan, the bank debt used to acquire B-Y, and replace its existing revolving credit line. The Company expects to complete the refinancing in April 2003.

Since 2001, the Company has recognized a decrease in the aggregate fair market value of its interest rate swap agreements, resulting from the general decline in interest rates. The aggregate decrease in the fair market value of the effective portion of the agreements of \$2.5 million after tax (\$4.0 million pretax) as of February 28, 2003, and \$1.9 million after tax (\$3.1 million pretax) as of November 30, 2002, is reflected under the caption "accumulated other comprehensive loss" in the consolidated balance sheets.

At its March 28, 2003 meeting, the Company's Board of Directors declared an increased quarterly dividend of \$0.11 per share, payable on May 30, 2003 to shareholders of record May 15, 2003.

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

In 2001, the Company's Board of Directors authorized the repurchase of up to an aggregate \$5.2 million of the Company's common stock. Repurchases 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 February 28, 2003, the Company has repurchased 292,000 shares under the authorization, at a total cost of \$2.5 million or an average of \$8.58 per share. The Company did not purchase any shares of

Management's Discussion and Analysis—Continued

its common stock under this program during the first quarter of 2003. Based on the market value of the common stock as of February 28, 2003, the remaining \$2.7 million of the authorization would allow the Company to repurchase approximately 1.7% of the 7.2 million shares outstanding, or 2.5% of the Company's outstanding shares excluding the 2.3 million shares held by the ESOP.

As of February 28, 2003, the Company had \$9.6 million available under its revolving line of credit, \$26.2 million available under additional committed lines of credit, and \$11.2 million available under additional informal lines of credit to fund working capital needs. The Company believes it has the financial resources (including available cash, expected cash flow from operations, and lines of credit) needed to meet business requirements for the foreseeable future including capital expenditures, working capital, purchases under the stock repurchase program, and dividends on the Company's common stock. Cash flow from operations is highly dependent on order rates and the Company's operating performance. The Company expects to spend \$4.0 to \$7.0 million in capital expenditures during the remainder of fiscal 2003 to maintain and enhance its facilities and operating systems.

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 B-Y'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 and leather, supply disruptions or delays affecting imported products, adverse political acts or developments in the international markets from which the Company imports products, fluctuations in foreign currency exchange rates affecting the price of the Company's imported products, and capital costs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

The Company's obligations under its lines of credit, industrial revenue bonds, term loan, and bank debt incurred to acquire B-Y all bear interest at variable rates. The Company has entered into interest rate swap agreements that, in effect, fix the rate of interest on: (i) the industrial revenue bonds at 4.7% through 2006; (ii) the term loan at 4.1% through 2010; and, (iii) the bank debt incurred to acquire B-Y at 4.0% through 2008. As of February 28, 2003, \$6.4 million was outstanding under the Company's industrial revenue bonds, \$17.1 million was outstanding under the term loan, and \$25.0 million of B-Y acquisition-related bank debt was outstanding. No balance was outstanding under the Company's revolving credit line as of February 28, 2003. A fluctuation in market interest rates of one percentage point (or 100 basis points) would not have a material impact on the Company's results of operations or financial condition.

For imported products, the Company generally negotiates firm pricing with its foreign suppliers, for periods typically of up to one year. The Company accepts the exposure to exchange rate movements beyond these negotiated periods without using derivative financial instruments to manage this risk. Since the Company transacts its purchases of import products in U.S. Dollars, a decline in the relative value of the U.S. Dollar could increase the cost of imported products when the Company renegotiates pricing. As a result, a weakening U.S. Dollar exchange rate could adversely impact sales volume and profit margins during such periods. However, the Company generally expects to reflect substantially all of the effect of any price changes from suppliers in the price it charges for its imported products.

Item 4. Controls and Procedures

Based on their most recent review, which was 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.

Item 5. Other Information

Set forth below is the Company's income before interest and taxes, or EBIT, and income before interest, taxes, depreciation and amortization, or EBITDA, for each of the five fiscal years ended November 30, 2002 and for the three-month periods ended February 28, 2003 and 2002. This information has been derived from the Company's consolidated financial statements. For each period presented, EBIT and EBITDA have been reconciled to the Company's net income. This information should be read in conjunction with the Financial Statements, including the related Notes, and Management's Discussion and Analysis included elsewhere in this quarterly report on Form 10-Q and in the Company's annual report on Form 10-K for the year ended November 30, 2002.

