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This Tender Offer Statement on Schedule T0 relates to the tender offer by the Hooker Furniture Corporation Employee Stock Ownership Plan Trust for the Hooker Furniture Corporation Employee Stock Ownership Plan, sponsored by Hooker Furniture Corporation, a Virginia corporation (the "Company" or "Hooker"), to purchase up to 1,800,000 shares of Hooker's common stock, no par value per share, at a price of \$12.50 per share, net to the seller in cash, upon the terms and subject to the conditions set forth in the offer to purchase, dated August 9, 2000, and in the related letter of transmittal, which, as amended and supplemented from time to time, together constitute the tender offer. Copies of the offer to purchase and the related letter of transmittal are filed with this Schedule T0 as Exhibits (a)(1)(A) and (a)(1)(B), respectively.

The information in the offer to purchase and the related letter of transmittal, copies of which are filed with this Schedule T0 as Exhibits (a)(1)(A) and (a)(1)(B), respectively, is incorporated in this Schedule T0 by reference in answer to Items 1 through 11 of Schedule T0.

Item 12. Exhibits.

- (a)(1)(A) Offer to Purchase, dated August 9, 2000
- (a)(1)(B) Letter of Transmittal
- (a)(1)(C) Notice of Guaranteed Delivery
- (a)(1)(D) Letter to brokers, dealers, commercial banks, trust companies and other nominees, dated August 9, 2000
- (a)(1)(E) Letter to clients for use by brokers, dealers, commercial banks, trust companies and other nominees
- (a)(1)(F) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9
- (a)(1)(G) Summary Advertisement, dated August 9, 2000
- (a)(2)-(4) Not applicable
- (a)(5)(A) Press Release, dated August 9, 2000
- (a)(5)(B) Letter to Shareholders from the Chairman and Chief Executive Officer of Hooker Furniture Corporation, dated August 9, 2000
- (b)(1) Form of Credit Agreement for ESOP Term Loan
- (b)(2) Commitment Letter, dated June 26, 2000, from SunTrust Bank, N.A.
- (b)(3) Forms of Bank Term Loan Documents
- (d)(1) Hooker Furniture Corporation Employee Stock Ownership Plan, Amendment and Restatement, effective as of January 1, 2000
- (d)(2) Trust Agreement for the Hooker Furniture Corporation Employee Stock Ownership Plan, effective as of August 1, 2000
- (g) Not applicable
- (h) Not applicable

Signature.

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust  
By: U.S. Trust Company, N.A., as  
Trustee

/s/ Michael E. Shea

By: \_\_\_\_\_

Name: Michael E. Shea

Title: Senior Vice President

Dated: August 9, 2000

OFFER TO PURCHASE FOR CASH

Up to 1,800,000 Shares of Common Stock, No Par Value

of

Hooker Furniture Corporation  
at

A Purchase Price of \$12.50 Per Share

by

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust

THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT  
5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 8, 2000,  
UNLESS THE TENDER OFFER IS EXTENDED.

The Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust") for the Hooker Furniture Corporation Employee Stock Ownership Plan (the "ESOP"), sponsored by Hooker Furniture Corporation, a Virginia corporation (the "Company" or "Hooker"), is offering to purchase for cash up to 1,800,000 shares of Hooker's common stock upon the terms and subject to the conditions set forth in this document and the related letter of transmittal (which together, as they may be amended and supplemented from time to time, constitute the tender offer). The ESOP Trust is inviting you to tender your shares at the price of \$12.50 per share, net to you in cash, without interest, upon the terms and subject to the conditions of the tender offer.

All shares properly tendered and not properly withdrawn will be purchased at the purchase price, on the terms and subject to the conditions of the tender offer, including the proration provisions. The ESOP Trust reserves the right, in its sole discretion, to purchase more than 1,800,000 shares in the tender offer, subject to applicable law. Shares not purchased because of proration provisions will not be purchased in the tender offer. Shares not purchased in the tender offer will be returned to the tendering shareholders at Hooker's expense as promptly as practicable after the expiration of the tender offer. See Section 1.

The tender offer is subject to certain conditions, including, among other things, that:

(1) There be validly tendered and not withdrawn before the expiration of the tender offer that number of shares of Hooker common stock which when combined with shares owned by the ESOP Trust would result in the ESOP Trust owning at least 30% of the shares of Hooker common stock issued and outstanding on the date of purchase, and

(2) After giving effect to the acceptance of shares validly tendered in the offer, Hooker will continue to have at least 300 shareholders of record.

See Section 6 of this offer to purchase for information regarding these conditions and the other conditions of the tender offer.

This offer to purchase is dated August 9, 2000.

At a meeting of Hooker's Board of Directors held on June 20, 2000, the Board declared a quarterly dividend of \$.085 per share payable on August 29, 2000 to shareholders of record on August 15, 2000. Shareholders tendering shares pursuant to the offer will continue to be shareholders of record until the shares are purchased in the offer. Accordingly, if you are the record holder on August 15, 2000, the record date for the regular dividend, tendering your shares will NOT prevent you from receiving the dividend because no shares will be purchased in the offer until after September 8, 2000.

The shares are not listed on any securities exchange or authorized to be quoted on Nasdaq or in any other inter-dealer quotation system of a registered national securities association. As of August 1, 2000, the latest date Hooker could obtain sale information before the date of the public announcement of the tender offer, the last reported sale price of the shares in the "over-the-counter" market reported to the National Association of Securities Dealers was \$9.13 on August 1, 2000. See Section 7 for additional information regarding reported sales prices for the shares.

Hooker's Board of Directors and U.S. Trust Company, N.A., the Trustee for the ESOP Trust (the "Trustee"), have approved the tender offer. However, neither Hooker's Board of Directors nor the Trustee makes any recommendation to you as to whether you should tender or refrain from tendering your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender. This tender offer is being made to all Hooker shareholders (excluding shares held by the ESOP Trust on behalf of ESOP participants), including shareholders who are directors, officers or beneficial owners of more than five percent of Hooker's common stock. Certain of Hooker's directors and executive officers, as well as certain beneficial owners of more than five percent of Hooker's common stock, have advised Hooker and the Trustee that they intend to tender shares in the tender offer.

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#### Important

If you wish to tender all or any part of your shares, you should either

(1) complete and sign a letter of transmittal, or a facsimile of it, according to the instructions in the letter of transmittal and mail or deliver it, together with any required signature guarantee and any other required documents, to First Union National Bank, the depository for the tender offer, and mail or deliver the certificates for the shares to the depository together with any other documents required by the letter of transmittal or (b) tender the shares according to the procedure for book-entry transfer described in Section 3, or

(2) request a broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you.

If your shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you should contact that person if you desire to tender your shares. If you desire to tender your shares and

(1) your certificates for the shares are not immediately available or cannot be delivered to the depository, or

(2) you cannot comply with the procedure for book-entry transfer, or

(3) your other required documents cannot be delivered to the depository by the expiration of the tender offer,

you must tender your shares according to the guaranteed delivery procedure described in Section 3.

To tender the shares properly, you must properly complete and duly execute the related letter of transmittal.

Questions and requests for assistance may be directed to Corporate Investor Communications, Inc., the information agent for the tender offer at the address and telephone number set forth on the back cover page of this document. Requests for additional copies of this document, the related letter of transmittal or the notice of guaranteed delivery may be directed to the information agent.

This offer to purchase contains information about Hooker, including without limitation, a description of Hooker's business, certain historical and pro forma financial information of Hooker, certain forward-looking information with respect to Hooker's business, and opinions of Hooker's management and Board of Directors. All such information and opinions about Hooker contained in this offer to purchase have been furnished to the Trustee by Hooker for this offer document. The Trustee makes no representation as to, and assumes no responsibility for, the accuracy or completeness of opinions or information provided by Hooker or the failure by Hooker to disclose information that may affect the accuracy of the information provided by Hooker, but which was unknown to the Trustee.

This offer to purchase, including the Summary Term Sheet and Sections 2, 6, 7, 8, 9, 10, 11, 12 and 14 contains certain statements that are not based on historical facts, but constitute forward-looking statements. Such forward-looking statements include statements relating to the consummation of the tender offer and the transactions contemplated thereby, including the related financing, and the effects of the tender offer on Hooker and its shareholders. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. The consummation of the tender offer and the transactions contemplated thereby, including the related financing, are subject to a number of significant conditions. These statements reflect Hooker'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. Hooker has identified a number of these factors in this offer to purchase as well as in its filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q which are incorporated in this offer to purchase by reference. You are referred to those reports for further information. See the information under the caption "Where You Can Find More Information Concerning Hooker" in Section 9 "Certain Information Concerning Hooker and the ESOP Trust" for information on where and how you can inspect or obtain copies of those reports.

In addition, the ESOP Trust has not authorized any person to make any recommendation on its behalf as to whether you should tender or refrain from tendering your shares in the tender offer. The ESOP Trust has not authorized any person to give any information or to make any representation in connection with the tender offer other than those contained in this document or in the related letter of transmittal. If given or made, any recommendation or any such information or representation must not be relied upon as having been authorized by the ESOP Trust.

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## SUMMARY TERM SHEET

The ESOP Trust is providing this summary term sheet for your convenience. It highlights the most material information in this document, but you should realize that it does not describe all of the details of the tender offer to the same extent described in this document. You are urged to read the entire document and the related letter of transmittal because they contain the full details of the tender offer. This summary includes references to the Sections of this document where you will find a more complete discussion.

Who is offering to purchase my shares?

The Hooker Furniture Corporation Employee Stock Ownership Plan Trust is offering to purchase your shares of Hooker common stock. The Trustee of the ESOP Trust is U.S. Trust Company, N.A. The Trustee has responsibility for the management of the ESOP Trust.

What will the purchase price for the shares be?

The ESOP Trust will purchase the shares at a price of \$12.50 per share. See Section 1.

How many shares will the ESOP Trust purchase?

The ESOP Trust will purchase the number shares of Hooker's common stock, such that when the shares purchased by the ESOP Trust are combined with shares already owned by the ESOP Trust, the ESOP Trust will own at least 30% of the shares of Hooker common stock issued and outstanding on the date of purchase. As of the date of this offer to purchase the ESOP Trust would need to purchase 1,720,920 shares in the tender offer to satisfy this condition. The ESOP Trust also expressly reserves the right to purchase additional shares. See Section 1. The tender offer is conditioned on a minimum number of shares being tendered. See Section 6.

How will the ESOP Trust pay for the shares?

The ESOP Trust will obtain all of the funds necessary to purchase shares tendered in the offer, by means of secured term loan from Hooker. In turn, Hooker will obtain such funds by means of an unsecured term loan up to \$22.5 million from SunTrust Bank, N.A. The tender offer is subject to the receipt by the ESOP Trust of financing from Hooker. See Section 8.

How long do I have to tender my shares?

You may tender your shares until the tender offer expires. The tender offer will expire on Friday, September 8, 2000, at 5:00 p.m., New York City time, unless the Trustee extends the tender offer. See Section 1. The Trustee may choose to extend the tender offer for any reason. See Section 15.

How will I be notified if the Trustee extends the tender offer?

The ESOP Trust will issue a press release by 9:00 a.m., New York City time, on the next business day after the last previously scheduled or announced expiration date if the Trustee decides to extend the tender offer. See Section 15.

Are there any conditions to the tender offer?

Yes. One condition is that there be validly tendered and not withdrawn before the expiration of the tender offer that number of shares of Hooker common stock which when combined with shares owned by the ESOP Trust would result in the ESOP Trust owning at least 30% of the shares of Hooker common stock issued and outstanding on the date of purchase. As of the date of this offer to purchase, a minimum of 1,720,920 shares would need to be validly tendered and not withdrawn to meet this condition. A second condition is that after giving effect to the acceptance of shares validly tendered in the offer, Hooker will continue to have at least 300

shareholders of record. A third condition is that the ESOP Trust obtain from Hooker financing to purchase the shares. A fourth condition is that the Trustee must receive a "bring-down" opinion from its financial advisor affirming its prior opinion concerning the tender offer. In addition, the tender offer is subject to conditions such as the absence of legal and governmental action prohibiting the tender offer and changes in general market conditions or Hooker's business that, in the judgment of the Trustee, are or may be materially adverse to the ESOP Trust or to Hooker. See Section 6.

How do I tender my shares?

To tender your shares, the following must occur prior to 5:00 p.m., New York City time, on Friday, September 8, 2000, unless the offer is extended:

- . you must deliver your share certificate(s) and a properly completed and duly executed letter of transmittal to the depository at the address appearing on the back cover page of this document; or
- . the depository must receive a confirmation of receipt of your shares by book-entry transfer and a properly completed and duly executed letter of transmittal; or
- . you must comply with the guaranteed delivery procedure.

You should contact the information agent for assistance in tendering your shares. See Section 3 and the instructions to the letter of transmittal.

Once I have tendered shares in the tender offer, can I withdraw my tender?

You may withdraw any shares you have tendered at any time before 5:00 p.m., New York City time, on Friday, September 8, 2000, unless the Trustee extends the tender offer. If the ESOP Trust has not accepted for payment the shares you have tendered to the ESOP Trust, you may also withdraw your shares after 12:00 Midnight, New York City time, on October 8, 2000. See Section 4.

How do I withdraw shares I previously tendered?

You must deliver on a timely basis a written, telegraphic or facsimile notice of your withdrawal to the depository at the address appearing on the back cover page of this document. Your notice of withdrawal must specify your name, the number of shares to be withdrawn and the name of the registered holder of such shares. Some additional requirements apply if the certificates for shares to be withdrawn have been delivered to the depository or if your shares have been tendered under the procedure for book-entry transfer set forth in Section 3. See Section 4.

Has Hooker's Board of Directors or the Trustee adopted a position on the tender offer?

Hooker's Board of Directors and the Trustee have approved the tender offer. However, neither Hooker's Board of Directors nor the Trustee makes any recommendation to you as to whether you should tender or refrain from tendering your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender. This tender offer is being made to all Hooker shareholders (excluding shares held by the ESOP Trust on behalf of ESOP participants), including shareholders who are directors, officers or beneficial owners of more than five percent of Hooker's common stock. Certain of Hooker's directors and executive officers, and certain beneficial owners of five percent or more of Hooker's common stock, have advised Hooker and the Trustee that they intend to tender shares in the tender offer. See Section 10.

When will the ESOP Trust pay for the shares I tender?

The ESOP Trust will pay the purchase price, net in cash, without interest, for the shares the ESOP Trust purchases as promptly as practicable after the expiration of the tender offer and the acceptance of the shares for payment. See Section 5.

Will I have to pay brokerage commissions if I tender my shares?

If you are a registered shareholder and you tender your shares directly to the depository, you will not incur any brokerage commissions. If you hold shares through a broker or bank, you are urged to consult your broker or bank to determine whether transaction costs are applicable. See Section 3.

If I tender shares will I still receive the dividend payable to shareholders of record on August 15, 2000?

Yes, if you are a record holder on August 15, 2000, the record date for the dividend, tendering shares will not prevent you from receiving the dividend.

What are the United States federal income tax consequences if I tender my shares?

Unless you are eligible to elect special tax treatment under Section 1042 of the Internal Revenue Code, as described below, you will have a taxable transaction for United States federal income tax purposes if you sell shares to the ESOP Trust. In general, you will have taxable gain or loss in an amount equal to the difference between your adjusted basis in the shares sold and the amount of cash that you receive for the shares. See Section 14.

What is the special tax treatment provided under Section 1042 of the Internal Revenue Code?

A feature of the offer that may be attractive to you is the opportunity for qualifying shareholders to defer taxation of the capital gains on the sale of their shares. You may qualify under Section 1042 of the Internal Revenue Code to defer paying tax on the gain from the sale of your shares to the ESOP Trust to the extent that you reinvest the sales proceeds in "qualified replacement property" and satisfy certain other requirements. If you meet these requirements, the gain that would have been taxed at the time of the sale is instead taxed at the time you dispose of the qualified replacement property. This tax treatment will apply only if you make an affirmative election for it to apply and a number of other requirements are met. If you are also a participant in the ESOP, and you make an election to have Section 1042 of the Internal Revenue Code apply to the sale of your shares, you and certain of your relatives and other related persons who participate in the ESOP (such as spouses, brothers and sisters, children, trust and estate beneficiaries and others) will be prohibited for a specified period of time from receiving allocations under the ESOP of shares purchased by the ESOP Trust in the tender offer. In addition, shareholders who own (directly or by attribution) more than 25% of Hooker's shares and who participate in the ESOP will be prohibited from receiving an allocation of shares purchased in the tender offer if any shareholder elects Section 1042 treatment. See Section 14.

Will I have to pay stock transfer tax if I tender my shares?

If you instruct the depository in the related letter of transmittal to make the payment for the shares to the registered holder, you will not incur any stock transfer tax. See Section 5.

Who can I talk to if I have questions?

The information agent can help answer your questions. The information agent is Corporate Investor Communications, Inc. The contact information for the information agent is set forth on the back cover page of this document.

## THE TENDER OFFER

### 1. Number of Shares; Proration.

General. Upon the terms and subject to the conditions described in this offer to purchase and in the letter of transmittal, the ESOP Trust will purchase up to 1,800,000 shares that are validly tendered on or prior to the expiration date of the offer, and not properly withdrawn in accordance with Section 4, at a price of \$12.50 per share. The later of 5:00 p.m., New York time, on Friday, September 8, 2000, or the latest time and date to which the offer is extended pursuant to Section 15, is referred to herein as the "expiration date." The proration period also expires on the expiration date.

The ESOP Trust reserves the right, in its sole discretion, to purchase more than 1,800,000 shares pursuant to the offer. See Section 15. In accordance with applicable regulations of the Securities and Exchange Commission (the "SEC"), the ESOP Trust may purchase pursuant to the offer an additional amount of shares not to exceed 2% of the outstanding shares without amending or extending the offer. Although the ESOP Trust has no intention to change the terms of the offer, if (i) the ESOP Trust increases or decreases the price to be paid for the shares, increases the number of shares being sought and such increase in the number of shares being sought exceeds 2% of the outstanding shares, or decreases the number of shares being sought; and (ii) the offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified in Section 15, the offer will be extended at least until the expiration of such period of ten business days.

This offer is conditioned on a minimum number of shares being tendered as well as certain other conditions. See Section 6.

Upon the terms and subject to the conditions described in this offer to purchase and in the letter of transmittal, the ESOP Trust will pay the \$12.50 purchase price for shares validly tendered and not withdrawn pursuant to this offer, taking into account the number of shares so tendered. All shares not purchased pursuant to this offer, including shares not purchased because of proration, will be returned to the tendering shareholders at Hooker's expense as promptly as practicable following the expiration date.

Upon the terms and subject to the conditions of this offer, if the required minimum number of shares (or such greater number of shares as the ESOP Trust may elect to purchase) have been properly tendered and not properly withdrawn on or prior to the expiration date, the ESOP Trust will purchase all such shares up to 1,800,000 shares.

Upon the terms and subject to the conditions of the tender offer, if more than the required minimum number of shares, or such greater number of shares as the ESOP Trust may elect to purchase, subject to applicable law, have been properly tendered and not properly withdrawn before the expiration date, the ESOP Trust will purchase all shares properly tendered and not properly withdrawn before the expiration date, on a pro rata basis (according to the number of shares tendered) with appropriate adjustments to avoid purchases of fractional shares, as described below.

Proration. If proration of tendered shares is required, the ESOP Trust will determine the proration factor as soon as practicable following the expiration date. Proration for each shareholder tendering shares shall be based on the ratio of the number of shares properly tendered and not properly withdrawn by such shareholder to the total number of shares properly tendered and not properly withdrawn by all shareholders. Because of the difficulty in determining the number of shares properly tendered, including shares tendered by guaranteed delivery procedures, as described in Section 3, and not properly withdrawn the ESOP Trust does not expect that it will be able to announce the final proration factor or commence payment for any shares purchased under the tender offer until seven to ten business days after the expiration date. The preliminary results of any proration will be announced by press release as promptly as practicable after the expiration date. Shareholders may

obtain preliminary proration information from the information agent and may be able to obtain such information from their brokers.