	For the Three Months Ended February 28,		For the Years Ended November 30,				
	2003	2002	2002	2001	2000	1999	1998
Net income	\$ 4,991	\$ 3,229	\$15,391	\$ 6,510	\$14,914	\$14,295	\$10,786
Income taxes	3,057	1,979	9,394	3,640	7,995	8,881	6,241
Interest expense	643	511	2,094	2,140	830	647	561
Income before interest and income taxes	8,691	5,719	26,879	12,290	23,739	23,823	17,588
Depreciation and amortization	2,031	1,816	8,103	7,592	6,689	4,988	4,900
Income before interest, income taxes, depreciation, and amortization	\$ 10,722	\$ 7,535	\$34,982	\$19,882	\$30,428	\$28,811	\$22,488

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
- 2.1 Asset Purchase Agreement dated as of December 27, 2002 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on December 27, 2002 (SEC File No. 000-25349))
- 3.1* Amended and Restated Articles of Incorporation of the Company, as amended March 28, 2003
- 3.2* Articles of Amendment, dated April 10, 2003, to Amended and Restated Articles of Incorporation of the Company
- 10.1 Promissory Note, dated January 2, 2003, between Bank of America, N.A., and the Company (incorporated by reference to Exhibit 4.5 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2002)
- 10.2* Amended, Restated and Substituted Promissory Note, dated April 2, 2003, between Bank of America, N.A., and the Company
- 10.3 Loan Modification Agreement, dated as of December 31, 2002, with respect to the Term Loan Agreement, dated September 18, 2000 ("SunTrust Term Loan"), between the Company and SunTrust Bank (including Renewal Term Note dated January 2, 2003) (incorporated by reference to Exhibit 4.4(b) of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2002)

Item 6. Exhibits and Reports on Form 8-K—Continued

- 10.4* Second Loan Modification Agreement, dated as of March 31, 2003, with respect to the SunTrust Term Loan, between the Company and SunTrust Bank
- 10.5 Sublease, dated January 29, 2003, between Pulaski Furniture Corporation and the Company (incorporated by reference to Exhibit 10.10 of the Company's Form 10-K (SEC File No. 000-25349) for the fiscal year ended November 30, 2002)
- 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
- (b) Reports on Form 8-K

Form 8-K, dated December 27, 2002 and filed with the SEC on December 27, 2002, announcing that the Company had entered into a definitive Asset Purchase Agreement with Cherryville, N.C.-based upholstery producer Bradington-Young LLC

Form 8-K, dated January 2, 2003 and filed with the SEC on January 15, 2003, announcing the consummation of the Company's acquisition of substantially all of the assets of Bradington-Young LLC

Form 8-K/A, dated September 30, 2002 and filed with the SEC on February 26, 2003, with respect to the change in the Company's independent accountant

* Filed herewith

SIGNATURE

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

HOOKER FURNITURE CORPORATION

Date: April 11, 2003

By: _____ /s/ R. GARY ARMBRISTER

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

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furniture Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying 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 we 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 quarterly 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 quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly 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 function):
 - 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 quarterly report whether or not 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: April 11, 2003

/s/ PAUL B. TOMS, JR.

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

CERTIFICATION

I, E. Larry Ryder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furniture Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying 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 we 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 quarterly 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 quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly 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 function):
 - 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 quarterly report whether or not 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.

/s/ E. LARRY RYDER

Date: April 11, 2003

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

HOOKER FURNITURE CORPORATION
AMENDED AND RESTATED ARTICLES OF INCORPORATION

As Amended March 28, 2003

ARTICLE I
NAME

The name of the Corporation is Hooker Furniture Corporation.

ARTICLE II
PURPOSE

The Corporation is organized to engage in any lawful business not required by the Virginia Stock Corporation Act to be stated in the Articles of Incorporation.

ARTICLE III
AUTHORIZED SHARES

3.1 Number and Designation. The number and designation of shares that the Corporation shall have authority to issue and the par value per share are as follows:

Class	Number of Shares	Par Value
Common	20,000,000	No Par

3.2 Preemptive Rights. No holder of outstanding shares shall have any preemptive right with respect to (i) any shares of any class of the Corporation, whether now or hereafter authorized, (ii) any warrants, rights or options to purchase any such shares, or (iii) any obligations convertible into any such shares or into warrants, rights or options to purchase any such shares.

ARTICLE IV
LIMIT ON LIABILITY AND INDEMNIFICATION

4.1 Definitions. For purposes of this Article the following definitions shall apply:

- (i) "Corporation" means this Corporation only and no predecessor entity or other legal entity;
- (ii) "expenses" include counsel fees, expert witness fees, and costs of investigation, litigation and appeal, as well as any amounts expended in asserting a claim for indemnification;
- (iii) "liability" means the obligation to pay a judgment, settlement, penalty, fine, or other such obligation, including, without limitation, any excise tax assessed with respect to an

employee benefit plan;

(iv) “legal entity” means a corporation, partnership, joint venture, trust, employee benefit plan or other enterprise;

(v) “predecessor entity” means a legal entity the existence of which ceased upon its acquisition by the Corporation in a merger or otherwise; and

(vi) “proceeding” means any threatened, pending, or completed action, suit, proceeding or appeal whether civil, criminal, administrative or investigative and whether formal or informal.

4.2 Limit on Liability. In every instance permitted by the Virginia Stock Corporation Act, as it exists on the date hereof or may hereafter be amended, the liability of a director or officer of the Corporation to the Corporation or its shareholders arising out of a single transaction, occurrence or course of conduct shall be limited to one dollar.

4.3 Indemnification of Directors and Officers. The Corporation shall indemnify any individual who is, was or is threatened to be made a party to a proceeding (including a proceeding by or in the right of the Corporation) because he is or was a director or officer of the Corporation or because he is or was serving the Corporation or any other legal entity in any capacity at the request of the Corporation while a director or officer of the Corporation, against all liabilities and reasonable expenses incurred in the proceeding except such liabilities and expenses as are incurred because of his willful misconduct or knowing violation of the criminal law. Service as a director or officer of a legal entity controlled by the Corporation shall be deemed service at the request of the Corporation. The determination that indemnification under this Section 4.3 is permissible and the evaluation as to the reasonableness of expenses in a specific case shall be made, in the case of a director, as provided by law, and in the case of an officer, as provided in Section 4.4 of this Article; provided, however, that if a majority of the directors of the Corporation has changed after the date of the alleged conduct giving rise to a claim for indemnification, such determination and evaluation shall, at the option of the person claiming indemnification, be made by special legal counsel agreed upon by the Board of Directors and such person. Unless a determination has been made that indemnification is not permissible, the Corporation shall make advances and reimbursements for expenses incurred by a director or officer in a proceeding upon receipt of an undertaking from him to repay the same if it is ultimately determined that he is not entitled to indemnification. Such undertaking shall be an unlimited, unsecured general obligation of the director or officer and shall be accepted without reference to his ability to make repayment. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that a director or officer acted in such a manner as to make him ineligible for indemnification. The Corporation is authorized to contract in advance to indemnify and make advances and reimbursements for expenses to any of its directors or officers to the same extent provided in this Section 4.3.

4.4 Indemnification of Others. The Corporation may, to a lesser extent or to the same extent that it is required to provide indemnification and make advances and reimbursements for expenses to its directors and officers pursuant to Section 4.3, provide indemnification and make advances and reimbursements for expenses to its employees and agents, the directors, officers, employees and agents of its subsidiaries and predecessor entities, and any person serving any other legal entity in any capacity at the request of the Corporation, and may contract in advance to do so. The determination that indemnification under this Section 4.4 is permissible, the authorization of such indemnification and the evaluation as to the reasonableness of expenses in a specific case shall be made as authorized from time

to time by general or specific action of the Board of Directors, which action may be taken before or after a claim for indemnification is made, or as otherwise provided by law. No person's rights under Section 4.3 of this Article shall be limited by the provisions of this Section 4.4.