This offer to purchase and the related letter of transmittal will be mailed to record holders of shares and will be furnished to brokers, dealers, commercial banks and trust companies whose names, or the names of whose nominees, appear on Hooker's shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

## 2. Purpose of the Tender Offer; Material Effects of the Tender Offer.

### Purpose of the Tender Offer

The financial success of Hooker is dependent in large part on the efforts of its employees. The Hooker Board of Directors believes that the ESOP is an important and effective program for increasing the financial security of these employees, and providing them and their beneficiaries with retirement benefits. The Board of Directors also believes that there is not currently an orderly or viable market for Hooker's shares and, as a result, Hooker's shares are undervalued in the "over-the-counter" market. Hooker believes that the tender offer is a prudent use of its financial resources given its business profile, financial condition and current price in the "over-the-counter" market, and that financing the purchase of the shares by the ESOP Trust is an appropriate use of capital and an efficient means to provide liquidity and value to all of Hooker's shareholders and will further enhance the value of the ESOP to Hooker's employees.

Over the past two years, Hooker has considered various strategic alternatives with respect to maximizing shareholder value. See Section 10. During the course of its general shareholder relations efforts, several of Hooker's large shareholders have indicated their view that large share repurchases would be a preferable use of available resources to increase shareholder value.

The Board of Directors has determined that the Company's financial condition and outlook and current market conditions, including recent trading prices of the shares, make this an attractive time for the ESOP Trust to purchase a significant portion of the outstanding shares. In the view of Hooker, the offer represents an attractive investment for the ESOP Trust as well as an appropriate use of Hooker's cash that should benefit Hooker and its shareholders over the long term. Hooker believes that increased share ownership by the ESOP Trust will enhance Hooker's ability to recruit, retain and motivate its employees. In deciding to approve the offer, the Board of Directors took into account the expected financial impact of the offer on Hooker, including the increased ESOP Trust contributions and interest expense together with financial and operating constraints associated with the financing required to fund the offer, and the impact on Hooker's ability to make future contributions to the ESOP Trust. Hooker believes that its cash, short-term investments and access to credit facilities following the completion of the offer, together with its anticipated cash flow from operations, are adequate for its cash needs for normal operations and anticipated capital expenditures in the foreseeable future, and to sustain regular contributions to the ESOP Trust.

In order to achieve the potential benefits described below, the Board of Directors of Hooker directed the Trustee to consider the purchase of shares by the ESOP Trust in a tender offer, and the Trustee has determined, subject to reconfirmation prior to the closing of the tender offer, that the tender offer is in the interest of the ESOP participants and beneficiaries and that the ESOP Trust's purchase of shares is a prudent investment for the ESOP Trust. In reaching this conclusion, the Trustee has considered, among other things, its fiduciary duties under the Employee Retirement Income Security Act of 1974, as amended, and the stated purposes of the ESOP Trust. The Trustee has also reviewed, together with its financial and legal advisors, Hooker's financial statements, business and prospects, historical trading activity, as well as the tender offer and ESOP Term Loan documents (as defined in Section 8 below). The Trustee's decision, on behalf of the ESOP Trust, to purchase the shares pursuant to this tender offer is subject to the Trustee's financial advisor's bring-down opinion and the advice of its legal counsel with respect to the satisfaction of the other conditions to the offer. See Section 6 for a discussion of the conditions to the tender offer.

To date Hooker has expended approximately \$150,000, and additionally will take approximately \$300,000 of non-recurring pre-tax charges against earnings in the second half of 2000, principally for costs associated with the analysis and consideration of various strategic alternatives and costs associated with the tender by the ESOP Trust.

#### Potential Benefits of the Tender Offer

Hooker believes the tender offer may provide several benefits to the Company and its shareholders, including:

- . Because the shares are traded only on a limited basis in the "over-the-counter" market, the offer affords to those shareholders who desire liquidity an opportunity to sell all or a portion of their shares at a price of \$12.50 per share. The offer may give shareholders the opportunity to sell a larger number of shares than could likely be sold in the "over-the-counter" market at a price greater than the "over-the-counter" market prices reported prior to the announcement of the offer. See Section 7 for historical share price information. In addition, where shares are tendered by the registered owner of the shares directly to the depositary, the sale of those shares in the tender offer will permit the seller to avoid the usual transaction costs associated with open market sales.
- . Eligible shareholders may be permitted to defer paying tax on gains recognized in the sale of their shares under the tender offer if they can meet certain requirements. See Section 14.
- . The offer will permit the ESOP Trust to acquire a significant number of shares for future allocation under the ESOP and thus will enhance future share ownership by ESOP participants and their beneficiaries. The increased employee share ownership that will result from the purchase of shares by the ESOP Trust will be valuable in attracting, retaining and motivating employees. As a result of the tender offer Hooker will be able to provide significant employee share ownership benefits that are not currently offered by Hooker's competitors.
- . After the tender offer is completed, Hooker's financial condition, access to capital and outlook for continued favorable cash generation will allow Hooker to continue to pursue the development of its core business, including ongoing product development activities, important marketing initiatives, capital expenditures and strategic acquisitions.

Accordingly, the Board of Directors of Hooker believes that the tender offer is consistent with Hooker's long-term corporate goal of increasing shareholder value, and believes the tender offer will enhance the value of the ESOP to Hooker's employees. The Trustee of the ESOP Trust has independently determined that the tender offer is in the interests of the ESOP participants and beneficiaries. Shareholders who do not participate in the tender offer will experience no change in their relative equity interest in Hooker, and thus will experience no change in their share in Hooker's future earnings and assets.

#### Potential Risks and Disadvantages of the Tender Offer

Hooker believes the tender offer also presents some potential risks and disadvantages to Hooker and its continuing shareholders, including:

- . Hooker will incur significant additional indebtedness in order to fund the ESOP Trust's purchase of the tendered shares. In connection with the tender offer, Hooker will enter into a term loan for approximately \$22.5 million. Hooker, in turn, will lend the proceeds of this loan to the ESOP Trust to

fund the purchase of the tendered shares. See Section 8 for a discussion of the financing of the tender offer. If the tender offer is fully subscribed, Hooker's ratio of earnings to fixed charges will decrease materially. See Section 9 "Selected Pro Forma Financial Data". Hooker cannot determine whether the market for Hooker's common stock or other third party perceptions of Hooker will be adversely affected by the additional indebtedness. Hooker's higher leverage will also result in its continuing shareholders bearing a higher risk in the event of future losses or earnings reductions.

- . The summary pro forma financial data contained in Section 9 shows that Hooker's interest expense for fiscal year 1999 on a pro forma basis would have been approximately \$2.4 million compared to its actual interest expense for fiscal year 1999 of approximately \$647,000, thereby reducing its available cash for normal operations, capital expenditures and other growth initiatives.
- . For financial reporting purposes, Hooker will incur an additional non-cash compensation expense each year resulting from the allocation to ESOP participants of shares acquired through the tender offer by the ESOP Trust. Shares acquired by the ESOP Trust in the tender offer will be allocated to ESOP participants over the term of the ESOP Term Loan (See Section 8 "Source and Amount of Funds" for a description of the ESOP Term Loan) as principal and interest payments are made on that loan. The summary pro forma financial data contained in Section 9 reflects additional compensation expense of approximately \$1.8 million for fiscal year 1999 on a pro forma basis.
- . The acquisition of additional shares by the ESOP Trust will, over time, significantly increase Hooker's "repurchase obligation" (as defined below) under the ESOP. ESOP participants and beneficiaries can receive distributions of their vested ESOP benefits in the form of Hooker shares. In addition, participants and beneficiaries have a "put" right pursuant to which they can require Hooker to repurchase their shares during the 60-day period following such distribution of their shares from the ESOP Trust, or during an additional 60-day period in the following year. The purchase may be made by the ESOP Trust if Hooker consents and the Trustee deems the purchase appropriate. The purchase price for the shares must be their then current fair market value, as determined by an independent appraiser. However, for a specified period following the tender offer, Hooker (but not the ESOP Trust) may, in its discretion, make purchases from such ESOP participants or beneficiaries at a price that is not less than \$17.95, which is the fair market value determined by an independent appraiser the year immediately preceding the year of the tender offer. The obligation of Hooker and the ESOP Trust to repurchase participants' and beneficiaries' shares pursuant to this put right is generally referred to as a "repurchase obligation." Because the shares acquired in the tender offer will be allocated to ESOP participants over the term of the ESOP Term Loan (See Section 8 "Source and Amount of Funds" for a description of the ESOP Term Loan) and because Hooker has little control over when ESOP participants and beneficiaries will receive distributions or whether they will exercise their put rights, it is difficult to predict the impact of the increased repurchase obligation in any particular year. However, it is expected that the repurchase obligation will result in a substantial additional aggregate liability over time.
- . Hooker has or will incur one-time charges of approximately \$450,000 before taxes in connection with the tender offer. See Section 9.
- . Since shares purchased in the tender offer will be owned by the ESOP Trust, the tender offer will reduce Hooker's "public float" (the number of shares owned by non-affiliate shareholders and available for trading in the "over-the-counter" securities market). This reduction in Hooker's public float, combined with higher leverage, may result in lower stock prices or reduced liquidity in the trading market for its common stock following the completion of the tender offer.

Neither Hooker's Board of Directors nor the Trustee makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares. Neither Hooker's Board of Directors nor the Trustee has authorized any person to make any such recommendation. Shareholders should carefully evaluate all information in the tender offer, should consult their own investment and tax advisors, and

should make their own decisions about whether to tender shares and, if so, how many shares to tender. Hooker and the Trustee have been informed that certain of Hooker's directors and executive officers, as well as certain beneficial owners of five percent or more of Hooker's common stock, intend to tender shares in the tender offer.

This offer to purchase contains information about Hooker, including without limitation, a description of Hooker's business, certain historical and pro forma financial information of Hooker, certain forward-looking information with respect to Hooker's business and opinions of Hooker's management and Board of Directors. All such information and opinions about Hooker contained in this offer to purchase have been furnished to the Trustee by Hooker for this offer document. The Trustee makes no representation or warranty to recipients of this offer as to the accuracy of such information or opinions.

Hooker or the ESOP Trust may in the future purchase additional shares of common stock on the open market, in private transactions, through tender offers or otherwise. Any additional purchases may be on the same terms or on terms that are more or less favorable to shareholders than the terms of the tender offer. However, SEC Rule 14e-5 prohibits the ESOP Trust and its affiliates from purchasing any shares, other than pursuant to the tender offer, until the expiration date of the tender offer, except pursuant to certain limited exceptions provided in Rule 14e-5.

### 3. Procedures for Tendering Shares.

Proper Tender of Shares. For shares to be tendered properly under the tender offer, (1) the certificates for such shares (or confirmation of receipt of such shares under the procedure for book-entry transfer set forth below), together with a properly completed and duly executed letter of transmittal (or a manually signed facsimile thereof), including any required signature guarantees, or an "agent's message" (as defined below), and any other documents required by the letter of transmittal, must be received before 5:00 p.m., New York City time, on the expiration date by the depository at its address set forth on the back cover page of this document or (2) the tendering shareholder must comply with the guaranteed delivery procedure set forth below.

Shareholders who hold shares through brokers or banks are urged to consult the brokers or banks to determine whether transaction costs are applicable if shareholders tender shares through the brokers or banks and not directly to the depository.

Signature Guarantees and Method of Delivery. No signature guarantee is required: (1) if the letter of transmittal is signed by the registered holder of the shares (which term, for purposes of this Section 3, shall include any participant in The Depository Trust Company, referred to as the "book-entry transfer facility", whose name appears on a security position listing as the owner of the shares) tendered therewith and such holder has not completed either the box captioned "Special Delivery Instructions" or the box captioned "Special Payment Instructions" on the letter of transmittal; or (2) if shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or a bank, broker, dealer, credit union, savings association or other entity which is an "eligible guarantor institution", as such term is defined in Rule 17Ad-15 under the Exchange Act. See Instruction 1 of the letter of transmittal. If a certificate for shares is registered in the name of a person other than the person executing a letter of transmittal, or if payment is to be made to a person other than the registered holder, then the certificate must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name of the registered holder appears on the certificate, with the signature guaranteed by an eligible guarantor institution.

Payment for shares tendered and accepted for payment under the tender offer will be made only after timely receipt by the depository of certificates for such shares or a timely confirmation of the book-entry transfer of such shares into the depository's account at the book-entry transfer facility as described above, a properly completed and duly executed letter of transmittal or a manually signed facsimile thereof, or an agent's

message in the case of a book-entry transfer, and any other documents required by the letter of transmittal. The method of delivery of all documents, including certificates for shares, the letter of transmittal and any other required documents, is at the election and risk of the tendering shareholder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended.

**Book-Entry Delivery.** The depositary will establish an account with respect to the shares for purposes of the tender offer at the book-entry transfer facility within two business days after the date of this document, and any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of the shares by causing the book-entry transfer facility to transfer shares into the depositary's account in accordance with the book-entry transfer facility's procedures for transfer. Although delivery of shares may be effected through a book-entry transfer into the depositary's account at the book-entry transfer facility, either (1) a properly completed and duly executed letter of transmittal or a manually signed facsimile thereof with any required signature guarantees, or an agent's message, and any other required documents must, in any case, be transmitted to and received by the depositary at its address set forth on the back cover page of this document before the expiration date or (2) the guaranteed delivery procedure described below must be followed. Delivery of the letter of transmittal and any other required documents to the book-entry transfer facility does not constitute delivery to the depositary.

The term "agent's message" means a message transmitted by the book-entry transfer facility to, and received by, the depositary, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the shares that such participant has received and agrees to be bound by the terms of the letter of transmittal and that the ESOP Trust may enforce such agreement against such participant.

**Federal Backup Withholding Tax.** Under the United States federal backup withholding tax rules, 31% of the gross proceeds payable to a shareholder or other payee under the tender offer must be withheld and remitted to the United States Treasury, unless the shareholder or other payee provides such person's taxpayer identification number (employer identification number or social security number) to the depositary and certifies under penalties of perjury that such number is correct or otherwise establishes an exemption. If the depositary is not provided with the correct taxpayer identification number or another adequate basis for exemption, the holder may be subject to certain penalties imposed by the Internal Revenue Service. Therefore, each tendering shareholder should complete and sign the Substitute Form W-9 included as part of the letter of transmittal in order to provide the information and certification necessary to avoid backup withholding, unless such shareholder otherwise establishes to the satisfaction of the depositary that the shareholder is not subject to backup withholding. Specified shareholders (including, among others, all corporations and certain foreign shareholders (in addition to foreign corporations)) are not subject to these backup withholding and reporting requirements rules. In order for a foreign shareholder to qualify as an exempt recipient, that shareholder must submit an IRS Form W-8 or a Substitute Form W-8, signed under penalties of perjury, attesting to that shareholder's exempt status. The applicable form can be obtained from the Information Agent. See Instructions 10 and 11 of the related letter of transmittal.

To prevent federal backup withholding tax equal to 31% of the gross payments made to shareholders for shares purchased under the tender offer, each shareholder who does not otherwise establish an exemption from such withholding must provide the depositary with the shareholder's correct taxpayer identification number and provide other information by completing the Substitute Form W-9 included with the letter of transmittal.

For a discussion of United States federal income tax consequences to tendering shareholders, see Section 14.

**Federal Income Tax Withholding on Foreign Shareholders.** Even if a foreign shareholder has provided the required certification as described in the preceding paragraph to avoid backup withholding, the depositary will withhold United States federal income taxes at a rate of 30% of the gross payment payable to a foreign shareholder or his or her agent unless the depositary determines that an exemption from, or a reduced rate of,

withholding tax is available under a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business of the foreign shareholder within the United States. In order to obtain a reduced rate of withholding under a tax treaty, a foreign shareholder must deliver to the depository before the payment a properly completed and executed IRS Form 1001 or W-8BEN. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid under the tender offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the depository a properly completed and executed IRS Form 4224 or W-8ECI. A foreign shareholder may be eligible to obtain a refund of all or a portion of any tax withheld if such shareholder is able to establish that no withholding or a reduced amount of withholding is due. Federal backup withholding generally will not apply to amounts subject to the 30% or a treaty-reduced rate of federal income tax withholding.

Foreign shareholders are urged to consult their tax advisors regarding the application of United States federal income tax withholding, including eligibility for a reduction of or an exemption from withholding tax, and the refund procedure. See instructions 10 and 11 of the letter of transmittal.

**Guaranteed Delivery.** If a shareholder desires to tender shares under the tender offer and the shareholder's share certificates are not immediately available or cannot be delivered to the depository before the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, or if time will not permit all required documents to reach the depository before the expiration date, the shares may nevertheless be tendered, provided that all of the following conditions are satisfied:

- (a) the tender is made by or through an eligible guarantor institution;
- (b) the depository receives by hand, mail, overnight courier, telegram or facsimile transmission, before the expiration date, a properly completed and duly executed notice of guaranteed delivery in the form the ESOP Trust has provided with this document, including (where required) a signature guarantee by an eligible guarantor institution in the form set forth in such notice of guaranteed delivery; and
- (c) the certificates for all tendered shares, in proper form for transfer, or confirmation of book-entry transfer of such shares into the depository's account at the book-entry transfer facility, together with a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, and any required signature guarantees, or an agent's message, or other documents required by the letter of transmittal, are received by the depository within three business days after the date of receipt by the depository of the notice of guaranteed delivery.

**Return of Unpurchased Shares.** If any tendered shares are not purchased under the tender offer or are properly withdrawn before the expiration date, or if less than all shares evidenced by a shareholder's certificates are tendered, certificates for unpurchased shares will be returned as promptly as practicable after the expiration or termination of the tender offer or the proper withdrawal of the shares, as applicable, or, in the case of shares tendered by book-entry transfer at the book-entry transfer facility, the shares will be credited to the appropriate account maintained by the tendering shareholder at the book-entry transfer facility, in each case without expense to the shareholder.

**Determination of Validity; Rejection of Shares; Waiver of Defects; No Obligation to Give Notice of Defects.** All questions as to the number of shares to be accepted and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of shares will be determined by the ESOP Trust, in its sole discretion, and its determination will be final and binding on all parties. The ESOP Trust reserves the absolute right to reject any or all tenders of any shares that it determines are not in proper form or the acceptance for payment of or payment for which the ESOP Trust determines may be unlawful. The ESOP Trust also reserves the absolute right to waive any of the conditions of the tender offer or any defect or irregularity in any tender with respect to any particular shares or any particular shareholder and the ESOP Trust's interpretation of the terms of the tender offer will be final and binding on all parties. No tender of shares will be deemed to have been properly made until all defects or irregularities have been cured by the tendering shareholder or waived by the ESOP Trust. None of the ESOP Trust, the depository, the information agent or

any other person will be under any duty to give notification of any defects or irregularities in any tender or incur any liability for failure to give any such notification.

Tendering Shareholder's Representation and Warranty; ESOP Trust's Acceptance Constitutes an Agreement. A tender of shares under any of the procedures described above will constitute the tendering shareholder's acceptance of the terms and conditions of the tender offer, as well as the tendering shareholder's representation and warranty to the ESOP Trust that (1) the shareholder has a net long position in the shares or equivalent securities at least equal to the shares tendered within the meaning of Rule 14e-4 under the Exchange Act and (2) the tender of shares complies with Rule 14e-4. It is a violation of Rule 14e-4 for a person, directly or indirectly, to tender shares for that person's own account unless, at the time of tender and at the end of the proration period or period during which shares are accepted by lot (including any extensions thereof), the person so tendering (1) has a net long position equal to or greater than the amount tendered in (x) the subject securities or (y) securities immediately convertible into, or exchangeable or exercisable for, the subject securities and (2) will deliver or cause to be delivered the shares in accordance with the terms of the tender offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. The ESOP Trust's acceptance for payment of shares tendered under the tender offer will constitute a binding agreement between the tendering shareholder and the ESOP Trust upon the terms and conditions of the tender offer.