4.5 Miscellaneous. Every reference in this Article to persons who are or may be entitled to indemnification shall include all persons who formerly occupied any of the positions referred to and their respective heirs, executors and administrators. Special legal counsel selected to make determinations under this Article may be counsel for the Corporation. Indemnification pursuant to this Article shall not be exclusive of any other right of indemnification to which any person may be entitled, including indemnification pursuant to a valid contract, indemnification by legal entities other than the Corporation and indemnification under policies of insurance purchased and maintained by the Corporation or others. However, no person shall be entitled to indemnification by the Corporation to the extent he is indemnified by another, including an insurer. The Corporation is authorized to purchase and maintain insurance against any liability it may have under this Article or to protect any of the persons named above against any liability arising from their service to the Corporation or any other legal entity at the request of the Corporation regardless of the Corporation's power to indemnify against such liability. The provisions of this Article shall not be deemed to preclude the Corporation from entering into contracts otherwise permitted by law with any individuals or legal entities, including those named above. If any provision of this Article or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications of this Article, and to this end the provisions of this Article are severable.

4.6 Applications; Amendments. The provisions of this Article shall be applicable from and after its adoption even though some or all of the underlying conduct or events relating to a proceeding may have occurred before its adoption. No amendment, modification or repeal of this Article shall diminish the rights provided hereunder to any person arising from conduct or events occurring before the adoption of such amendment, modification or repeal.

ARTICLE V CERTAIN BUSINESS COMBINATIONS

5.1 Vote Required for Certain Business Combinations. In addition to any affirmative vote required by law or these Amended and Restated Articles of Incorporation, and except as otherwise expressly provided in Section 5.2 of this Article:

(1) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation which immediately before such merger or consolidation is an Affiliate or Associate (as hereinafter defined) of an Interested Stockholder; or

(2) any statutory exchange of stock in which any Interested Stockholder or any Affiliate or Associate of an Interested Stockholder acquires the issued and outstanding shares of any class of capital stock of the Corporation or any Subsidiary in exchange for cash or property or shares or other securities or obligations of any other corporation; or

(3) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder of all or any Substantial Part (as hereinafter defined) of the assets of the Corporation or any Subsidiary; or

(4) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary having an aggregate Fair Market Value equal to or greater than 10% of the aggregate Fair Market Value of all of the issued and outstanding shares of the Voting Stock of the Corporation on the Determination Date (as hereinafter defined) to any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or

(5) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or

(6) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect directly or indirectly, of increasing by more than 5% the proportion of any class of securities of the Corporation or any Subsidiary directly or indirectly owned by an Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; shall require the affirmative vote of the holders of at least 75% of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or otherwise.

5.2 When Higher Vote is Not Required. The provisions of Section 5.1 of this Article shall not be applicable to any particular Business Combination (as hereinafter defined), and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Amended and Restated Articles of Incorporation, if all of the conditions specified in either of the following paragraphs (1) or (2) are met:

(1) Approval by Continuing Directors. The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined), it being understood that this condition shall not be capable of satisfaction unless there is at least one Continuing Director.

(2) Price and Procedure Requirements. Consideration shall be paid to the holders of the Common Shares in such Business Combination and all of the following conditions shall have been met:

(a) the aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Shares in such Business Combination shall be at least equal to the highest of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any Common Shares acquired by it (AA) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (BB) in the transaction in which it became an Interested Stockholder, whichever is higher;

(ii) the Fair Market Value per Common Share on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article as the "Determination Date"), whichever is higher; and

(iii) (if applicable) the price per share equal to the Fair Market Value per Common Share determined pursuant to paragraph (2) (a) (ii) above, multiplied by the ratio of (AA) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any Common Shares acquired by it within the two-year period immediately prior to the Announcement Date to (BB) the Fair Market Value per Common Share on the first day in such two-year period upon which the Interested Stockholder acquired any Common Shares.

(b) the consideration to be received by holders of Common Shares shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class. If the Interested Stockholder has paid for Common Shares with varying forms of consideration, the form of consideration for common Shares shall be either cash or the form used to acquire the largest number of shares of such class previously acquired by the Interested Stockholder.

(c) after such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination, except as approved by a majority of the Continuing Directors: (i) there shall have been (AA) no reduction in the annual rate of dividends paid on the Common Shares (except as necessary to reflect any subdivision of the Common Shares), and (BB) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding Common Shares; and (ii) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(d) after such Interested Stockholder has become an Interested Stockholder, except as approved by a majority of the Continuing Directors, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(e) except as otherwise approved by a majority of the Continuing Directors, a proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

5.3 Certain Definitions. For the purposes of this Article:

(1) A "Business Combination" as used in this Article shall mean any transaction which is referred to in any one or more clauses (1) through (6) of Section 5.1 of this Article.

(2) A "person" shall mean any individual, firm, corporation, partnership, joint venture or other entity.

(3) "Interested Stockholder" shall mean any person who or which is the beneficial owner, directly or indirectly, of more than 10% of the outstanding Voting Stock; provided, however, the

term Interested Stockholder shall not include the Corporation, any Subsidiary, or any savings, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary, or any fiduciary with respect to any such plan when acting in such capacity.

(4) A person shall be a “beneficial owner” of any Voting Stock as to which such person and any such person’s Affiliates or Associates, individually or in the aggregate, have or share directly, or indirectly through any contract, arrangement, understanding, relationship, or otherwise:

(a) voting power, which includes the power to vote, or to direct the voting of Voting Stock; or

(b) investment power, which includes the power to dispose or to direct the disposition of, Voting Stock; or

(c) economic benefit, which includes the right to receive or control the disposition of income or liquidation proceeds from Voting Stock; or

(d) the right to acquire voting power, investment power or economic benefit (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise; provided, that in no case shall a director of the Corporation be deemed to be the beneficial owner of Voting Stock beneficially owned by another director of the Corporation solely by reason of actions undertaken by such persons in their capacity as directors of the Corporation.

(5) For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph (3) of this Section 5.3, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph (4) of this Section 5.3 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options or otherwise.

(6) “Affiliate” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the person specified.

(7) “Associate” means as to any specified person:

(a) any corporation or organization (other than the Corporation and its Subsidiaries) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities;

(b) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and

(c) any relative or spouse of such person or any relative of such spouse, who has the same home as such person.

(8) “Subsidiary” means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph (3) of this Section 5.3, the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity securities is

owned, directly or indirectly, by the Corporation.

(9) “Continuing Director” means any member of the Board of Directors of the Corporation (the “Board”) who (i) is a member of the Board before the adoption of these Amended and Restated Articles of Incorporation or (ii) is unaffiliated with the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, or (iii) any successor of a Continuing Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

(10) “Fair Market Value” means:

(a) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange—Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on any such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and

(b) in case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(11) “Substantial Part” means more than 10% of the book value of the total assets of the entity in question, as reflected on the most recent fiscal year end consolidated balance sheet of such entity existing at the time the shareholders of the Corporation would be required to approve or authorize the Business Combination involving the assets constituting any such Substantial Part.

5.4 Powers of the Continuing Directors. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article, on the basis of information known to it after reasonable inquiry, (i) whether a person is an Interested Stockholder, (ii) the number of shares of Voting Stock beneficially owned by any person, (iii) whether a person is an Affiliate or Associate of another, (iv) whether the securities to be issued or transferred by the Corporation or any Subsidiary in any Business Combination involving such person have an aggregate Fair Market Value equal to or greater than 10% of the aggregate Fair Market Value of all of the issued and outstanding shares of the Voting Stock of the Corporation on the Determination Date, and (v) whether the assets which are the subject of any Business Combination involving such person constitute a Substantial Part of the assets of the Corporation or any Subsidiary.

5.5 No Effect on Fiduciary Obligations. Nothing contained in this Article shall be construed to relieve any Interested Stockholder or any director of the Corporation from any obligation imposed by law.