Lost or Destroyed Certificates. Shareholders whose certificate for part or all of their shares have been lost, stolen, misplaced or destroyed may contact First Union National Bank, the transfer agent for Hooker's shares, at (800) 829-8432, for instructions as to obtaining a replacement certificate. That certificate will then be required to be submitted together with the letter of transmittal in order to receive payment for shares that are tendered and accepted for payment. A bond may be required to be posted by the shareholder to secure against the risk that the certificates may be subsequently recirculated. Shareholders are urged to contact First Union National Bank immediately in order to permit timely processing of this documentation and to determine if the posting of a bond is required.

Certificates for shares, together with a properly completed and duly executed letter of transmittal or facsimile thereof, or an agent's message, and any other documents required by the letter of transmittal, must be delivered to the depository and not to the ESOP Trust, Hooker or the information agent. Any such documents delivered to the ESOP Trust, Hooker or the information agent will not be forwarded to the depository and therefore will not be deemed to be properly tendered.

#### 4. Withdrawal Rights.

Except as otherwise provided in this Section 4, tenders of shares under the tender offer are irrevocable. Shares tendered under the tender offer may be withdrawn at any time before the expiration date and, unless theretofore accepted for payment by the ESOP Trust under the tender offer, may also be withdrawn at any time after 12:00 midnight, New York City time, on October 8, 2000.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the depository at its address set forth on the back cover page of this document. Any such notice of withdrawal must specify the name of the tendering shareholder, the number of shares to be withdrawn and the name of the registered holder of such shares. If the certificates for shares to be withdrawn have been delivered or otherwise identified to the depository, then, before the release of such certificates, the serial numbers shown on such certificates must be submitted to the depository and the signature(s) on the notice of withdrawal must be guaranteed by an eligible guarantor institution, unless such shares have been tendered for the account of an eligible guarantor institution.

If shares have been tendered under the procedure for book-entry transfer set forth in Section 3, any notice of withdrawal also must specify the name and the number of the account at the book-entry transfer facility to be credited with the withdrawn shares and must otherwise comply with such book-entry transfer facility's

procedures. All questions as to the form and validity (including the time of receipt) of any notice of withdrawal will be determined by the ESOP Trust, in its sole discretion, whose determination will be final and binding. None of the ESOP Trust, the depositary, the information agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Withdrawals may not be rescinded and any shares properly withdrawn will thereafter be deemed not properly tendered for purposes of the tender offer unless the withdrawn shares are properly re-tendered before the expiration date by following one of the procedures described in Section 3.

If the ESOP Trust extends the tender offer, is delayed in its purchase of shares or is unable to purchase shares under the tender offer for any reason, then, without prejudice to the ESOP Trust's rights under the tender offer, the depositary may, subject to applicable law, retain tendered shares on behalf of the ESOP Trust, and such shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described in this Section 4.

#### 5. Purchase of Shares and Payment of Purchase Price.

Upon the terms and subject to the conditions of the tender offer, as promptly as practicable following the expiration date, the ESOP Trust will accept for payment and pay for, and thereby purchase, shares properly tendered and not properly withdrawn before the expiration date. For purposes of the tender offer, the ESOP Trust will be deemed to have accepted for payment and therefore to have purchased shares that are properly tendered and not properly withdrawn, subject to the proration provisions of the tender offer, only when, as and if it gives oral or written notice to the depositary of its acceptance of the shares for payment under the tender offer.

Upon the terms and subject to the conditions of the tender offer, as promptly as practicable after the expiration date, the ESOP Trust will accept for payment and pay \$12.50 per share for up to 1,800,000 shares, subject to increase or decrease as provided in Section 15, if properly tendered and not properly withdrawn.

The ESOP Trust will pay for shares purchased under the tender offer by depositing the aggregate purchase price for such shares with the depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the ESOP Trust and transmitting payment to the tendering shareholders.

In the event of proration, the ESOP Trust will determine the proration factor and pay for those tendered shares accepted for payment as soon as practicable after the expiration date; however, the ESOP Trust does not expect to be able to announce the final results of any proration and commence payment for shares purchased until approximately seven to ten business days after the expiration date. Certificates for all shares tendered and not purchased, including shares not purchased due to proration, will be returned to the tendering shareholder, or, in the case of shares tendered by book-entry transfer, will be credited to the account maintained with the book-entry transfer facility by the participant therein who so delivered the shares, at Hooker's expense as promptly as practicable after the expiration date or termination of the tender offer without expense to the tendering shareholders. Under no circumstances will interest on the purchase price be paid by the ESOP Trust regardless of any delay in making such payment. In addition, if certain events occur, the ESOP Trust may not be obligated to purchase shares under the tender offer. See Section 6.

Hooker will pay all stock transfer taxes, if any, payable on the transfer to the ESOP Trust of shares purchased under the tender offer. If, however, payment of the purchase price is to be made to any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person signing the letter of transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder or the other person), payable on account of the transfer to the person will be deducted from the purchase price unless satisfactory evidence of the payment of the stock transfer taxes, or exemption therefrom, is submitted. See Instruction 6 of the letter of transmittal.

Any tendering shareholder or other payee who fails to complete fully, sign and return to the depository the substitute Form W-9 included with the letter of transmittal may be subject to federal income tax backup withholding of 31% of the gross proceeds paid to the shareholder or other payee under the tender offer. See Section 3. Also see Section 14 regarding United States federal income tax consequences for foreign shareholders.

#### 6. Conditions of the Tender Offer.

Notwithstanding any other provision of the tender offer, the ESOP Trust will not be required to accept for payment, purchase or pay for any shares tendered, and may terminate or amend the tender offer or may postpone the acceptance for payment of, or the purchase of and the payment for shares, tendered if at any time on or after August 9, 2000 and before the expiration date any of the following events shall have occurred (or shall have been determined by the ESOP Trust to have occurred) that, in the ESOP Trust's judgment and regardless of the circumstances giving rise to the event or events (including any action or omission to act by the ESOP Trust), makes it inadvisable to proceed with the tender offer or with acceptance for payment:

- (a) there shall not have been validly tendered and not withdrawn before the expiration date, a number of shares which, when combined with the shares owned by the ESOP Trust, would result in the ESOP Trust owning at least 30% of the shares issued and outstanding on the date of purchase;
- (b) as of the expiration date, and after giving effect to the acceptance of shares validly tendered, Hooker would not continue to have at least 300 shareholders of record or the ESOP Trust determines that the completion of the tender offer and the purchase of the shares may otherwise cause the shares to be eligible for deregistration under the Exchange Act;
- (c) the ESOP Trust shall not have received adequate financing from Hooker to pay for the shares validly tendered;
- (d) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that directly or indirectly (i) challenges the making of the tender offer, the acquisition of some or all of the shares under the tender offer or otherwise relates in any manner to the tender offer or (ii) in the ESOP Trust's judgment, could materially and adversely affect the business, condition (financial or other), income, operations or prospects of Hooker, or otherwise materially impair in any way the contemplated future conduct of the business of Hooker or materially impair the contemplated benefits of the tender offer to the ESOP Trust;
- (e) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the tender offer or Hooker or any of its subsidiaries, by any court or any authority, agency or tribunal that, in the ESOP Trust's judgment, would or might directly or indirectly
  - . make the acceptance for payment of, or payment for, some or all of the shares illegal or otherwise restrict or prohibit completion of the tender offer,
  - . delay or restrict the ability of the ESOP Trust, or render the ESOP Trust unable, to accept for payment or pay for some or all of the shares,
  - . materially impair the contemplated benefits of the tender offer to the ESOP Trust or
  - . materially and adversely affect the business, condition (financial or other), income, operations or prospects of Hooker and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of Hooker or any of its subsidiaries;

(f) there shall have occurred

- . any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States,
- . the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States,
- . the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any of its territories,
- . any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event, or any disruption or adverse change in the financial or capital markets generally, that, in the ESOP Trust's judgment, might affect, the extension of credit by banks or other lending institutions in the United States,
- . any change in the general political, market, economic or financial conditions in the United States that could, in the judgment of the ESOP Trust, have a material adverse effect on Hooker's business, operations or prospects, or
- . in the case of any of the foregoing existing at the time of the commencement of the tender offer, a material acceleration or worsening thereof;

(g) a tender offer or exchange offer for any or all of the shares (other than this tender offer), or any merger, business combination or other similar transaction with or involving Hooker or any subsidiary, shall have been proposed, announced or made by any person;

(h) (i) any entity, "group" (as that term is used in Section 13(d)(3) of the Exchange Act) or person shall have acquired or proposed to acquire beneficial ownership of more than 5% of the outstanding shares (other than any such person, entity or group who has filed a Schedule 13D or Schedule 13G with the SEC on or before August 9, 2000), (ii) any such entity, group or person who has filed a Schedule 13D or Schedule 13G with the SEC on or before August 9, 2000 shall have acquired or proposed to acquire beneficial ownership of an additional 2% or more of the outstanding shares or (iii) any person, entity or group shall have filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or made a public announcement reflecting an intent to acquire Hooker or any of its assets or securities;

(i) any change or changes shall have occurred in the business, financial condition, assets, income, operations, prospects or stock ownership of Hooker or its subsidiaries that, in the ESOP Trust's judgment, is or may be material and adverse to Hooker; or

(j) the Trustee shall not have received from Houlihan Lokey Howard & Zukin Financial Advisors, Inc., its financial advisor, a "bring-down" opinion affirming, as of the closing date, Houlihan Lokey Howard & Zukin's prior opinion dated August 4, 2000 that the consideration to be paid by the ESOP Trust is not greater than "adequate consideration" (defined as "fair market value"), that the terms and conditions, including the interest rate, of the ESOP Term Loan (as defined in Section 8, below) are fair and reasonable to the ESOP Trust from a financial point of view, assuming that the economic terms of the ESOP Term Loan are substantially identical to those set forth in Section 8 "Source and Amount of Funds," and that the proposed transaction is fair to the ESOP Trust from a financial point of view.

The foregoing conditions are for the sole benefit of the ESOP Trust and may be asserted by the ESOP Trust regardless of the circumstances (including any action or inaction by the ESOP Trust) giving rise to any such condition, and, except for conditions set forth in paragraphs (a) and (b) above, may be waived by the ESOP Trust, in whole or in part, at any time and from time to time in its sole discretion. The ESOP Trust's failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

Any determination or judgment by the ESOP Trust concerning the events described above will be final and binding on all parties.

7. Price Range of Shares; Dividends.

The table below sets forth the high and low sales prices per share for Hooker's common stock for the periods indicated as reported to the National Association of Securities Dealers, Inc. (the "NASD") by the NASD's member firms. Hooker's common stock is not listed for trading on any securities exchange or on Nasdaq or in any other inter-dealer quotation system of a registered national securities association and there is no established public trading market for Hooker's common stock. The stock price information reported in the tables below represents a limited number of transactions in Hooker's common stock in the "over-the counter" market during the periods indicated.

	High	Low
	-----	-----
2000		
First Quarter.....	\$13.50	\$11.00
Second Quarter.....	12.50	8.00
Third Quarter (through August 1).....	10.00	8.00
1999		
First Quarter.....	\$15.75	\$13.00
Second Quarter.....	15.13	12.00
Third Quarter.....	15.00	11.00
Fourth Quarter.....	14.50	9.00
1998		
First Quarter.....	\$15.00	\$12.50
Second Quarter.....	17.00	13.88
Third Quarter.....	16.88	12.50
Fourth Quarter.....	16.00	11.50

Hooker pays quarterly dividends on its common stock on or about the last day of February, May, August and November, when declared by the Board of Directors, to shareholders of record approximately two weeks earlier. Although Hooker presently intends to declare cash dividends at historical levels on a quarterly basis for the foreseeable future, the determination as to the payment and the amount of any future dividends will be made by the Board of Directors from time to time and will depend on Hooker's then current financial condition, capital requirements, results of operations and any other factors then deemed relevant by the Board of Directors. The following table sets forth the dividends per share paid by Hooker with respect to its common stock during Hooker's two most recent fiscal years and the first and second quarters of fiscal 2000:

	2000	1999	1998
	-----	-----	-----
First Quarter.....	\$0.085	\$0.075	\$0.070
Second Quarter.....	0.085	0.075	0.070
Third Quarter.....		0.075	0.070
Fourth Quarter.....		0.075	0.070

All per share information reflected above has been adjusted to reflect a two-for-one stock split distributed in the form of a stock dividend on January 31, 2000.

At a meeting of Hooker's Board of Directors held on June 20, 2000, the Board declared a quarterly dividend of \$.085 per share payable on August 29, 2000 to shareholders of record on August 15, 2000. Shareholders tendering shares pursuant to the offer will continue to be shareholders of record until the shares are purchased in the offer. Accordingly, if you are the record holder on August 15, 2000, the record date for the regular dividend, tendering your shares will NOT prevent you from receiving the dividend because no shares will be purchased in the offer until after September 8, 2000.

As of August 1, 2000, the latest trading day Hooker could obtain sale information before the date of announcement of the tender offer, the last sale of shares reported to the NASD was \$9.13 on August 1, 2000.

#### 8. Source and Amount of Funds.

Assuming that 1,800,000 shares are tendered and not withdrawn, the aggregate purchase price will be \$22.5 million. The ESOP Trust and Hooker expect that their collective fees and expenses for the offer will be approximately \$450,000. The fees and expenses incurred by the ESOP Trust and Hooker in connection with the tender offer will be paid by Hooker.

The ESOP Trust will obtain all of the funds necessary to fund the purchase of the shares in the offer by means of a secured term loan from Hooker of up to \$22.5 million (the "ESOP Term Loan"). The ESOP Trust does not have alternative financing arrangements or plans in the event that the financing to be provided by Hooker is not available, and the ESOP Trust's obligation to purchase or pay for any shares tendered is subject to the condition that Hooker provide the funds necessary to fund the purchase of the shares. See Section 6. The ESOP Trust intends to repay amounts borrowed under the ESOP Term Loan from dividends paid to the ESOP Trust with respect to shares of Hooker common stock acquired by the ESOP Trust with the proceeds of the ESOP Term Loan, dividends on certain other shares allocated to plan participants and benefit plan contributions made by Hooker to the ESOP Trust.

Hooker anticipates that it will obtain all of the funds necessary to fund the purchase by the ESOP Trust of the shares tendered in the offer, as well as to pay Hooker's and the ESOP Trust's related fees and expenses, by means of (1) a senior unsecured bank term loan of up to \$22.5 million (the "Bank Term Loan") and (2) available cash. The availability of funds under the Bank Term Loan is subject to the satisfaction or waiver of certain conditions, as summarized below. While it is Hooker's expectation that those conditions will be satisfied, such conditions are not all within Hooker's control, and there can be no assurance that the conditions will be satisfied. Hooker intends to repay amounts borrowed under the Bank Term Loan from available cash flow as payments come due under the Bank Term Loan.

The Bank Term Loan is to be established pursuant to a commitment letter, dated June 26, 2000 (the "Commitment Letter"), from SunTrust Bank, N.A. ("SunTrust"). SunTrust has committed, subject to the terms and conditions of the Commitment Letter, to provide the full \$22.5 million of the Bank Term Loan. Hooker has substantially negotiated the definitive documentation for the Bank Term Loan (the "Bank Term Loan Documents") which is expected to be executed by Hooker and SunTrust upon the successful consummation of the tender offer. Capitalized terms used in connection with describing the terms of the Bank Term Loan that are not otherwise defined in this offer to purchase will have the meanings given to them in the Bank Term Loan Documents.

SunTrust's commitments are subject, in its discretion, to certain conditions precedent, including without limitation the conditions described below under the caption "General Description of Bank Term Loan--Conditions to Funding". Hooker does not have alternative financing arrangements or plans in the event that the financing contemplated by the Commitment Letter is not available. However, Hooker believes that it will be able to obtain alternative financing on commercially reasonable terms if financing pursuant to the SunTrust Commitment Letter is not available.

#### General Description of the ESOP Term Loan

The ESOP Term Loan is expected to consist of a secured term loan up to \$22.5 million maturing on the twenty-fifth anniversary of the date on which the ESOP Trust pays for shares accepted in the tender offer and the funding occurs. The ESOP Trust will be required to make quarterly interest payments, minimum annual principal payments in the amount of \$600,000 and additional mandatory reductions in principal outstanding such that the maximum principal outstanding is \$18.9 million at January 1, 2004, \$15.3 million at January 1, 2008, \$11.7 million at January 1, 2012, \$8.1 million at January 1, 2016, \$4.5 million at January 1, 2020 and \$0.9 million at January 1, 2024.

Interest Rate for ESOP Term Loan. The ESOP Term Loan will bear interest during the term of the loan at a fixed rate equal to 8.0% per annum payable quarterly.

Voluntary Prepayments under ESOP Term Loan. The ESOP Term Loan may be prepaid in whole or in part without premium or penalty.

Security. The ESOP Term Loan will be secured by a pledge of the "unallocated shares" of Hooker common stock held by the ESOP Trust. "Unallocated shares" means shares that have not been allocated to ESOP participants' accounts pursuant to the terms of the ESOP.

Representations, Warranties, Covenants and Events of Default. The ESOP Term Loan will contain certain representations and warranties, affirmative covenants, negative covenants, conditions and events of default that are customarily required for similar financings and will be non-recourse to the ESOP Trust. Such covenants and events of default will include restrictions and limitations on encumbrances, debt, use of proceeds, compliance with laws and other restrictions and limitations.

The foregoing description is qualified in its entirety by reference to the form of the Credit Agreement between Hooker and the ESOP Trust for the ESOP Term Loan, a copy of which is filed as an exhibit to the Schedule TO in which this document has been filed with the SEC and is incorporated herein by reference.

#### General Description of Bank Term Loan

Pursuant to the Commitment Letter and the Bank Term Loan Documents, the Bank Term Loan is expected to consist of a senior unsecured term loan up to \$22.5 million maturing on the tenth anniversary of the date on which the ESOP Trust pays for shares accepted in the tender offer and the funding occurs. The Bank Term Loan will be drawn on only one time and will be used to finance the tender offer. The Bank Term Loan will be amortized in equal quarterly installments.

Interest Rate for Bank Term Loan. The Bank Term Loan will bear interest during the term of the loan at a variable rate equal to one-month LIBOR plus 0.375%. The interest rate on the Bank Term Loan will be reset monthly. If an Event of Default (as that term will be defined in the Bank Term Loan Documents) occurs and is continuing, the applicable interest rate will be equal to the then applicable rate of interest plus 2.00% per annum.

Voluntary Prepayments under Bank Term Loan. The Bank Term Loan may be prepaid in whole or in part without premium or penalty.

Negative Pledge under Bank Term Loan. The Bank Term Loan will be unsecured, however, all of Hooker's real and personal property will be subject to a negative pledge. The negative pledge will prohibit Hooker, subject to certain exceptions, from (i) creating or permitting any Lien on Hooker's real or personal property or (ii) selling or otherwise transferring any of its real or personal property.

Representations, Warranties, Covenants and Events of Default. The Bank Term Loan will contain certain representations and warranties, affirmative covenants, negative covenants, conditions and events of default that are customarily required for similar financings. Such covenants will include restrictions and limitations on encumbrances, debt, contingent liabilities, dividends, stock repurchases, consolidations and mergers, affiliate transactions, creation or underfunding of employee benefit plans and other restrictions and limitations.