5.6 Amendment or Repeal. Notwithstanding any other provision of law, these Amended and Restated Articles of Incorporation or the bylaws of the Corporation (and notwithstanding the fact that a

lesser percentage may be specified by law, these Amended and Restated Articles of Incorporation or the bylaws of the Corporation), and in addition to any affirmative vote of the holders of any other class of capital stock of the Corporation then outstanding which is required by law or by these Amended and Restated Articles of Incorporation or the bylaws of the Corporation, the affirmative vote of the holders of 75% or more of the voting power of the shares of the then outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal this Article of these Amended and Restated Articles of Incorporation.

**ARTICLES OF AMENDMENT OF ARTICLES OF INCORPORATION
OF
HOOKER FURNITURE CORPORATION**

1. The name of the Corporation is Hooker Furniture Corporation (the "Corporation").

Section 3.1 of Article III of the Articles of Incorporation of the Corporation is amended to read in its entirety as follows:

3.1 **Number and Designation.** The number and designation of shares that the Corporation shall have authority to issue and the par value per share are as follows:

<u>Class</u>	<u>Number of Shares</u>	<u>Par Value</u>
Common	20,000,000	No Par

The foregoing amendment to the Corporation's Articles of Incorporation was adopted on March 28, 2003.

The foregoing amendment was proposed by the Board of Directors and submitted to the shareholders in accordance with the Virginia Stock Corporation Act. There were no voting groups entitled to vote separately on the amendment. The designation, number of outstanding shares and the number of votes entitled to be cast are set forth below.

<u>Description</u>	<u>Shares Outstanding</u>	<u>Votes Entitled to be Cast</u>	<u>Undisputed Votes Cast For the Amendment</u>
Common Stock, no par value	7,237,650	7,237,650	6,448,407

The number of undisputed votes cast for the amendment was sufficient for approval of the amendment.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be signed by E. Larry Ryder, its authorized officer, on April 10, 2003.

HOOKER FURNITURE CORPORATION

By: /s/ E. LARRY RYDER

E. Larry Ryder
Executive Vice President—Finance and Administration

AMENDED, RESTATED AND SUBSTITUTED PROMISSORY NOTE

\$25,000,000

April 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").

This Note amends and restates, and is being executed and delivered in substitution and replacement of that certain promissory note in the face amount of \$25,000,000 given by the Borrower to the Lender, dated January 2, 2003 (the "Replaced Note"). This Note represents the same indebtedness represented by the Replaced Note. It is the intention of the parties hereto that this Note not be deemed to constitute a novation of the indebtedness evidenced by the Replaced 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 January 2, 2003, which was the closing date for the Replaced Note.

(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 30, 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 existed as of the closing date for that transaction as set forth on Schedule 8 hereto;

(iii) any Lien arising under the factoring arrangement 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

Schedule 8

Existing Liens

A. Existing Liens with respect to assets of Borrower:

1. None.

B. Existing Liens with respect to assets of Bradington-Young LLC acquired by B-Y Acquisition LLC.

Bradington-Young North Carolina State Filings

1. North Carolina Financing Statement No. 19990106712, dated November 4, 1999, Secured Party: Branch Banking & Trust Company, Debtor: Bradington-Young, LLC.
2. North Carolina Financing Statement No. 19990048315, dated May 18, 1999, Secured Party: Branch Banking & Trust Company, Debtor: Bradington-Young, LLC.
3. North Carolina Financing Statement No. 001448582, dated April 9, 1997, amended 7/22/97, continued 3/5/02, Secured Party: The CIT Group Commercial Services, Inc, Debtor: Bradington-Young, LLC.
4. North Carolina Financing Statement No. 001448583, dated April 9, 1997, amended 7/22/97, continued 3/5/02, Secured Party: The CIT Group Commercial Services, Inc, Debtor: Bradington-Young, LLC.

Christopher Coleson LLC North Carolina State Filings

1. North Carolina Financing Statement No. 20020016549L, dated February 6, 2002, Secured Party: The CIT Group Commercial Services, Inc, Debtor: Christopher Coleson, LLC.

Bradington-Young Catawba County Filings

1. Catawba County Financing Statement No. 99-2814, dated 10/18/99, Secured Party: Branch Banking and Trust Company.
2. Catawba County Financing Statement No. 97-1019, dated 4/14/97, amended 7/22/97, Secured Party: The CIT Group Commercial Services, Inc. (Expired 4/14/02).