Financial Covenants. In addition to affirmative and negative covenants, the Bank Term Loan will require Hooker to maintain the following financial covenants:

- . a minimum Debt Service Coverage Ratio of 2.25x at each fiscal quarter end through November 30, 2002, 1.75x at each fiscal quarter end thereafter through November 30, 2005 and 2.25x at each fiscal quarter end thereafter on a rolling four quarter basis; and

- . a maximum Balance Sheet Leverage of 50% at each fiscal quarter end through November 30, 2001, 45% at each fiscal quarter end thereafter through November 30, 2003, 40% at each fiscal quarter end thereafter through November 30, 2005 and 30% at each fiscal quarter end thereafter.

The Debt Service Coverage Ratio will equal the product of (1) the sum of Net Income, Depreciation, Amortization, Interest and ESOP Contribution, less Dividends, divided by (2) the sum of Interest, Current Maturities of Long Term Debt and ESOP Contribution.

Balance Sheet Leverage will equal the product of (1) Borrowed Debt divided by (2) the sum of Borrowed Debt and Equity.

Funding Protections. Pursuant to the Bank Term Loan there will be certain customary funding protections in favor of SunTrust, including protections related to compliance with capital adequacy restrictions.

Bank Term Loan is Subject to Finalization and the Description of the Bank Term Loan is Qualified by Reference to the Commitment Letter and Bank Term Loan Documents. The terms of the Bank Term Loan have not yet been finalized and are still being negotiated. Accordingly, the foregoing description of the Bank Term Loan is preliminary and necessarily incomplete. In addition, the terms and provisions of the Bank Term Loan, to the extent described, are subject to change if the terms of the tender offer change, and may be changed after consultation with Hooker in limited respects under certain circumstances. In any event, the ultimate Bank Term Loan might contain terms that are more or less onerous than those currently contemplated.

Conditions to Funding. Pursuant to the Bank Term Loan, the funding under the Bank Term Loan will be subject to certain customary conditions precedent, which may include but not be limited to (i) the negotiation, execution and delivery of definitive documents acceptable to SunTrust for the financing, (ii) the existence of no Default Condition or Event of Default and Hooker is in compliance with all of the terms of the Bank Term Loan Documents (iii) Hooker has delivered to SunTrust a form of the note for the ESOP Term Loan and copies of the solicitation materials used in connection with the offer and (iv) such other conditions as may be set forth in the Bank Term Loan Documents, forms of which are filed as an exhibit to the Schedule TO of which this offer to purchase forms a part, and which are incorporated herein by reference.

The foregoing description is qualified in its entirety by reference to the Commitment Letter and the forms of the Bank Term Loan Documents, a copy of each of which is filed as an exhibit to the Schedule TO in which this document has been filed with the SEC and is incorporated herein by reference.

## 9. Certain Information Concerning Hooker and the ESOP Trust.

### Information Concerning Hooker

Incorporated in Virginia in 1924, Hooker has become a leading manufacturer and importer of residential furniture primarily targeted at the upper-medium price range. Hooker offers diversified products, consisting primarily of home office, entertainment centers, imported lines, bedroom and wall systems, across many style categories within this price range. Its product depth and extensive style selections make Hooker an important furniture resource for retailers in its price range and allows Hooker to respond more quickly to shifting consumer preferences. Hooker has established a broad distribution network that includes independent furniture stores, department stores, specialty retailers, catalog merchandisers and national and regional furniture chains. Hooker emphasizes continuous improvement in its manufacturing processes to enable it to continue providing competitive advantages to its customers, such as quick delivery, reduced inventory investment, high quality, and value.

Products and Styles. Hooker's product lines cover most major design categories. Hooker believes that the diversity of its product lines enables it to anticipate and respond quickly to changing consumer preferences and provides retailers an important furniture resource in the upper-medium price range. Hooker intends to

continue expanding its product styles with particular emphasis on home office, entertainment centers, occasional furniture and bedroom. Hooker believes that the Company's products represent good value and that the quality and style of its furniture compare favorably with more premium-priced products.

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

Number of Patterns

-----

Home office.....	43
Wall systems.....	26
Entertainment centers.....	50
Imported lines.....	86
Bedroom.....	16

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

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

Distribution. Hooker has developed a broad domestic customer base and also sells to a limited international market. Hooker sells its furniture through approximately 80 independent sales representatives to independent furniture retailers, catalog merchandisers, and national and regional chain stores. Representative customers include Federated Department Stores, Neiman Marcus, Dillard's Department Stores, Nebraska Furniture Mart, and Haverly's. Hooker believes this broad network reduces its exposure to regional recessions, and allows it to capitalize on emerging channels of distribution. Hooker offers tailored merchandising programs to address each channel of distribution.

The general marketing practice followed in the furniture industry is to exhibit products at international and regional furniture markets. In the spring and fall of each year, a nine-day furniture market is held in High Point, North Carolina, which is attended by most buyers and is regarded by the industry as the international market. Hooker utilizes approximately 32,000 square feet of showroom space at the High Point market to introduce new products, increase sales of its existing products, and test ideas for future products.

Hooker has sold to over 3,700 customers during the past fiscal year, and approximately 1.7% of Hooker's sales in 1999 were to international customers. No single customer accounted for more than five percent of Hooker's sales in 1999. No material part of Hooker's business is dependent upon a single customer, the loss of which would have a material effect on the business of Hooker. The loss of several of Hooker's major customers could have a material impact on the business of Hooker.

Manufacturing. Hooker's manufacturing strategy is to produce products, which are on the leading edge of changing consumer demand for the home, such as home theater, home office and computer furniture, as well as traditional bedroom. Hooker stresses strong customer relationships in developing new products as well as improving existing ones. Hooker believes strongly in employee involvement with employee and management teams working and communicating in all areas of manufacturing to improve production and quality related issues, stressing quality improvement not quality control. To meet customer expectations of just-in-time inventory delivery, Hooker's strategy has been to strike a balance between minimizing cutting size together

with increasing the frequency of cuttings on the one hand, and the efficiencies gained from longer production runs on the other. In recent years, cutting sizes have been reduced, frequencies of cuttings increased, and finished goods inventory levels increased. Hooker manufactures products using a flexible plant philosophy structure with all plants capable of making and sharing product lines according to customer demands and plant loads, which allows for quicker delivery of high demand products. Hooker is in constant contact with key suppliers in forming partnerships which communicate both quality and delivery issues which are imperative for both Hooker and supplier to adjust to ever changing customer requirements.

Hooker operates manufacturing facilities in North Carolina and Virginia consisting of an aggregate of approximately 1.8 million square feet. Hooker considers its present equipment to be generally modern, adequate and well maintained.

Hooker schedules production of its various styles based upon actual and anticipated orders. Hooker's backlog of unshipped orders was \$33.6 million at November 30, 1999 and \$32.8 million at November 30, 1998. With the emphasis in recent years on inventory-on-demand, dealers no longer find it necessary to place orders as far in advance as was once the case. In addition, it is Hooker's policy and industry practice to allow order cancellation up to time of shipment, therefore customer orders are not firm until shipped. For these reasons, Hooker's management does not consider order backlogs to be an accurate indicator of expected business. Historically, however, 92% of all orders booked are ultimately shipped. Backlogs are normally shipped within three months.

Imported Lines. Hooker imports finished furniture in a variety of styles and materials, and markets the products under the Hooker name through its normal distribution channels. Product lines include occasional tables, consoles, chests, casual dining pieces, bedroom pieces and accent items. Hooker imports products from China, the Philippines, Mexico, Indonesia, Honduras and Egypt from approximately 16 agents representing 35 factories. All transactions are in U.S. dollars. Because of the large number and diverse nature of foreign factories, Hooker has flexibility in the placement of product in any particular country or factory. Factories located in China have become an important resource for Hooker. The sudden disruption in Hooker's supply chain from China could significantly impact Hooker's ability to fill customer orders for products manufactured in that country for a three to six month period. However, Hooker believes that such a disruption in supply would not have a material adverse effect on Hooker's financial condition or results of operations.

Competition. Hooker is the sixteenth largest furniture manufacturer in North America based on 1999 sales, according to Furniture/Today, a trade publication. The furniture industry is highly competitive and includes a large number of foreign and domestic manufacturers, none of which dominates the market. The markets in which Hooker competes include a large number of relatively small manufacturers; however, certain competitors of Hooker have substantially greater sales volumes and financial resources than Hooker. Competitive factors in the upper-medium price range include style, price, quality, delivery, design, service, and durability. Hooker believes that its long-standing customer relationships, customer responsiveness, consistent support of existing diverse product lines that are high quality and good value, and experienced management are competitive advantages.

Employees. At November 30, 1999, Hooker had approximately 2,050 employees. None of Hooker's employees are represented by a labor union. The Company considers its relations with its employees to be good.

Principal Executive Offices. The address of the principal executive offices of Hooker Furniture Corporation is 440 East Commonwealth Boulevard, Martinsville, Virginia 24112, and the telephone number is (540) 632-2133.

Selected Historical Financial Data and Pro Forma Financial Data for Hooker

Selected Historical Financial Data. The following selected historical financial data for each of the last five fiscal years ended November 30, 1999 have been derived from Hooker's audited financial statements. The selected historical financial data for the six months ended May 31, 2000 and May 31, 1999 have been derived from financial statements that have not been audited, but which, in the opinion of Hooker's management, include all adjusting entries (consisting of normal recurring adjustments) necessary to present fairly the information set forth therein. The selected historical financial data should be read in conjunction with the financial statements, including the notes thereto, and "Management's Discussion and Analysis" included in Hooker's Annual Report on Form 10-K for the fiscal year ended November 30, 1999 and in its Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2000, each of which are incorporated in this offer to purchase by reference. See the information under the caption "Where You Can Find More Information Concerning Hooker" in this Section 9 for information on where and how you can inspect or obtain copies of those reports.

	Six Months Ended May 31,		Year Ended November 30,				
	2000	1999	1999	1998	1997	1996	1995
(In thousands, except per share and ratio data)							
<b>Income Statement Data</b>							
(1):							
Net sales.....	\$122,302	\$111,971	\$227,785	\$205,308	\$175,385	\$161,202	\$144,689
Cost of goods sold....	90,190	82,515	168,603	156,344	133,092	118,675	108,825
Selling and administrative expenses.....	19,746	17,217	35,648	32,051	26,685	25,172	22,474
Income from operations.....	12,366	12,239	23,534	16,913	15,608	17,355	13,390
Other income, net.....	222	54	289	674	599	375	842
Interest expense.....	327	330	647	560	630	227	124
Income before income taxes.....	12,261	11,963	23,176	17,027	15,577	17,503	14,108
Income taxes.....	4,658	4,497	8,881	6,241	5,530	6,715	4,939
Net income.....	7,603	7,466	14,295	10,786	10,047	10,788	9,169
Ratio of earnings to fixed charges (2)....	19.1	18.7	18.3	15.7	12.3	27.6	27.3
<b>Per Share Data (3):</b>							
Basic and diluted earnings per share...	1.00	0.98	1.87	1.40	1.30	1.39	1.18
Cash dividends per share.....	0.17	0.15	0.30	0.28	0.26	0.22	0.18
Net book value per share (including common stock held by ESOP).....	13.35	11.78	12.52	10.97	9.86	8.85	7.68
Weighted number of shares outstanding...	7,617	7,646	7,636	7,692	7,734	7,750	7,753
<b>Balance Sheet Data:</b>							
Cash.....	2,606	3,684	157	3,625	827	1,997	2,543
Inventories.....	38,030	34,231	37,051	35,812	33,475	26,013	19,818
Working capital.....	62,084	56,764	54,557	51,793	47,153	37,555	33,840
Total assets.....	125,916	113,177	116,423	111,233	98,290	87,370	71,144
Long-term debt (including current maturities).....	12,000	11,504	7,000	12,062	9,985	7,228	1,000
Common stock held by ESOP.....	10,129	10,213	10,129	10,213	10,044	9,230	6,740
Stockholders' equity..	91,543	79,599	85,234	73,900	66,210	59,326	52,760

- (1) Certain items in the financial statements for periods prior to 1999 have been reclassified to conform to the 1999 method of presentation.
- (2) "Fixed charges" as calculated for the Company are defined as the sum of interest expensed and capitalized and the interest component of rental expense. "Earnings" as used in the calculation of the ratio are defined as the sum of income before taxes, fixed charges as defined above and amortization of capitalized interest; less, interest capitalized.
- (3) All share and per share data reflect the effect of a two-for-one stock split distributed in the form of a stock dividend on January 31, 2000.

Selected Pro Forma Financial Data. The following pro forma financial information and related notes have been prepared assuming that the purchase of 1,800,000 shares by the ESOP Trust for \$12.50 per share, for an aggregate purchase price of \$22.5 million, pursuant to the tender offer is financed by borrowings under a ten year bank term loan at an assumed rate of 8% per annum (the "Tender Offer Transactions"). Please see Section 8 for a discussion of the terms of the financing for the offer. The pro forma effect on Hooker's operating results for the fiscal year ended November 30, 1999 and the six-months ended May 31, 2000 assumes the Tender Offer Transactions occurred on the first day of the respective twelve-month and six-month periods. The pro forma effect on Hooker's financial position assumes that the Tender Offer Transactions occurred on May 31, 2000. This pro forma information does not purport to be indicative of the results that would have been obtained or results that may be obtained in the future, or the financial condition that would have resulted if the Tender Offer Transactions had been completed at the dates indicated.

	Six Months Ended May 31, 2000		Year Ended November 30, 1999	
	Historical	Pro Forma	Historical	Pro Forma
(In thousands, except per share and ratio data)				
<b>Income Statement Data:</b>				
Net sales.....	\$122,302	\$122,302	\$227,785	\$227,785
Cost of goods sold (1).....	90,190	90,969	168,603	170,184
Selling and administrative expenses (1) (2).....	19,746	20,282	35,648	36,273
Income from operations.....	12,366	11,051	23,534	21,328
Other income, net.....	222	222	289	289
Interest expense (3).....	327	1,220	647	2,402
Income before income taxes.....	12,261	10,053	23,176	19,215
Income taxes (4).....	4,658	3,894	8,881	7,538
Net income.....	7,603	6,159	14,295	11,677
Ratio of earnings to fixed charges (5).....	19.1	7.4	18.3	7.2
<b>Per Share Data (6):</b>				
Basic and diluted earnings per share (7).....	1.00	1.05	1.87	1.98
Cash dividends per share.....	0.17	0.17	0.30	0.30
Net book value per share (including common stock held by ESOP) (7)....	13.35	13.61	12.52	*
Weighted number of shares outstanding (7).....	7,617	5,858	7,636	5,887
<b>Balance Sheet Data:</b>				
Cash.....	2,606	2,606	157	*
Inventories.....	38,030	38,030	37,051	*
Working capital.....	62,084	62,084	54,557	*
Total assets.....	125,916	125,916	116,423	*
Long-term debt (including current maturities) (8).....	12,000	34,500	7,000	*
Common stock held by ESOP.....	10,129	10,129	10,129	*
Unearned ESOP shares (contra equity) (8).....		(22,500)		*
Stockholders' equity.....	91,543	69,043	85,234	*

\* Not presented.

(1) Pro forma information reflects compensation expense recognized upon the allocation of shares by the ESOP to ESOP participants at their historical appraised value (97,035 and 48,209 shares at values of \$18.10 and \$17.95 for the fiscal year ended November 30, 1999 and six-month period ended May 31, 2000, respectively). The shares are released as payments of principal and interest are made pursuant to the 25 year ESOP Term Loan. For purposes of the pro forma financial data, level quarterly repayments of principal in the amount of \$900,000 under the ESOP Term Loan have been assumed. However, pursuant to the ESOP Term Loan, the ESOP is only required to make minimum annual repayments of \$600,000 annually, with a mandatory aggregate repayment of \$3.6 million over four years. See Section 8 "Source and Amount of Funds" for more information about the terms of the ESOP Term Loan.

Compensation

expense is allocated between "cost of goods sold" and "selling and administrative expenses". Hooker is required to perform annual appraisals of its shares for purposes of the ESOP, in accordance with Internal Revenue Service and Department of Labor regulations. Assuming that the Tender Offer Transactions occurred on the first day of the respective twelve-month period ended November 30, 1999 and six-month period ended May 31, 2000, management believes that the appraised value of Hooker's stock would decline from its historical appraised value. If the appraised values were assumed to decline by 20%, pro forma compensation expense would decrease by \$385,000 to \$1.4 million for the fiscal year ended November 30, 1999 and by \$192,000 to \$673,000 for the six-month period ended May 31, 2000. Since the compensation expense related to the allocation of shares to ESOP participants recorded for financial reporting purposes is not deductible for tax purposes, pro forma net income would increase also by \$385,000 to \$12.1 for the fiscal year ended November 30, 1999 and by \$192,000 to \$6.4 million for the six-month period ended May 31, 2000.

- (2) Pro forma information reflects transaction fees of \$450,000 charged to "selling and administrative expenses".
- (3) Pro forma information reflects "interest expense" on the \$22.5 million 10 year Bank Term Loan at 8%. The Bank Term Loan will be repaid in equal quarterly installments of principal and interest. See Section 8 "Source and Amount of Funds" for more information about the terms of the Bank Term Loan.
- (4) Pro forma income tax expense is reduced by the tax effect of (i) principal payments made to Hooker pursuant to the ESOP Term Loan, (ii) interest paid on the Bank Term Loan, (iii) fees incurred in connection with the "Tender Offer Transactions" and (iv) the difference between the cost of shares allocated to ESOP participants (at \$12.50 per share) and principal repayments on the ESOP Term Loan. An effective tax rate of 38% has been assumed.
- (5) "Fixed charges" as calculated for Hooker are defined as the sum of interest expensed and capitalized and the interest component of rental expense. "Earnings" as used in the calculation of the ratio are defined as the sum of income before taxes, fixed charges as defined above and amortization of capitalized interest; less, interest capitalized.
- (6) All share and per share data reflect the effect of a two-for-one stock split distributed in the form of a stock dividend on January 31, 2000.
- (7) Only shares held by the ESOP Trust that are allocated, released or committed to be released for allocation to ESOP participants are treated as outstanding for purposes of calculating pro forma earnings and net book value per share. Shares are committed to be released as the ESOP Trust makes principal and interest payments on the ESOP Term Loan.
- (8) Assuming the Tender Offer Transactions occurred on May 31, 2000, "long-term debt" and "unearned ESOP shares" reflect the effect of borrowing under the Bank Term Loan in the amount \$22.5 million and the lending of the proceeds to the ESOP Trust pursuant to the ESOP Term Loan for the purchase of 1.8 million shares of Hooker common stock at \$12.50 per share from existing shareholders pursuant to this tender offer.

#### Where You Can Find More Information Concerning Hooker

Hooker is subject to the information requirements of the Exchange Act, and in accordance therewith files periodic reports, proxy statements and other information relating to its business, financial condition and other matters. Hooker is required to disclose in such proxy statements certain information, as of particular dates, concerning the Hooker directors and executive officers, their compensation, the principal holders of the securities of Hooker and any material interest of such persons in transactions with Hooker. Pursuant to Rule 14d-1 and Rule 14d-3(a) under the Exchange Act, the ESOP Trust has filed with the SEC a Tender Offer Statement on Schedule TO, and may file amendments thereto, which include additional information with respect to the tender offer. Hooker has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 pursuant to Section 14(d)(4) and Rule 14d-9 under the Exchange Act, furnishing certain additional information about Hooker's and Hooker's Board of Directors' position concerning the tender offer, and Hooker may file amendments thereto. Such material and other information may be inspected at the public

reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; and also should be available for inspection and copying at the following regional offices of the SEC: 7 World Trade Center, Suite 1300, New York, New York 10048; and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can also be obtained by mail, upon payment of the Commission's customary charges, by writing to the Public Reference Section at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a web site on the Internet at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

You are urged to review Hooker's Annual Report on Form 10-K for the fiscal year ended November 30, 1999 and its Quarterly Reports on Form 10-Q for the quarters ended February 28, 2000 and May 31, 2000 each of which is incorporated in this offer to purchase by reference.