Bradington-Young Gaston County Filings

1. Gaston County Financing Statement No. 97-983, dated 4/25/97, amended 7/22/97, continued 3/12/02 Secured Party: The CIT Group Commercial Services, Inc.
2. Gaston County Financing Statement No. 99-814, dated 5/14/99, Secured Party: Branch Banking and Trust Company.

3. Gaston County Financing Statement No. 99-1789, dated 11/10/99, Secured Party: Branch Banking and Trust Company.

Bradington-Young Guilford County Filings

1. Guilford County Financing Statement No. 461935 Book 4531 Page 0052, dated 4/25/97, amended 7/22/97, continued 3/8/02, Secured Party: The CIT Group Commercial Services, Inc.

Real Property Deeds of Trust

1. Property in Guilford County owned by JDI Investment Group, LLC, a North Carolina limited liability company and wholly owned subsidiary of Bradington-Young, LLC: Deed of Trust to Trustees for Branch Banking and Trust Company recorded in Book 5430 at page 1723 and Assignment of Leases and Rents recorded in Book 5430 at page 1729
2. Property in Guilford County owned by Bradington-Young, LLC: Deed of Trust to Trustees for CIT Group recorded in Book 4531 at page 27; UCC financing statement recorded in Book 4531 at page 52 and amended in Book 4564 at page 1910
3. Property off of Tot Dellinger Road in Cherryville, Gaston County: Deed of Trust to Trustees for Branch Banking & Trust Company recorded in Book 2938 at page 87 and amended in Book 2938 at page 92; UCC financing statement No. 99-814
4. Property off of East First Street in Cherryville, Gaston County: Deed of Trust to Trustees for CIT Group/Commercial Services recorded in Book 2653 at page 808; UCC financing statements Nos. 97-871 and 97-983
5. Property in Catawba County: Deed of Trust to Trustees for Branch Banking and Trust Company recorded in Book 2174 at page 1905 and amended in Book 2174 at page 1909; UCC Financing Statement No. 99-2814

SECOND LOAN MODIFICATION AGREEMENT

This Second Loan Modification Agreement (the "Second Modification") dated as of the 31st day of March, 2003, 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. SunTrust and Borrower entered into a certain Loan Modification Agreement dated as of December 31, 2002 (the "First Modification"), by which SunTrust consented to certain matters as more fully set forth therein.

c. The First Modification provided that such consent was to expire at midnight on April 2, 2003; and the parties hereto desire to extend such expiration date.

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. Extension of Consent. Section 1(a)(iv) of the First Modification is amended to read as follows:

iv. This consent shall expire at midnight on May 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;

2. Future Modifications. The modification provided for herein shall not imply any

obligation whatever to grant any further extension or consent to any future act of Borrower. Any such extension or consent will be granted, if at all, in SunTrust's sole discretion.

3. Certification of No Default. As of the date of this Second Modification, there exists no Event of Default or Default Condition under the Agreement as amended by the First Modification. Without limiting the generality of the foregoing, Borrower is in compliance as of the date hereof with all financial covenants referenced in Section 6 of the Agreement and specified in Supplement A thereto.

4. Remaining Provisions; Defined Terms. Except as expressly provided for herein, the Agreement and all related documents, as modified by the First Modification, 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 or First Modification, as applicable.

5. Counterparts; Telecopied Signatures. This Second Modification 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 _____ PAUL B. TOMS, JR.

Chairman and Chief Executive Officer

And by _____ EDWIN L. RYDER

Executive Vice President—Finance and
Administration

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

In connection with the Hooker Furniture Corporation (the "Company") Quarterly Report on Form 10-Q for the period ending February 28, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul B. Toms, Jr., Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 11, 2003

By: _____ /s/ PAUL B. TOMS, JR.

Paul B. Toms, Jr.
Chief Executive Officer

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

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

In connection with the Hooker Furniture Corporation (the "Company") Quarterly Report on Form 10-Q for the period ending February 28, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Larry Ryder, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (3) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 11, 2003

By: _____ /s/ E. LARRY RYDER

**E. Larry Ryder
Chief Financial Officer**

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