#### Information Concerning the ESOP Trust

The ESOP Trust is a trust that has been established under the terms of the ESOP. Hooker sponsors the ESOP to provide ownership and retirement benefits for its eligible employees. The ESOP covers substantially all Hooker employees, and enables participants to share in the growth of Hooker and to accumulate a beneficial ownership interest in Hooker's common stock. The ESOP is intended to qualify as an "employee stock ownership plan" for purposes of Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended. The Trustee of the ESOP Trust is U.S. Trust Company, N.A. The Trustee's address, is 600 Fourteenth Street, NW, Suite 400, Washington, DC 20005, and its telephone number is (202) 585-4170.

The shares acquired by the ESOP Trust in the tender offer will be held in an unallocated account in the ESOP Trust called a "suspense account." Hooker will make periodic contributions to the ESOP which will be applied by the Trustee to pay principal and interest under the ESOP Term Loan (as described in Section 8). In addition, dividends paid on some of the shares that are held by the ESOP (including shares in the suspense account) may also be used by the Trustee to make principal and interest payments under the ESOP Term Loan. The ESOP Term Loan repayments made by the Trustee will permit the Trustee to release from the suspense account a proportionate number of shares. The shares that are released from the suspense account each year will then be allocated among the accounts of those ESOP participants who are eligible to receive an allocation, based upon a pre-established allocation formula set forth in the ESOP plan document.

ESOP participants and beneficiaries are permitted to receive distributions of their vested ESOP benefits in the form of shares of Hooker stock. As mentioned in Section 2 "Purpose of the Tender Offer; Material Effects of the Tender Offer," participants and beneficiaries have a "put" right under which they can require Hooker to repurchase their shares during a 60-day period following the distribution from the ESOP Trust of such shares or during a 60-day period in the year following the year in which such distribution was made. The purchase may be made by the ESOP Trust if Hooker consents and the Trustee deems the purchase appropriate. See Section 2 "Purpose of the Tender Offer; Material Effects of the Tender Offer" for addition information regarding Hooker's "repurchase obligation" under the ESOP.

The Trustee's obligations with respect to the ESOP Trust are governed by a trust agreement between Hooker and the Trustee. The trust agreement describes the Trustee's duties and obligations with respect to the ESOP Trust. The Trustee is required under the terms of the trust agreement to vote the shares allocated to participants' accounts in accordance with timely voting instructions received by the Trustee from such participants. Those allocated shares for which no instructions are received by the Trustee, or for which instructions are not timely received, and all unallocated shares will be voted by the Trustee in its discretion. Hooker has agreed to pay the Trustee an annual fee of approximately \$60,000, and to reimburse the Trustee for its reasonable expenses. In addition, Hooker has agreed under the trust agreement to indemnify and hold the Trustee harmless for losses or liabilities relating to its actions as trustee, unless such losses or liabilities are due to the Trustee's negligence, bad faith or willful misconduct.

In addition to retaining U.S. Trust to serve as Trustee, Hooker has retained U.S. Trust to serve as an independent fiduciary of the ESOP for the purposes of evaluating the merits of the tender offer and determining whether to cause the ESOP Trust to participate in the tender offer. Hooker has agreed to pay U.S. Trust in its capacity as an independent fiduciary of the ESOP Trust a fee of \$75,000 for the services performed by U.S. Trust in connection with the offer. In addition, Hooker has also agreed to pay on behalf of the ESOP Trust all expenses incurred by the ESOP Trust in connection with the offer, including the fees and disbursements of its legal counsel and financial advisor, and to indemnify U.S. Trust and related parties against liabilities, including liabilities under the federal securities laws, arising out of U.S. Trust's engagement in connection with the offer.

10. Approval of the Tender Offer by Hooker's Board of Directors and the Trustee.

Hooker's Board of Directors and management have from time to time discussed strategies to maximize shareholder value as a regular part of the Hooker's strategic planning activities. For the past 24 months, the Board and management have considered alternatives for providing liquidity and marketability of Hooker's shares for its shareholders. The Board and management were also concerned that Hooker's strong operating performance was not appropriately reflected in the price of Hooker's shares in the "over-the-counter" market. With the aid of its financial advisors, the Board considered various alternatives to help provide liquidity for Hooker's shareholders at an attractive price. After considering various alternatives, the Board concluded that some form of stock repurchase was the most promising option to achieve this goal. In connection with exploring a stock repurchase transaction, the Board consulted with ESOP Services, Inc. on several occasions concerning the possibility of having the ESOP Trust make a tender offer for Hooker's shares and the benefits to Hooker, its shareholders and the participants of the ESOP of such a transaction.

At a meeting held on March 28, 2000, the Board, along with certain members of management, Hooker's counsel, McGuireWoods LLP and ESOP Services, Inc., met to discuss a potential ESOP Trust stock purchase transaction pursuant to which the ESOP Trust would purchase a sufficient number of shares to cause the ESOP Trust to own at least 30% of Hooker's issued and outstanding shares. The ESOP Trust would need to purchase 1.7 to 1.8 million shares to reach 30% ownership level. Such a transaction would permit qualifying selling shareholders to elect to defer taxation of gains on the sale of their shares pursuant to Section 1042 of the Internal Revenue Code of 1986, as amended. The tender offer would be funded by a term loan to Hooker from a commercial lender, the proceeds of which would in turn be loaned to the ESOP Trust. The Board discussed the effects of such a transaction on Hooker, the ESOP Trust, Hooker's employees and its shareholders. The consensus of the Board was that the proposed tender by the ESOP Trust would provide significant benefits for Hooker's shareholders and enhance the value of the ESOP for Hooker's employees. The Board also discussed the effect that the additional debt would have on Hooker and whether such debt would preclude Hooker from pursuing other corporate strategies in the future.

Each of the non-employee Board members, Mr. Groves, Mr. Gregory, Mr. Beeler, Mr. A. Frank Hooker, Jr., and Mr. Walker, was asked to serve on a special committee to review the proposed tender offer further and to make a recommendation to the full Board assuming a purchase price of \$12.50 per share. The proposed purchase price reflected a variety of factors considered by the Board, including the desire to offer a price that would be attractive to shareholders, particularly in light of the limited liquidity and trading history for Hooker's shares, balanced against the additional debt that Hooker would incur to fund the tender offer. The Board also considered the price/earnings ratios of peer companies and the benefit to qualifying shareholders of the option to defer U.S. federal income tax on the gain from the sale of shares tendered in the offer under Section 1042 of the Internal Revenue Code. Mr. Gregory was appointed chairman of the special committee. Mr. Groves recommended that management evaluate and make a recommendation to the special committee regarding the proposed tender offer by the ESOP Trust. The special committee would in turn consider management's recommendation and make its own recommendation to the full Board. The special committee was authorized to engage a financial advisor to evaluate the fairness of the proposed tender offer to Hooker, from a financial point of view.

The special committee met on June 2, 2000 along with representatives of management, ESOP Services, Inc. and Mann Armistead & Epperson, Ltd. ("Mann Armistead"). Mr. Gregory, as committee chairman, reported that management had, based upon management's review of the proposed tender offer at a price per share of \$12.50, for an aggregate purchase price of approximately \$22.5 million, recommended the proposed tender offer as appropriate for Hooker and further recommended that the special committee review the proposed tender offer by the ESOP Trust and make a recommendation to the full Board. The special committee discussed management's analysis and recommendation with representatives of management as well as ESOP Services, Inc. The special committee also interviewed a representative of Mann Armistead in connection with engaging Mann Armistead as the special committee's financial advisor. Based upon this interview, and particularly Mann Armistead's experience and expertise in transactions involving companies in the furniture industry, the special committee approved the engagement of Mann Armistead. Based upon the information presented to it by management and ESOP Services, Inc., the special committee concluded that the proposed tender offer by the ESOP Trust at \$12.50 per share was fair to and in the best interests of the Company. The special committee unanimously voted to recommend to the full Board that the Board approve the proposed tender offer by the ESOP Trust, subject to the receipt of a favorable fairness opinion from Mann Armistead as to the fairness of the proposed tender offer to Hooker from a financial point of view. The special committee also determined to recommend that the Board make no recommendation to Hooker's shareholders as to whether shareholders should tender shares pursuant to the offer by the ESOP Trust. This recommendation was based upon the special committee's view that due to the varying circumstances of each particular shareholder, including such factors as a shareholder's desire or need for liquidity, desire to diversify his or her holdings, the tax consequences to such shareholder of tendering shares and whether such shareholder would be eligible, or desire, to defer taxation of any gain on the sale of his or her shares under Section 1042 of the Internal Revenue Code of 1986, as amended, the decision as to whether to tender in the offer should be left to each individual shareholder.

At the request of the special committee, Mann Armistead undertook to perform a due diligence investigation of Hooker during the week of June 5, 2000. In connection with this investigation, Mann Armistead interviewed members of Hooker's management and visited Hooker's primary facilities in Martinsville, Virginia. Mann Armistead also reviewed financial information concerning Hooker, including budgets and financial projections, prepared by members of Hooker's management.

On June 20, 2000, the Board of Directors met to, among other things, consider the proposed tender offer by the ESOP Trust of up to 1.8 million shares at a purchase price of \$12.50 per share, for an aggregate purchase price of up to \$22.5 million. Representatives of McGuireWoods, ESOP Services, Inc. and Mann Armistead also participated in the discussions concerning the proposed tender offer. Mr. Gregory, as chairman of the special committee, reported that subject to a favorable opinion of Mann Armistead as to the fairness, from a financial point of view, of the proposed tender offer to Hooker, the special committee unanimously recommended that the full Board approve the proposed tender offer by the ESOP Trust. Mr. Gregory also reported that the special committee recommended that the Board make no recommendation as to whether Hooker's shareholders should tender shares pursuant to the proposed tender offer by the ESOP Trust. Mann Armistead delivered its oral fairness opinion (subsequently confirmed in writing) that the proposed tender offer was fair to Hooker, from a financial point of view. A copy of Mann Armistead's fairness opinion is included as Annex A to this offer to purchase. Mann Armistead also discussed with the Board their firm's due diligence investigation and analysis of the proposed tender offer.

The Board determined that the proposed tender offer and the transactions contemplated thereby, including the required financing, is fair to and in the best interests of Hooker and then, by unanimous vote of the Board members present at the meeting, the Board voted to approve the proposed tender offer by the ESOP Trust and the transactions contemplated thereby, including the required financing. The Board also approved the appointment of U.S. Trust as an independent fiduciary of the ESOP to evaluate the merits of the tender offer and to determine whether to cause the ESOP Trust to participate in the tender offer. The Board also appointed U.S. Trust to replace the former trustee of the ESOP Trust. The Board also determined that the Board would

make no recommendation to Hooker's shareholders as to whether shareholders should tender shares in the tender offer by the ESOP Trust.

On July 12, 2000, the Trustee, in consultation with its financial and legal advisors, approved the tender offer. In reaching this conclusion, the Trustee considered, among other things, its fiduciary duties under the Employee Retirement Income Security Act of 1974, as amended, and the stated purposes of the ESOP Trust. The Trustee also reviewed, together with its financial and legal advisors, Hooker's financial statements, business and prospects, historical trading activity, as well as the tender offer and ESOP Term Loan documents.

On August 3, 2000, the Board met to discuss updated information with respect to the tender offer. At that meeting the Board also approved the offer to purchase, the letter of transmittal and the other tender offer documents.

Hooker's Board of Directors and the Trustee have approved the tender offer. However, neither Hooker's Board of Directors nor the Trustee makes any recommendation to you as to whether you should tender or refrain from tendering your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender. This tender offer is being made to all Hooker shareholders (excluding shares held by the ESOP Trust on behalf of ESOP participants), including shareholders who are directors, officers or beneficial owners of more than five percent of Hooker's common stock. Certain of Hooker's directors and executive officers, as well as certain beneficial owners of more than five percent of Hooker's common stock, have advised Hooker and the Trustee that they intend to tender shares in the tender offer.

#### The Special Committee

As described above, the special committee determined that the tender offer is fair to and in the best interests of Hooker. In making such determination and its recommendation that the Board approve the offer and the transactions contemplated thereby, the special committee considered a number of factors, including, but not limited to, the following:

- . the terms and conditions of the proposed tender offer, including the conditions to the ESOP Trust's obligation to take and pay for shares tendered;
- . the thin trading market and the lack of liquidity of the shares;
- . the financial condition, results of operations, cash flows and prospects of Hooker;
- . the effect of the offer, particularly the effect of increased leverage, on the prospects of Hooker, including its ability to make regular and recurring contributions to the ESOP in future years;
- . the historical market prices, recent trading activity and trading range of the shares;
- . the views expressed by ESOP Services, Inc. regarding, among other things: (a) the opportunity to provide liquidity as well as related enhanced estate planning opportunities for Hooker's shareholders and (b) the ability to expand employee ownership of Hooker, provide enhanced retirement benefits to ESOP participants and increase Hooker's ability to attract, retain and motivate its employees; and
- . the presentation of Mann Armistead made to the special committee and the Board of Directors on June 20, 2000 and the oral fairness opinion (subsequently confirmed in writing) delivered to the special committee and the Board at that meeting to the effect that, as of such date and based upon the terms and conditions of the proposed tender offer and subject to certain matters stated in such opinion, the proposed tender offer was fair to Hooker, from a financial point of view.

#### The Hooker Board

In reaching its determination referred to above, the Hooker Board considered and relied upon the conclusions and unanimous recommendation of the special committee that the full Board approve the offer and the transactions contemplated thereby and the considerations referred to above as having been taken into

account by the special committee, as well as the Board's own familiarity with Hooker's business, financial condition, results of operations and prospects and the nature of the industry in which Hooker operates.

In light of the number and variety of factors that the special committee and the Board considered in connection with their evaluation of the offer, neither the special committee nor the Board found it practicable to quantify or otherwise assign relative weights to the foregoing factors, and, accordingly, neither the special committee nor the Board did so. In addition, individual members of the special committee and the Board may have given different weights to different factors. Rather, the special committee and the Board viewed their positions and recommendations as being based on the totality of the information presented to and considered by it.

The Board, after receiving the unanimous recommendation of the proposed tender offer by the special committee, (i) determined that the proposed tender offer and the transactions contemplated thereby, including the required financing, are fair to and in the best interests of Hooker (ii) approved the proposed tender offer and the transactions contemplated thereby, including the required financing, (iii) directed the Trustee to undertake the tender offer, subject to the Trustee's approval and (iv) determined to make no recommendation to Hooker's shareholders as to whether shareholders should tender shares in the offer.

#### Opinion of the Financial Advisor

On June 20, 2000, Mann Armistead rendered its oral opinion (subsequently confirmed in writing) that the proposed tender offer was fair from a financial point of view to Hooker. No limitations were imposed by the special committee upon Mann Armistead with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of the written opinion of Mann Armistead, dated June 20, 2000, which sets forth the assumptions made and matters considered, is attached as Annex A to this offer to purchase. Mann Armistead's opinion is addressed to the special committee and the scope of the opinion is limited to whether the proposed tender offer is fair to Hooker from a financial point of view. The Mann Armistead opinion does not address whether the proposed tender offer is fair to Hooker's shareholders and does not constitute a recommendation to any shareholder as to whether such shareholder should tender shares in the offer.

#### 11. Interest of Hooker's Directors, Executive Officers and Principal Shareholders; Transactions and Arrangements Concerning Shares.

As of August 9, 2000, Hooker had 7,617,298 issued and outstanding shares. The 1,800,000 shares the ESOP Trust is offering to purchase under the tender offer represent approximately 23.6% of the shares outstanding as of August 9, 2000.

As of August 9, 2000, Hooker's directors and executive officers as a group (11 persons) beneficially owned an aggregate of 2,561,002 shares of Hooker common stock, representing approximately 33.6% of outstanding shares. The directors and executive officers of Hooker are entitled to participate in the tender offer on the same basis as all other shareholders.

Hooker and the Trustee have been advised by certain directors and executive officers, as well as certain beneficial owners of five percent or more of Hooker's common stock, that they intend to tender shares in the tender offer.

As of August 9, 2000, the aggregate number and percentage of Hooker securities that were beneficially owned by the directors and executive officers of Hooker were as appears in the table below. Except for J. Clyde Hooker, Jr., Paul B. Toms, Jr., A. Frank Hooker, Jr. and W. Christopher Beeler, Jr., no director or executive officer beneficially owned more than 1.0% of Hooker's shares as of such date. Assuming the ESOP Trust purchases 1,800,000 shares of common stock and that no director or executive officer tenders any shares under

the tender offer, then after the purchase of shares under the tender offer, the ESOP Trust would hold 2,364,270 shares, or approximately 31.0% of the outstanding shares, and the directors and executive officers as a group would continue to beneficially own approximately 33.6% of the outstanding shares. Assuming that no director or executive officer tenders any shares under the tender offer, the percentage beneficial ownership of each director and executive officer would be as appears in the table below.

Name -----	Amount and Nature of Beneficial Ownership (1) -----	Percent of Class -----
J. Clyde Hooker, Jr. (2).....	1,523,570 (3)(4)	20.0%
Paul B. Toms, Jr. (2).....	1,180,456 (5)(6)	15.5%
Mabel H. Toms (2).....	1,128,048 (4)(6)(7)	14.8%
Hooker Furniture Corporation Employee Stock Ownership Plan Trust (8).....	564,270 (9)	7.4%
A. Frank Hooker, Jr. (2).....	409,610 (10)	5.4%
W. Christopher Beeler, Jr. (2).....	82,400 (11)	1.1%
Irving M. Groves, Jr. (2).....	25,796 (12)	*
E. Larry Ryder (2).....	12,998 (13)	*
Douglas C. Williams (2).....	12,070 (14)	*
L. Dudley Walker (2).....	10,000	*
Henry P. Long, Jr. (2).....	7,302 (15)	*
John L. Gregory, III (2).....	800	*
All directors and executive officers as a group (11 persons).....	2,561,002 (16)	33.6%

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\* Less than one percent.

- (1) All share information in this proxy statement reflects a two-for-one stock split effective January 31, 2000.
- (2) The business address for such persons is c/o Hooker Furniture Corporation, 440 East Commonwealth Boulevard, Martinsville, Virginia 24112.
- (3) J. Clyde Hooker, Jr. has sole voting and dispositive power with respect to 615,372 shares and shared voting and dispositive power with respect to 902,960 shares. Mr. Hooker also has sole voting power with respect to 5,238 shares held by the ESOP Trust. Shares beneficially owned by Mr. Hooker do not include 262,912 shares beneficially owned by members of his family; Mr. Hooker disclaims beneficial ownership of such shares. Mr. Hooker may be deemed to share dispositive power with respect to the shares held by the ESOP Trust (see footnote (9) below).
- (4) J. Clyde Hooker, Jr. and Mabel H. Toms share voting and dispositive power with respect to 704,000 shares held by family trusts. Such shares are included in the shares beneficially owned by Mr. Hooker and by Mrs. Toms.
- (5) Mr. Toms has sole voting and dispositive power with respect to 47,402 shares and shared voting and dispositive power with respect to 1,129,950 shares. Mr. Toms also has sole voting power with respect to 3,104 shares held by the ESOP Trust. Shares beneficially owned by Mr. Toms do not include 2,936 shares beneficially owned by his wife; Mr. Toms disclaims beneficial ownership of such shares.
- (6) Mabel H. Toms and her adult children, one of whom is Mr. Toms, share voting and dispositive power with respect to 198,960 shares held by a family trust (the "Toms Family Trust"). In addition, pursuant to a revocable power of attorney, Mr. Toms has shared voting and dispositive power with respect to all 1,128,048 shares (which include the 198,960 shares held by the Toms Family Trust) beneficially owned by Mrs. Toms.
- (7) Mrs. Toms has sole voting and dispositive power with respect to 225,088 shares and shared voting and dispositive power with respect to 902,960 shares.
- (8) U.S. Trust Company, N.A. serves as Trustee of the ESOP. The business address for the Trustee is 600 Fourteenth Street, NW, Suite 400, Washington, DC 20005.
- (9) Shares reported as owned by the ESOP Trust include 30,504 shares that are also reported as beneficially owned by the executive officers. The ESOP Trustee has dispositive power with respect to shares owned by the ESOP Trust. The ESOP Trustee may dispose of ESOP Trust shares only at the direction of a

committee appointed by Hooker. During fiscal 1999 such committee consisted of the following officers of Hooker: J. Clyde Hooker, Jr., E. Larry Ryder and Jack R. Palmer (Vice President--Human Resources). The ESOP Trustee has sole voting power with respect to 44,560 shares held by the ESOP Trust, which have not been allocated to plan participants. Allocated shares are voted by the ESOP Trustee in accordance with the direction of the ESOP participants.

- (10) A. Frank Hooker, Jr. has sole voting and dispositive power with respect to 256,800 shares and shared voting and dispositive power with respect to 145,442 shares. Mr. Hooker also has sole voting power with respect to 7,368 shares held by the ESOP Trust.
- (11) Mr. Beeler has sole voting and dispositive power with respect to 2,400 shares and shared voting and dispositive power with respect to 80,000 shares.
- (12) Mr. Groves has sole voting and dispositive power with respect to 25,196 shares and shared voting and dispositive power with respect to 600 shares. Shares beneficially owned by Mr. Groves do not include 12,200 shares beneficially owned by his wife; Mr. Groves disclaims beneficial ownership of such shares.
- (13) Includes 4,998 shares held by the ESOP Trust, with respect to which Mr. Ryder has sole voting power. Mr. Ryder may also be deemed share dispositive power with respect to the shares held by the ESOP Trust (see footnote (9) above).
- (14) Includes 6,494 shares held by the ESOP Trust, with respect to which Mr. Williams has sole voting power.
- (15) Mr. Long has sole voting and dispositive power with respect to 2,800 shares and shared voting and dispositive power with respect to 1,200 shares. Mr. Long also has sole voting power with respect to 3,302 shares held by the ESOP Trust.
- (16) Messrs. J. Clyde Hooker, Jr. and Ryder, each of whom is an executive officer and a director, may be deemed to share dispositive power with respect to the shares held by the ESOP Trust (see footnote (9) above).

Based on Hooker's records and information provided to Hooker by its directors, executive officers and associates, neither Hooker, nor any associate of Hooker nor, to the best of Hooker's knowledge, any directors or executive officers of Hooker or any associates thereof, has effected any transactions in Hooker shares during the 60 days before the date hereof.

Except as otherwise described herein, neither Hooker nor, to the best of Hooker's knowledge, any of its affiliates, directors or executive officers, is a party to any agreement, arrangement or understanding with any other person relating, directly or indirectly, to the tender offer or with respect to any securities of Hooker, including, but not limited to, any agreement, arrangement or understanding concerning the transfer or the voting of the securities of Hooker, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

## 12. Effects of the Tender Offer on the Market for Shares; Registration under the Exchange Act.

The purchase by the ESOP Trust of shares under the tender offer will reduce the number of Hooker shares that might otherwise be traded publicly and may reduce the number of shareholders. The average daily trading volume for the shares on the "over-the-counter" market as reported to the NASD by its member firms for Hooker's fiscal year ended November 30, 1999 was 1,400 shares and for the six months ended May 31, 2000 was 1,162 shares. Hooker's common stock traded 186 times (352,800 shares traded) on 65 out of the 252 trading days available during the fiscal year ended November 30, 1999 and 73 times (146,400 shares traded) on 23 out of the 126 trading days available during the six months ended May 31, 2000. There can be assurance that following the consummation of the offer there will be sufficient number of shares traded in the "over-the-counter" market to ensure a liquid trading market for the shares.

The shares are registered under the Exchange Act, which requires, among other things, that Hooker furnish certain information to its shareholders and the SEC and comply with the SEC's proxy rules in connection with meetings of the Hooker shareholders. It is a condition to the tender offer that the ESOP Trust's purchase of shares under the tender offer will not result in there being fewer than 300 record holders of Hooker's shares or otherwise making Hooker eligible for deregistration under the Exchange Act.

### 13. Legal Matters; Regulatory Approvals.

The ESOP Trust is not, based on information provided by Hooker, aware of any license or regulatory permit that appears material to Hooker's business that might be adversely affected by the ESOP Trust's acquisition of shares as contemplated by the tender offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic, foreign or supranational, that would be required for the acquisition or ownership of shares by the ESOP Trust as contemplated by the tender offer. Should any such approval or other action be required, the ESOP Trust presently contemplates that it will seek that approval or other action. The ESOP Trust is unable to predict whether it will be required to delay the acceptance for payment of or payment for shares tendered under the tender offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial cost or conditions or that the failure to obtain the approval or other action might not result in adverse consequences to its business and financial condition. The obligations of the ESOP Trust under the tender offer to accept for payment and pay for shares is subject to conditions. See Section 6.

### 14. Certain United States Federal Income Tax Consequences; Section 1042 Election.

The following is a summary of certain federal income tax consequences to shareholders whose shares are purchased by the ESOP Trust pursuant to the tender offer. The summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable current and proposed United States Treasury Regulations, judicial authority and administrative rulings and practice, all of which are subject to change at any time, possibly with retroactive effect. As a result, the following statements and conclusions could be altered or modified. The discussion does not address shareholders whose shares are not capital assets, nor does it address shareholders who hold shares as part of a hedging, "straddle," conversion or other integrated transaction, or who received shares upon conversion of securities or exercise of warrants or other rights to acquire shares. The discussion does not address shareholders who acquired shares pursuant to the exercise of certain employee stock options or as a result of some other compensatory transfer, or to shareholders who are in special tax situations (such as insurance companies, tax-exempt organizations, financial institutions, United States expatriates or non-U.S. persons). Furthermore, the discussion does not address any aspect of foreign, state or local taxation or estate or gift taxation.

The federal income tax consequences set forth below are included for general information purposes only. Because individual circumstances may differ, each shareholder should consult such shareholder's own tax advisor to determine the applicability of the rules discussed below to such shareholder and the particular tax effects of the offer, including the application and effect of state, local and other income tax laws.

#### General

Except to the extent permitted under Section 1042 of the Code, as described below, a shareholder's receipt of cash for shares tendered in connection with the tender offer will be a taxable transaction for federal income tax purposes (and also may be a taxable transaction under applicable state, local, foreign and other income tax laws). In general, a shareholder will recognize gain or loss in an amount equal to the difference between the shareholder's adjusted tax basis in the shares sold in connection with the tender offer and the amount of cash

received for the shares. Gain or loss must be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) sold under the offer. Such gain or loss will be capital gain or loss, and will be treated as long-term gain or loss if, on the date of sale, the shares were held for more than one year.

Under federal income tax backup withholding rules, payments in connection with the tender offer may be subject to "backup withholding" at a rate of 31%. In order to avoid backup withholding, each tendering shareholder, unless an exemption applies, must provide the depository with such shareholder's correct taxpayer identification number and certify that such shareholder is not subject to such backup withholding by completing the Substitute Form W-9 included in the letter of transmittal. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons generally are entitled to exemption from backup withholding, including corporations, financial institutions and certain foreign individuals. Each shareholder should consult with the shareholder's own tax advisor as to the shareholder's qualification for exemption from backup withholding and the procedure for obtaining such exemption.

All shareholders tendering shares pursuant to the offer should complete and sign the main signature form and the Substitute Form W-9 included as part of the letter of transmittal to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to the ESOP Trust and the depository). Noncorporate foreign shareholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the depository, in order to avoid backup withholding. See Instructions 10 and 11 to the letter of transmittal.

#### Deferral of Gain under Section 1042

Any shareholder of Hooker, other than a shareholder that is a "C corporation" for federal income tax purposes, may be eligible under Section 1042 of the Code ("Section 1042") to elect to defer taxation of gain from the sale of the shareholder's shares in the tender offer to the extent that the shareholder reinvests the proceeds received in the sale in "qualified replacement property" and satisfies certain other requirements (as described below). If these requirements are met, the gain that would have been taxed at the time of the sale is instead taxed at the time the shareholder disposes of the qualified replacement property. The shareholder's basis in the qualified replacement property for purposes of computing gain on the sale of the qualified replacement property is reduced by the amount of gain not recognized by reason of the election under Section 1042. If the shareholder purchases more than one item of qualified replacement property, the basis of each item will be reduced by an amount determined by multiplying the total gain not recognized in the sale of the shares by a fraction, the numerator of which is the cost of the item of replacement property, and the denominator of which is the total cost of all items of qualified replacement property. The holding period of the shareholder's shares is added onto the holding period of the qualified replacement property for determining capital gains treatment on the disposition of the qualified replacement property. Section 1042 only applies to a sale of shares if the shareholder affirmatively elects for it to apply. The procedures for electing Section 1042 treatment are generally described below.

An eligible shareholder may elect Section 1042 treatment if (1) the ESOP holds, immediately after the sale, at least 30% of the outstanding shares of Hooker, (2) the shares sold by the shareholder are "qualified securities" that have been held by the shareholder for at least three years prior to the date of the sale, (3) the shareholder reinvests the proceeds received from the sale in "qualified replacement property" within the required time periods, and (4) certain elections and other requirements are met (as described in greater detail below).

Section 1042 deferral treatment is only available to eligible shareholders for the sale of shares that are "qualified securities." Qualified securities are shares of common stock issued by a domestic corporation that is treated as a "C corporation" for federal income tax purposes. In addition, the corporation that issued the shares

cannot have had any stock outstanding that was readily tradable on an established securities market for the one-year period preceding the sale to the employee stock ownership plan. Hooker believes that the shares will meet both of these requirements at the time of the tender offer.

Two other conditions also must be met in order for shares to be qualified securities. First, an eligible shareholder's shares must not have been received by the shareholder in a distribution from a tax-qualified retirement plan described in Section 401(a) of the Code, such as the ESOP. Second, a shareholder's shares cannot have been received by the shareholder under an employee stock option, employee stock purchase plan or other compensation arrangement, as described in Sections 83, 422, 423 of the Code (or certain predecessor provisions). If a shareholder cannot meet both of these conditions, the shareholder's shares will not be qualifying securities and gains on the sale of those shares cannot be deferred under Section 1042.

For purposes of meeting the three-year holding period requirement described above, a shareholder may include the period that another shareholder held the shares if those shares were acquired from the first shareholder through certain untaxed transactions. Examples of transactions that would permit this include gifts, like-kind exchanges and transfers of shares in connection with a merger or reorganization.

As also mentioned above, the proceeds received by the shareholder from the sale of the shareholder's shares must be used to purchase "qualified replacement property." This purchase must occur within the 15-month period beginning three months before the date on which the shareholder sells shares to the ESOP Trust. Qualified replacement property is stock, rights to acquire stock, bonds, debentures, notes, certificates or other debt securities with interest coupons or in registered form that have been issued by a U.S. operating corporation (not including Hooker or any of its affiliates). Securities issued by federal or state governments or agencies, such as Treasury notes, savings bonds and municipal bonds, are not considered qualified replacement property.

For purposes of these rules, an operating corporation is a corporation of which more than 50% of the assets are used in the active conduct of a trade or business at the time of the purchase by the shareholder of the securities or by the end of the 15-month period described above. Financial institutions and insurance companies are generally deemed to be operating companies. In addition, the securities issued by a U.S. operating corporation will not constitute qualified replacement property unless the corporation has met certain limits on the amount of its gross receipts that constituted passive investment income for the tax year preceding the tax year in which the shareholder purchased the security. In light of these requirements, shareholders are urged to consult with their own tax advisors before purchasing replacement property with the proceeds from the sale of their shares in the tender offer.

#### Procedural Requirements for Electing Section 1042 Treatment

Eligible shareholders who wish to elect to have Section 1042 apply to the sale of their shares must attach a statement of election to their timely filed income tax return for the tax year in which the sale occurs. The statement of election must include certain information concerning the shares and the sale, such as a description of the shares, the number of shares sold, the date of the sale, the shareholder's adjusted basis in the shares, and the amount received by the shareholder as part of the sale.

Shareholders must also file with that income tax return a "statement of consent" and a "statement of purchase." The statement of consent is a document that Hooker will provide to all shareholders who wish to elect Section 1042 treatment. The statement of consent affirms that Hooker will pay certain additional taxes if the ESOP fails to hold the qualified securities for at least three years, or if the ESOP allocates the qualified securities to certain ESOP participants who are prohibited from receiving allocations (as described below). The "statement of purchase" is a statement attesting to the purchase of qualified replacement property and designating that property as qualified replacement property. The statement must be signed and notarized within 30 days of the purchase of the qualified replacement property to which it relates. Failure to have any of these documents completed or to file any of these documents with the Internal Revenue Service in a timely manner may cause the shareholder to lose the ability to elect tax deferral treatment under Section 1042.

## ESOP Allocation Limits

For a specified period following the tender offer, the ESOP will be prohibited from making allocations of shares acquired by the Trustee in the tender offer to any ESOP participant who made an election to have Section 1042 apply to the sale of his or her shares under the tender offer. The ESOP allocation restriction will also apply to relatives of the electing shareholder, as described in Code Section 267(b) (which includes brothers and sisters, spouses, ancestors, lineal descendants, trust beneficiaries, estate beneficiaries and partners in a partnership of which the electing shareholder is a partner) subject to a limited exception for lineal descendants. The allocation restrictions will be in place for as long as payments are made being made under the ESOP Term Loan (as described in Section 8), and in no event less than 10 years. The allocation restriction will also apply to any shareholder who owns more than 25% of Hooker's shares (including shares that are deemed to be owned by that shareholder through special attribution rules) during the one-year period following the tender offer or at any later date when an ESOP allocation is made of the shares acquired by the Trustee in the tender offer if any shareholder elects Section 1042 treatment in the tender offer and regardless of whether the 25% shareholder made such an election.

In light of these allocation restrictions, eligible shareholders who are participants in the ESOP should carefully consider the effect of making a Section 1042 election on their participation in the ESOP and the participation of their relatives or other related persons.

The discussion set forth above is included for general information only. Shareholders are urged to consult their tax advisor to determine the particular tax consequences to them of the tender offer, including the applicability and effect of state, local and foreign tax laws.

### 15. Extension of the Tender Offer; Termination; Amendment; Subsequent Offering Period.

The ESOP Trust expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 6 shall have occurred or shall be deemed by the ESOP Trust to have occurred, to extend the period of time during which the tender offer is open and thereby delay acceptance for payment of, and payment for, any shares by giving oral or written notice of such extension to the depository and making a public announcement of such extension. The ESOP Trust also expressly reserves the right, in its sole discretion, to terminate the tender offer and not accept for payment or pay for any shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for shares upon the occurrence of any of the conditions specified in Section 6 hereof by giving oral or written notice of such termination or postponement to the depository and making a public announcement of such termination or postponement. The ESOP Trust's reservation of the right to delay payment for shares which it has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that the ESOP Trust must pay the consideration offered or return the shares tendered promptly after termination or withdrawal of a tender offer. Subject to compliance with applicable law, the ESOP Trust further reserves the right, in its sole discretion, and regardless of whether any of the events set forth in Section 6 shall have occurred or shall be deemed by the ESOP Trust to have occurred, to amend the tender offer in any respect, including, without limitation, by decreasing or increasing the consideration offered in the tender offer to holders of shares or by decreasing or increasing the number of shares being sought in the tender offer. Amendments to the tender offer may be made at any time and from time to time effected by public announcement, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., New York City time, on the next business day after the last previously scheduled or announced expiration date. Any public announcement made under the tender offer will be disseminated promptly to shareholders in a manner reasonably designed to inform shareholders of such change. Without limiting the manner in which the ESOP Trust may choose to make a public announcement, except as required by applicable law, the ESOP Trust shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through Business Wire.

If the ESOP Trust materially changes the terms of the tender offer or the information concerning the tender offer, the ESOP Trust will extend the tender offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. These rules and certain related releases and interpretations of the SEC

provide that the minimum period during which a tender offer must remain open following material changes in the terms of the tender offer or information concerning the tender offer (other than a change in price or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of such terms or information. If (1) the ESOP Trust increases or decreases the price to be paid for shares or increases or decreases the number of shares being sought in the tender offer and, if an increase in the number of shares being sought, such increase exceeds 2% of the outstanding shares and (2) the tender offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that such notice of an increase or decrease is first published, sent or given to security holders in the manner specified in this Section 15, the tender offer will be extended at least until the expiration of such period of ten business days.

Under certain circumstances Rule 14d-11 under the Exchange Act permits a bidder in a third-party tender offer to elect to accept and pay for securities tendered during an initial offering period and provide a subsequent offering period of three to 20 business days during which additional tenders will be accepted. No subsequent offering period is permitted under Rule 14d-11 in connection with this tender offer.

#### 16. Fees and Expenses.

All fees and expenses incurred by the ESOP Trust or Hooker in connection with the tender offer will be paid by Hooker. Hooker expects that the aggregate fees and expenses for Hooker and the ESOP Trust for the offer will be approximately \$450,000.

Hooker has retained U.S. Trust Company, N.A., to serve as the Trustee of the ESOP and to serve as an independent fiduciary of the ESOP for the purposes of reviewing the tender offer and determining whether to cause the ESOP Trust to participate in the tender offer. Hooker has agreed to pay U.S. Trust in its capacity as an independent fiduciary of the ESOP Trust a fee of \$75,000 for the services performed by U.S. Trust in connection with the offer. In addition, Hooker has also agreed to reimburse the ESOP Trust or pay on behalf of the ESOP Trust all expenses incurred by the ESOP Trust in connection with the offer, including the fees and disbursements of its legal counsel and financial advisor, and to indemnify the Trustee and related parties against liabilities, including liabilities under the federal securities laws, arising out of U.S. Trust's engagement in connection with the offer.

Hooker has retained Corporate Investor Communications, Inc. to act as information agent and First Union National Bank to act as depository in connection with the tender offer. The information agent may contact holders of shares by mail, telephone, telegraph and in person and may request brokers, dealers, commercial banks, trust companies and other nominee shareholders to forward materials relating to the tender offer to beneficial owners. The information agent and the depository will each receive reasonable and customary compensation for their respective services, will be reimbursed by the ESOP Trust for specified reasonable out-of-pocket expenses and will be indemnified against certain liabilities in connection with the tender offer, including certain liabilities under the federal securities laws. Hooker will pay all costs and expenses of printing and mailing the offer and any related legal fees and expenses.

Mann Armistead has been retained as the exclusive financial advisor to the special committee of the Hooker Board of Directors in connection with the offer. Pursuant to the terms of Mann Armistead's engagement, Hooker has agreed to pay Mann Armistead for its services in connection with the offer and an aggregate financial advisory fee of \$75,000, \$30,000 of which is contingent upon the successful completion of the offer. The Company has also agreed to reimburse Mann Armistead for out-of-pocket expenses and to indemnify Mann Armistead and related parties against liabilities, including liabilities under the federal securities laws, arising out of Mann Armistead's engagement.

Hooker has also retained ESOP Services, Inc. as a consultant and advisor in connection with the evaluation, structuring and execution of the tender offer. ESOP Services, Inc. will receive an aggregate fee of \$104,500 for its services.

No fees or commissions will be payable by the ESOP Trust or Hooker to brokers, dealers, commercial banks or trust companies (other than fees to the information agent as described above) for soliciting tenders of shares under the tender offer. Shareholders holding shares through brokers or banks are urged to consult the brokers or banks to determine whether transaction costs are applicable if shareholders tender shares through such brokers or banks and not directly to the depository. The ESOP Trust, however, upon request, will reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling expenses incurred by them in forwarding the tender offer and related materials to the beneficial owners of shares held by them as a nominee or in a fiduciary capacity. No broker, dealer, commercial bank or trust company has been authorized to act as the agent of the ESOP Trust, the information agent or the depository for purposes of the tender offer. Hooker will pay or cause to be paid all stock transfer taxes, if any, on its purchase of shares except as otherwise provided in this document and Instruction 6 in the related letter of transmittal.

#### 17. Miscellaneous.

The ESOP Trust is not aware of any jurisdiction where the making of the tender offer is not in compliance with applicable law. If the ESOP Trust becomes aware of any jurisdiction where the making of the tender offer or the acceptance of shares pursuant thereto is not in compliance with applicable law, the ESOP Trust will make a good faith effort to comply with the applicable law. If, after such good faith effort, the ESOP Trust cannot comply with the applicable law, the tender offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of shares in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the tender offer to be made by a licensed broker or dealer, the tender offer shall be made on behalf of the ESOP Trust, if at all, only by one or more registered brokers or dealers licensed under the laws of that jurisdiction.

Pursuant to Rule 14d-1 and Rule 14d-3 under the Exchange Act, the ESOP Trust has filed with the SEC a Tender Offer Statement on Schedule T0 which contain additional information with respect to the tender offer, and may file amendments thereto. Hooker has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 pursuant to Section 14(d)(4) and Rule 14d-9 under the Exchange Act, furnishing certain additional information about Hooker's and Hooker's Board of Directors' position concerning the tender offer, and Hooker may file amendments thereto. The Schedules T0 and 14D-9 and any amendments and supplements to either Schedule, including exhibits, may be examined, and copies may be obtained, at the same places and in the same manner as is set forth in Section 9 with respect to information concerning Hooker.

The Trustee has not authorized any person to make any recommendation on behalf of the ESOP Trust as to whether you should tender or refrain from tendering your shares in the tender offer. The Trustee has not authorized any person to give any information or to make any representation in connection with the tender offer other than those contained in this document or in the related letter of transmittal. If given or made, any recommendation or any such information or representation must not be relied upon as having been authorized by the Trustee.

August 9, 2000

MANN, ARMISTEAD & EPPERSON, LTD.  
INVESTMENT BANKERS and ADVISORS

June 20, 2000

Special Committee of the Board of Directors  
Hooker Furniture Corporation  
440 East Commonwealth Boulevard  
Martinsville, Virginia 24115

Gentlemen:

You have requested our opinion as to the fairness, from a financial point of view, to Hooker Furniture Corporation (the "Company") of the proposed stock purchase by the Hooker Furniture Corporation Employee Stock Ownership Plan (the "ESOP Trust"). Under the proposal, the ESOP Trust would purchase up to 1.8 million shares of the Company's outstanding common stock ("Common Stock") through a public tender offer. The price offered would not exceed \$12.50 per share and would be financed by a loan from the Company to the ESOP Trust in an amount of approximately \$22.5 million. The source of the Company's loan to the ESOP Trust would be a commercial bank loan to the Company in approximately the same amount. Under the terms of the proposal, the ESOP Trust must acquire at least approximately 1.8 million shares of Common Stock. This would result in the ESOP Trust owning at least 30% of the outstanding shares of Common Stock which in turn would permit qualifying selling shareholders to take advantage of Internal Revenue Code section 1042 (and defer the taxation of gains from the sale of their shares to the ESOP Trust). We understand that if the required number of shares were not to be tendered, then the proposed transaction would not be completed.

In arriving at our opinion, we, among other things: (i) reviewed the terms of the proposed tender offer, including the proposed terms of the commercial bank loan to the Company and the proposed terms of the loan from the Company to the ESOP Trust; (ii) met with the members of the Special Committee and directors, officers and certain members of management of the Company to discuss the business, financial condition, operating results and future prospects of the Company; (iii) reviewed the Company's Registration Statement on Form 10, and the amendments thereto, filed with the SEC, (iv) reviewed the Company's Annual Reports to Shareholders and related audited financial information for the five fiscal years ended November 30, 1999 and the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1999; (v) reviewed the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended February 28, 1999, May 31, 1999, August 31, 1999 and February 29, 2000 as well as related management prepared financial information for the five months ended April 30, 1999 and April 30, 2000; (vi) reviewed management prepared financial and operational projections for the Company, pro forma financial statements and financial models illustrating the effect of the proposed tender offer under various scenarios, (vii) visited one of the Company's major operating facilities; (viii) reviewed certain publicly available information with respect to certain publicly traded furniture companies which we deemed relevant; (ix) reviewed certain merger and acquisition transactions in the furniture industry which we deemed relevant; (x) applied the results of the aforementioned public company and merger analysis to the Company's projected operating results to determine an estimated value for the Company assuming that the proposed stock purchase is completed compared to an estimated value of the Company assuming that the proposed stock purchase is not completed, and; (xi) considered such other financial studies, analysis, inquiries, economic, demographic and other matters as we deemed reasonable and appropriate.

In rendering this opinion, we have relied upon the accuracy and completeness of all financial and other information furnished to us by, or on behalf of, the Company and other information that we considered in our review and we have not assumed any responsibility for independent verification of such information. We have relied upon the Company's management as to the reasonableness and achievability of its financial and

operational forecasts and projections, and the assumptions and bases thereof and assumed that such forecasts and projections reflect the best currently available estimates and judgments of the Company's management and that such forecasts and projections will be substantially realized in the amounts and in the time periods currently estimated. During the course of our investigation nothing has come to our attention that indicates that such financial or other information or management prepared financial and operational forecasts and projections, including the assumptions and bases thereof, are unreasonable in any material respect. Our opinion herein is based on the facts and circumstances existing and known to us as of the date hereof. We did not undertake any independent valuation or appraisal of the assets owned by the Company, nor were we furnished with any such evaluations or appraisals. Consequently, we do not express any opinion regarding the value of any of the Company's specific assets. We have relied as to certain legal ESOP Trust and accounting matters on advice from the Company's counsel and independent public accountant and other advisors to the Company and its Board of Directors.

Our opinion is necessarily based on economic, market, financial and other conditions as they exist on, and on the information made available to us through, the date of this letter. Although subsequent developments may affect this opinion, we do not have any obligation to update or revise this opinion. Furthermore, we are not expressing any opinion herein as to the fairness, from a financial point of view, to the stockholders of Hooker Furniture Corporation of the proposed price to be offered by the ESOP Trust for the stock purchase. We did not review, nor were we requested to review, alternative investments for the Company in the amount proposed for the ESOP Trust stock purchase.

Mann, Armistead & Epperson, Ltd., as part of its investment banking services, is regularly engaged in the valuation of private and public businesses and their securities in connection with mergers and acquisitions, competitive biddings and valuations for estate, corporate and other purposes, and acting as financial advisor in connection with other forms of strategic corporate transactions. Pursuant to our engagement in connection with this fairness opinion, we will receive a fee for our services in rendering said opinion, a substantial portion of which is contingent upon the consummation of the ESOP Trust stock purchase.

The opinion expressed herein is provided for the benefit of the Special Committee of the Board of Directors of the Company. The opinion, and any supporting analyses or other material supplied by us, may be quoted, referred to, or used in any public filing or in any written document or other communication from the Company or the ESOP Trust to the shareholders of the Company, including without limitation any Schedule TO Tender Offer Statement and Schedule 14D-9 Solicitation/Recommendation Statement under the Securities Exchange Act of 1934, as amended, and any necessary or appropriate amendments thereto, and any other tender offer materials.

Based on the foregoing considerations, it is our opinion that as of June 20, 2000 the proposed tender offer for Common Stock by the Company's ESOP Trust is fair, from a financial point of view, to the Company.

Truly yours,

MANN, ARMISTEAD & EPPERSON, LTD.

The letter of transmittal and certificates for shares and any other required documents should be sent or delivered by each shareholder or such shareholder's broker, dealer, commercial bank, trust company or nominee to the depositary at one of its addresses set forth below.

The depositary for the tender offer is:  
First Union National Bank

By mail:

By hand/overnight delivery:

First Union National Bank  
1525 West W.T. Harris Blvd.  
Charlotte, NC 28288  
Attn: Corporate Actions NC-1153

First Union National Bank  
1525 West W.T. Harris Blvd.  
Charlotte, NC 28262  
Attn: Corporate Actions NC-1153

(800) 829-8432

Any questions or requests for assistance may be directed to the information agent at its telephone number and address set forth below. Requests for additional copies of the offer to purchase, the related letter of transmittal or the notice of guaranteed delivery may be directed to the information agent at the telephone number and address set forth below. Shareholders may also contact their broker, dealer, commercial bank, trust company or nominee for assistance concerning the tender offer. To confirm delivery of shares, shareholders are directed to contact the depositary.

The information agent for the tender offer is:  
Corporate Investor Communications, Inc.  
111 Commerce Road  
Carlstadt, NJ 07072-2856  
Call Toll Free (888) 512-3273  
Banks and brokerage firms please call: (201) 896-1900

LETTER OF TRANSMITTAL  
To Accompany Shares of Common Stock,  
No Par Value Per Share

of

HOOKER FURNITURE CORPORATION

Tendered under the Offer to Purchase,

Dated August 9, 2000

by

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust

THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE  
AT 5:00 P.M., NEW YORK CITY TIME,  
ON FRIDAY, SEPTEMBER 8, 2000, UNLESS THE TENDER OFFER IS EXTENDED.

The depository for the tender offer is:

First Union National Bank

By mail:

By hand/overnight delivery:

First Union National Bank  
1525 West W.T. Harris Blvd.  
Charlotte, NC 28288  
Attn: Corporate Actions NC-1153

First Union National Bank  
1525 West W.T. Harris Blvd.  
Charlotte, NC 28262  
Attn: Corporate Actions NC-1153

1-800-829-8432

The information agent for the offer is:

Corporate Investor Communications, Inc.  
111 Commerce Road  
Carlstadt, NJ 07072-2856

All questions regarding the tender offer should be directed to Corporate  
Investor Communications, Inc. at (888) 512-3273. Banks and brokerage firms  
please call: (201) 896-1900

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This letter of transmittal, including the accompanying instructions, should  
be read carefully before you complete this letter of transmittal.

Delivery of this letter of transmittal to an address other than one of those  
shown above does not constitute a valid delivery. Deliveries to the Hooker  
Furniture Corporation Employee Stock Ownership Plan Trust, the offeror of the  
tender offer, Hooker Furniture Corporation or Corporate Investor  
Communications, Inc., the information agent of the tender offer, will not be  
forwarded to the depository and therefore will not constitute valid delivery to  
the depository. Deliveries to the book-entry transfer facility will not  
constitute valid delivery to the depository.



CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of tendering institution: \_\_\_\_\_

Account number: \_\_\_\_\_

Transaction code number: \_\_\_\_\_

CHECK HERE IF CERTIFICATES FOR TENDERED SHARES ARE BEING DELIVERED UNDER A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of registered holder(s): \_\_\_\_\_

Date of execution of notice of guaranteed delivery: \_\_\_\_\_

Name of institution which guaranteed delivery: \_\_\_\_\_

Account number: \_\_\_\_\_

To First Union National Bank:

The undersigned hereby tenders to the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust"), the above-described shares of Hooker Furniture Corporation, a Virginia corporation ("Hooker" or the "Company"), common stock, no par value per share, at the purchase price of \$12.50 per share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the ESOP Trust's offer to purchase, dated August 9, 2000, receipt of which is hereby acknowledged, and in this letter of transmittal which, as amended and supplemented from time to time, together constitute the tender offer.

Subject to and effective on acceptance for payment of the shares tendered hereby in accordance with the terms of the tender offer, including, if the tender offer is extended or amended, the terms or conditions of any such extension or amendment, the undersigned hereby sells, assigns and transfers to or upon the order of the ESOP Trust all right, title and interest in and to all shares tendered hereby and orders the registration of such shares tendered by book-entry transfer that are purchased under the tender offer to or upon the order of the ESOP Trust and hereby irrevocably constitutes and appoints the depository as attorney-in-fact of the undersigned with respect to such shares, with the full knowledge that the depository also acts as the agent of the ESOP Trust, with full power of substitution, such power of attorney being an irrevocable power coupled with an interest, to:

- (a) deliver certificates for shares, or transfer ownership of such shares on the account books maintained by the book-entry transfer facility, together in either such case with all accompanying evidences of transfer and authenticity, to or upon the order of the ESOP Trust, upon receipt by the depository, as the undersigned's agent, of the purchase price with respect to such shares;
- (b) present certificates for such shares for cancellation and transfer on Hooker's books; and
- (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such shares, subject to the next paragraph, all in accordance with the terms of the tender offer.

The undersigned hereby covenants, represents and warrants to the ESOP Trust that:

- (a) the undersigned understands that tendering of shares under any one of the procedures described in Section 3 of the offer to purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the tender offer, including the undersigned's representation and warranty that (i) the undersigned has a net long position in shares or equivalent securities at least equal to the shares tendered within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended, and (ii) such tender of shares complies with Rule 14e-4 under the Exchange Act;
- (b) when and to the extent the ESOP Trust accepts the shares for purchase, the ESOP Trust will acquire good, marketable and unencumbered title to them, free and clear of all security interests, liens, charges, encumbrances, conditional sales agreements or other obligations relating to their sale or transfer, and not subject to any adverse claim;
- (c) on request, the undersigned will execute and deliver any additional documents the depository or the ESOP Trust deems necessary or desirable to complete the assignment, transfer and purchase of the shares tendered hereby; and
- (d) the undersigned has read and agrees to all of the terms of the tender offer.

The names and addresses of the registered holders should be printed, if they are not already printed above, exactly as they appear on the certificates representing shares tendered hereby. The certificate numbers, the number of shares represented by such certificates, and the number of shares that the undersigned wishes to tender, should be set forth in the appropriate boxes above.

The undersigned understands that the ESOP Trust will, upon the terms and subject to the conditions of the tender offer, pay for shares properly tendered and not withdrawn under the tender offer, taking into account the

number of shares so tendered. The undersigned understands that all shares properly tendered and not properly withdrawn will be purchased at the purchase price of \$12.50 per share, net to the seller in cash, without interest, upon the terms and subject to the conditions of the tender offer and that the ESOP Trust will return all other shares, including shares not purchased because of proration, as promptly as practicable following the expiration date.

The undersigned recognizes that under certain circumstances set forth in the offer to purchase, the ESOP Trust may terminate or amend the tender offer or may postpone the acceptance for payment of, or the payment for, shares tendered or may accept for payment fewer than all of the shares tendered hereby. The undersigned understands that certificate(s) for any shares not tendered or not purchased will be returned to the undersigned at the address indicated above. The undersigned recognizes that the ESOP Trust has no obligation, under the Special Payment Instructions, to transfer any certificate for shares from the name of its registered holder, or to order the registration or transfer of shares tendered by book-entry transfer, if the ESOP Trust purchases none of the shares represented by such certificate or tendered by such book-entry transfer.

The undersigned understands that acceptance of shares by the ESOP Trust for payment will constitute a binding agreement between the undersigned and the ESOP Trust upon the terms and subject to the conditions of the tender offer.

The check for the aggregate net purchase price for such of the tendered shares as are purchased by the ESOP Trust will be issued to the order of the undersigned and mailed to the address indicated above unless otherwise indicated under either of the "Special Payment Instructions" or the "Special Delivery Instructions" boxes below.

All authority conferred or agreed to be conferred in this letter of transmittal shall survive the death or incapacity of the undersigned and any obligations or duties of the undersigned under this letter of transmittal shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the offer to purchase, this tender is irrevocable.

**SPECIAL PAYMENT INSTRUCTIONS**  
(See Instructions 1, 4, 5, 6 and 7)

To be completed ONLY if the check for the purchase price of shares purchased is to be issued in the name of someone other than the undersigned.

Issue check to:

Name: \_\_\_\_\_  
(PLEASE PRINT)

Address: \_\_\_\_\_  
\_\_\_\_\_  
(INCLUDING ZIP CODE)

**SPECIAL DELIVERY INSTRUCTIONS**  
(See Instructions 1, 4, 5 and 7)

To be completed ONLY if the check for the purchase price of shares purchased is to be sent to someone other than the undersigned or to the undersigned at an address other than that shown above.

Deliver check to:

Name: \_\_\_\_\_  
(PLEASE PRINT)

Address: \_\_\_\_\_  
\_\_\_\_\_  
(INCLUDING ZIP CODE)

\_\_\_\_\_  
(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)  
(SEE SUBSTITUTE FORM W-9 INCLUDED HEREWITH)

-----  
\*Signature Guarantee required.

\_\_\_\_\_  
(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)  
(SEE SUBSTITUTE FORM W-9 INCLUDED HEREWITH)

-----  
\*Signature Guarantee required.

SHAREHOLDER(S) SIGN HERE  
(See Instructions 1 and 5)

(Please Complete Substitute Form W-9 Contained Herein)

Signature(s) of Holder(s): \_\_\_\_\_

Dated: \_\_\_\_\_, 2000

(Must be signed by registered holder(s) exactly as name(s) appear(s) on share certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by share certificates and documents transmitted herewith. If a signature is by an officer on behalf of a corporation or by an executor, administrator, trustee, guardian, attorney-in-fact, agent or other person acting in a fiduciary or representative capacity, please provide full title and see Instruction 5.)

Name(s): \_\_\_\_\_  
(PLEASE PRINT)

Capacity (full title): \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
(INCLUDE ZIP CODE)

(Area Code) Telephone Number: \_\_\_\_\_

Taxpayer Identification or Social Security No.: \_\_\_\_\_

GUARANTEE OF SIGNATURE(S)  
(See Instructions 1 and 5)

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(PLEASE TYPE OR PRINT)

Title: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
(INCLUDE ZIP CODE)

Area Code and Telephone Number: \_\_\_\_\_

Dated: \_\_\_\_\_, 2000

INSTRUCTIONS TO LETTER OF TRANSMITTAL  
FORMING PART OF THE TERMS OF THE TENDER OFFER

1. GUARANTEE OF SIGNATURES. No signature guarantee is required if either:

- (a) this letter of transmittal is signed by the registered holder of the shares exactly as the name of the registered holder appears on the certificate, which term, for purposes of this document, shall include any participant in a book-entry transfer facility whose name appears on a security position listing as the owner of shares, tendered with this letter of transmittal, and payment and delivery are to be made directly to such registered holder unless such registered holder has completed either the box entitled "Special Payment Instructions" or "Special Delivery Instructions" above; or
- (b) such shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or a bank, broker, dealer, credit union, savings association or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, each such entity, referred to as an "eligible guarantor institution."

In all other cases, signatures must be guaranteed by an eligible guarantor institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES; GUARANTEED DELIVERY PROCEDURES. This letter of transmittal is to be used only if certificates are delivered with it to the depository, or such certificates will be delivered under a notice of guaranteed delivery previously sent to the depository, or if tenders are to be made under the procedure for tender by book-entry transfer set forth in Section 3 of the offer to purchase. Certificates for all physically tendered shares, or confirmation of a book-entry transfer into the depository's account at the book-entry transfer facility of shares tendered electronically, together in each case with a properly completed and duly executed letter of transmittal or manually signed facsimile of it, or an agent's message, and any other documents required by this letter of transmittal, should be mailed or delivered to the depository at the appropriate address set forth herein and must be delivered to the depository before the expiration date.

The term "agent's message" means a message transmitted by the book-entry transfer facility to, and received by, the depository, which states that the book-entry transfer facility has received an express acknowledgment from the participant in such book-entry transfer facility tendering the shares, that such participant has received and agrees to be bound by the terms of the letter of transmittal, and that the ESOP Trust may enforce such agreement against such participant.

Shareholders whose certificates are not immediately available or who cannot deliver certificates for their shares and all other required documents to the depository before the expiration date, or whose shares cannot be delivered before the expiration date under the procedures for book-entry transfer, may tender their shares by or through any eligible guarantor institution by properly completing and duly executing and delivering a notice of guaranteed delivery, or facsimile of it, and by otherwise complying with the guaranteed delivery procedure set forth in Section 3 of the offer to purchase. Under such procedure, the certificates for all physically tendered shares or book-entry confirmation, as the case may be, as well as a properly completed and duly executed letter of transmittal, or manually signed facsimile of it, or an agent's message, and all other documents required by this letter of transmittal, must be received by the depository within three business days after receipt by the depository of such notice of guaranteed delivery, all as provided in Section 3 of the offer to purchase.

The notice of guaranteed delivery may be delivered by hand or transmittal by telegram, facsimile transmission or mail to the depository and must include, if necessary, a guarantee by an eligible guarantor institution in the form set forth in such notice. For shares to be tendered validly under the guaranteed delivery procedure, the depository must receive the notice of guaranteed delivery before the expiration date.

The method of delivery of all documents, including certificates for shares, is at the option and risk of the tendering shareholder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to assure delivery.

The ESOP Trust will not accept any alternative, conditional or contingent tenders, nor will it purchase any fractional shares. All tendering shareholders, by execution of this letter of transmittal, or a facsimile of it, waive any right to receive any notice of the acceptance of their tender.

3. INADEQUATE SPACE. If the space provided in the box captioned "Description of Shares Tendered" is inadequate, the certificate numbers and/or the number of shares should be listed on a separate signed schedule and attached to this letter of transmittal.

4. PARTIAL TENDERS AND UNPURCHASED SHARES. (Not applicable to shareholders who tender by book-entry transfer.) If fewer than all of the shares evidenced by any certificate are to be tendered, fill in the number of shares which are to be tendered in the column entitled "Number of Shares Tendered." In such case, if any tendered shares are purchased, a new certificate for the remainder of the shares evidenced by the old certificates will be issued and sent to the registered holder(s) as promptly as practicable after the expiration date. Unless otherwise indicated, all shares represented by the certificates listed and delivered to the depository will be deemed to have been tendered.

5. SIGNATURES ON LETTER OF TRANSMITTAL, STOCK POWERS AND ENDORSEMENTS.

- (a) If this letter of transmittal is signed by the registered holder(s) of the shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the certificate(s) without any change whatsoever.
- (b) If the shares are registered in the names of two or more joint holders, each such holder must sign this letter of transmittal.
- (c) If any tendered shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate letters of transmittal, or photocopies of it, as there are different registrations of certificates.
- (d) When this letter of transmittal is signed by the registered holder(s) of the shares listed and transmitted hereby, no endorsements of certificate(s) representing such shares or separate stock powers are required unless payment is to be made or the certificates for shares not tendered or not purchased are to be issued to a person other than the registered holder(s). Signature(s) on such certificate(s) must be guaranteed by an eligible guarantor institution. If this letter of transmittal is signed by a person other than the registered holder(s) of the certificate(s) listed, or if payment is to be made to a person other than the registered holder(s), the certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the certificate(s), and the signature(s) on such certificates or stock power(s) must be guaranteed by an eligible guarantor institution. See Instruction 1.
- (e) If this letter of transmittal or any certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and must submit proper evidence to the depository that is satisfactory to the ESOP Trust of their authority so to act.

6. STOCK TRANSFER TAXES. Except as provided in this Instruction 6, no stock transfer tax stamps or funds to cover such stamps need to accompany this letter of transmittal. Hooker will pay or cause to be paid any stock transfer taxes payable on the transfer to it of shares purchased under the tender offer. If, however:

- (a) payment of the purchase price is to be made to any person other than the registered holder(s); or
- (b) tendered certificates are registered in the name of any person(s) other than the person(s) signing this letter of transmittal;

then the depository will deduct from the purchase price the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person(s) or otherwise) payable on account thereof, unless satisfactory evidence of the payment of such taxes or an exemption from them is submitted.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If check(s) are to be issued in the name of a person other than the signer of the letter of transmittal or if such check(s) are to be sent to someone other than the person signing the letter of transmittal or to the signer at a different address, the boxes captioned "Special Payment Instructions" and/or "Special Delivery Instructions" on this letter of transmittal should be completed as applicable and signatures must be guaranteed as described in Instructions 1 and 6.

8. IRREGULARITIES. All questions as to the number of shares to be accepted, the price to be paid therefor and the validity, form, eligibility, including time of receipt, and acceptance for payment of any tender of shares will be determined by the ESOP Trust in its sole discretion, which determinations shall be final and binding on all parties. The ESOP Trust reserves the absolute right to reject any or all tenders of shares it determines not be in proper form or the acceptance of which or payment for which may, in the opinion of the ESOP Trust, be unlawful. The ESOP Trust also reserves the absolute right to waive any of the conditions of the tender offer and any defect or irregularity in the tender of any particular shares, and the ESOP Trust's interpretation of the terms of the tender offer, including these instructions, will be final and binding on all parties. No tender of shares will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any defects or irregularities in connection with tenders must be cured within such time as the ESOP Trust shall determine. None of the ESOP Trust, the depository, the information agent (as defined in the offer to purchase) or any other person is or will be obligated to give notice of any defects or irregularities in tenders and none of them will incur any liability for failure to give any such notice.

9. QUESTIONS AND REQUESTS FOR ASSISTANCE AND ADDITIONAL COPIES. Any questions or requests for assistance or for additional copies of the offer to purchase, the letter of transmittal or the notice of guaranteed delivery may be directed to the information agent at the telephone number and address set forth below. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning the tender offer.

10. TAX IDENTIFICATION NUMBER AND BACKUP WITHHOLDING. Each tendering shareholder is required to provide the depository with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided below, and to certify, under penalties of perjury, that such number is correct and that such shareholder is not subject to backup withholding of Federal income tax. If a tendering shareholder has been notified by the Internal Revenue Service that such shareholder is subject to backup withholding, such shareholder must cross out item (2) of the certification box of the Substitute Form W-9, unless such shareholder has since been notified by the Internal Revenue Service that such shareholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to a \$50 penalty imposed by the Internal Revenue Service and to a 31% Federal income tax withholding on the payment of the purchase price of all shares purchased from such shareholder. If the tendering shareholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such shareholder should write "Applied For" in the space provided for the TIN in Part I of the Substitute Form W-9, and sign and date the Substitute Form W-9 and the Certificate of Awaiting Taxpayer Identification Number. If "Applied For" is written in Part I and the depository is not provided with a TIN within 60 days, the depository will withhold 31% on all payments of the purchase price to such shareholder until a TIN is provided to the depository. Each foreign shareholder must complete and submit Form W-8 in order to be exempt from the 31% Federal income tax backup withholding due on payments with respect to the shares. See Instruction 11.

11. WITHHOLDING ON FOREIGN HOLDER. The following discussion applies to any "foreign shareholder," that is a shareholder that, for United States federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership, a foreign estate or a foreign trust. A foreign shareholder who has provided the necessary certification to the depository will not be subject to backup withholding.

However, foreign shareholders generally are subject to withholding under Internal Revenue Code sections 1441 or 1442 at a rate of 30% of the gross payments. If a shareholder's address is outside the United States, and if the depository has not received a Substitute Form W-9, the depository will assume that the shareholder is a foreign shareholder. The general 30% withholding rate may be reduced under a tax treaty, if appropriate certification is furnished to the depository. Foreign shareholders are urged to consult their tax advisors regarding the application of United States federal income tax withholding, including eligibility for a withholding tax reduction or exemption, and the refund procedure.

12. LOST, STOLEN, DESTROYED OR MUTILATED CERTIFICATES. If any certificate representing shares has been lost, stolen, destroyed or mutilated, the shareholder should notify First Union National Bank, the transfer agent for the shares, of that fact by calling First Union National Bank at (800) 829-8432 and asking for instructions on obtaining a replacement certificate(s). First Union National Bank will require you to complete an affidavit of loss and return it to First Union National Bank. Such shareholder will then be instructed by First Union National Bank as to the steps that must be taken in order to replace the certificate. A bond may be required to be posted by the shareholder to secure against the risk that the certificate may be subsequently recirculated. This letter of transmittal and related documents cannot be processed until the procedures for replacing lost, stolen, destroyed or mutilated certificates have been followed.

IMPORTANT: This letter of transmittal or a manually signed photocopy of it (together with certificate(s) for shares or confirmation of book-entry transfer and all other required documents) or, if applicable, the notice of guaranteed delivery must be received by the depository before the expiration date.

#### IMPORTANT TAX INFORMATION

Under the Federal income tax law, a shareholder whose tendered shares are accepted for payment is required by law to provide the depository (as payer) with such shareholder's correct TIN on Substitute Form W-9 below. If such shareholder is an individual, the TIN is such shareholder's social security number. If the depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the Internal Revenue Service and payments that are made to such shareholder with respect to shares purchased pursuant to the tender offer may be subject to backup withholding of 31%.

Certain shareholders including, among others, all corporations and certain foreign individuals are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a Form W-8, signed under penalties of perjury, attesting to such individual's exempt status. A Form W-8 can be obtained from the depository. Exempt shareholders should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9, and sign, date and return the Substitute Form W-9 to the information agent. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions. A shareholder should consult his or her tax advisor as to such shareholder's qualification for an exemption from backup withholding and the procedure for obtaining such exemption.

If backup withholding applies, the depository is required to withhold 31% of any payments made to the shareholder. Backup withholding is not an additional tax. Rather, the Federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

Purpose of Substitute Form W-9

To prevent backup withholding on payments that are made to a shareholder with respect to shares purchased pursuant to the tender offer, the shareholder is required to notify the depository of such shareholder's correct TIN by completing the form below certifying that (a) the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN) and (b) that (i) such shareholder has not been notified by the Internal Revenue Service that such shareholder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such shareholder that such shareholder is no longer subject to backup withholding.

What Number to Give the Depository

The shareholder is required to give the depository the social security number or employer identification number of the record holder of the shares tendered hereby. If the shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9 and the Certificate of Awaiting Taxpayer Identification Number. If "Applied For" is written in Part I and the depository is not provided with a TIN within 60 days, the depository will withhold 31% of all payments of the purchase price to such shareholder until a TIN is provided to the depository.

TAXPAYER IDENTIFICATION NUMBER

PAYER'S NAME: FIRST UNION NATIONAL BANK

Name: \_\_\_\_\_

SUBSTITUTE

Form W-9

Address: \_\_\_\_\_  
(Number and Street)

Department of  
the Treasury  
Internal Revenue  
Service

\_\_\_\_\_  
(City) (State) (Zip Code)

Payer's Request for  
Taxpayer  
Identification Number  
and Certification

PART 1--Please provide  
your Taxpayer  
Identification Number in  
the box at the right and  
certify by signing and  
dating below. If awaiting  
TIN, write "Applied For."  
TIN: \_\_\_\_\_  
Social Security  
Number or Employer  
Identification Number

PART 2--Check the  
box if you are NOT  
subject to backup  
withholding: [ ]  
PART 3--Check the box if  
you are awaiting TIN: [ ]

PART 4--CERTIFICATION UNDER PENALTIES OF PERJURY,  
I CERTIFY THAT

- (1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- (2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

You must cross out Item (2) of Part 4 above if you have been notified by the Internal Revenue Service that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the Internal Revenue Service that you were subject to backup withholding you received another notification from the Internal Revenue Service that you are no longer subject to backup withholding, do not cross out Item (2) of Part 4 above. (Also see certification under instructions in the enclosed guidelines.)

You must complete the following certificate if you checked the box in Part 3 of the Substitute Form W-9 indicating you have applied for, and are awaiting receipt of, your taxpayer identification number.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and that I mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service center or Social Security Administration office (or I intend to mail or deliver an application in the near future). I understand that if I do not provide a taxpayer identification number to the payer, 31% of all payments made to me under the tender offer shall be retained until I provide a taxpayer identification number to the payer and that, if I do not provide my taxpayer identification number within sixty days, such retained amounts shall be remitted to the Internal Revenue Service as backup withholding and 31% of all reportable payments made to me thereafter will be withheld and remitted to the Internal Revenue Service until I provide a taxpayer identification number.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

NOTE: failure to complete and return this form may result in backup withholding of 31% of any cash payments. Please review the enclosed guidelines for certification of taxpayer identification number on Substitute Form W-9 for additional details.

Facsimile copies of the letter of transmittal will be accepted from eligible guarantor institutions. The letter of transmittal and certificates for shares and any other required documents should be sent or delivered by each tendering shareholder or its broker, dealer, commercial bank, trust company or other nominee to the depository at one of its addresses set forth above.

Any questions or requests for assistance or for additional copies of the offer to purchase, the letter of transmittal or the notice of guaranteed delivery may be directed to the information agent at the telephone number and address set forth below. You may also contact the dealer manager or your broker, dealer, commercial bank or trust company for assistance concerning the tender offer. To confirm delivery of your shares, you are directed to contact the depository.

The information agent for the offer is:  
Corporate Investor Communications, Inc.  
111 Commerce Road  
Carlstadt, NJ 07072-2856  
Call Toll Free (888) 512-3273  
Banks and brokerage firms please call: (201) 896-1900

NOTICE OF GUARANTEED DELIVERY  
(Not to be used for Signature Guarantees)

For Tender of Shares of Common Stock

of

Hooker Furniture Corporation

Pursuant to the Offer to Purchase  
dated August 9, 2000

by

Hooker Furniture Corporation

Employee Stock Ownership Plan Trust  
(The "ESOP Trust")

As set forth in Section 3 of the offer to purchase, dated August 9, 2000, this notice of guaranteed delivery, or a facsimile hereof, must be used to accept the tender offer if:

(a) certificates representing shares of common stock, no par value per share, of Hooker Furniture Corporation, a Virginia corporation, cannot be delivered prior to the "expiration date" (as defined in Section 1 of the offer to purchase); or

(b) the procedure for book-entry transfer cannot be completed before the "expiration date" (as defined in Section 1 of the offer to purchase); or

(c) time will not permit a properly completed and duly executed letter of transmittal, or manually signed facsimile thereof, and all other required documents to reach the depository referred to below before the expiration date.

This form or a facsimile of it, signed and properly completed, may be delivered by hand or transmitted by facsimile transmission or mailed to the depository so that it is received by the depository before the expiration date. See Section 3 of the offer to purchase.

The depository for the tender offer is:  
First Union National Bank

By mail:

By hand/overnight delivery:

First Union National Bank  
1525 West W.T. Harris Blvd.  
Charlotte, NC 28288  
Attn: Corporate Actions NC-1153

First Union National Bank  
1525 West W.T. Harris Blvd.  
Charlotte, NC 28262  
Attn: Corporate Actions NC-1153

Toll-Free Telephone: (800) 829-8432  
Facsimile: (704) 590-7628

Delivery of this notice of guaranteed delivery to an address other than those shown above or transmission of instructions via the facsimile number other than the one listed above does not constitute a valid delivery. Deliveries to the Hooker Furniture Corporation Employee Stock Ownership Plan Trust, the offeror of the tender offer, Hooker Furniture Corporation or Corporate Investor Communications, Inc., the information agent of the tender offer, will not be forwarded to the depository and therefore will not constitute valid delivery. Deliveries to the book-entry transfer facility (as defined in the offer to purchase) will not constitute valid delivery to the depository.

This notice of guaranteed delivery form is not to be used to guarantee signatures. If a signature on the letter of transmittal is required to be guaranteed by an "eligible guarantor institution" (as defined in Section 3 of the offer to purchase) under the instructions thereto, such signature must appear in the applicable space provided in the signature box on the letter of transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders the above described to the ESOP Trust at the purchase price of \$12.50 per share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the offer to purchase, and the related letter of transmittal, which, as may be amended and supplemented from time to time, together constitute the tender offer, receipt of which are hereby acknowledged.

Name of Record Holder(s): \_\_\_\_\_

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Address(es): \_\_\_\_\_

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Area Code(s) and Tel. No(s).: (home) \_\_\_\_\_ (work) \_\_\_\_\_

Signature(s): \_\_\_\_\_

Date: \_\_\_\_\_

Number of shares of Common Stock: \_\_\_\_\_

Certificate Number(s) if available: \_\_\_\_\_

If shares of Common Stock will be tendered by book-entry transfer check box:

[\_]Name of Tendering Institution: \_\_\_\_\_

Account Number: \_\_\_\_\_

GUARANTEE  
(Not To Be Used for Signature Guarantee)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or a bank, broker, dealer, credit union, savings association or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17ad-15 under the Securities Exchange Act of 1934, as amended, each of the foregoing constituting an "eligible guarantor institution," guarantees the delivery to the depository of the shares tendered hereby, in proper form for transfer, or a confirmation that the shares tendered hereby have been delivered under the procedure for book-entry transfer set forth in the offer to purchase into the depository's account at the book-entry transfer facility, together with a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, and any other required documents, all within three business days of the date hereof.

Name of Firm: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address (including zip code): \_\_\_\_\_

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Area Code and Telephone No.: \_\_\_\_\_

Dated: \_\_\_\_\_, 2000

NOTE: DO NOT SEND SHARE CERTIFICATES WITH THIS NOTICE OF GUARANTEED DELIVERY. SHARE CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH

Up to 1,800,000 Shares of Common Stock

of

Hooker Furniture Corporation  
at

\$12.50 Per Share

by

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M.,  
NEW YORK TIME, ON FRIDAY, SEPTEMBER 8, 2000, UNLESS THE OFFER IS EXTENDED.

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

The Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust") is offering to purchase for cash up to 1,800,000 shares of the common stock, no par value per share, of Hooker Furniture Corporation, a Virginia corporation ("Hooker" or "the Company"), at a purchase price of \$12.50, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the ESOP Trust's offer to purchase, dated August 9, 2000, and in the related letter of transmittal, which together constitute the "offer."

Upon the terms and subject to the conditions of the offer, if, at the expiration of the offer, more than 1,800,000 shares are validly tendered and not withdrawn, the ESOP Trust will buy shares on a pro rata basis, from all shareholders who properly tender their shares and do not withdraw them prior to the expiration of the offer. See Sections 1, 3, 4 and 5 of the offer to purchase. All shares not purchased pursuant to the offer including shares not purchased because of proration will be returned to the tendering shareholders at the ESOP Trust's expense as promptly as practicable following the expiration date.

The offer is conditioned on a minimum percentage of shares being owned by the ESOP Trust following the purchase of those shares tendered pursuant to the offer. See Section 6 of the offer to purchase for a discussion of this and certain other conditions.

No fees or commissions will be payable to brokers, dealers or any person for soliciting tenders of shares pursuant to the offer other than the fee paid to the information agent as described in the offer. Hooker will, upon request, reimburse brokers and banks for reasonable and customary handling and mailing expenses incurred by them in forwarding materials relating to the offer to their customers.

Hooker will pay all stock transfer taxes applicable to its purchase of shares pursuant to the offer, subject to instruction 6 of the letter of transmittal.

No broker, dealer, bank, trust company or fiduciary shall be deemed to be the agent of the ESOP Trust, other than Corporate Investor Communications, Inc., as information agent, and First Union National Bank, as depository, for purposes of the offer.

For your information and for forwarding to your clients for whom you hold shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to purchase, dated August 9, 2000;
2. Letter to clients which may be sent to your clients for whose accounts you hold shares registered in your name or in the name of your nominee, with space provided for obtaining the clients' instructions with regard to the offer;
3. Letter, dated August 9, 2000, from J. Clyde Hooker, Jr., Chairman and Chief Executive Officer of Hooker, to shareholders of Hooker;

4. Letter of transmittal for your use and for the information of your clients, together with accompanying instructions and Substitute Form W-9;
5. Notice of guaranteed delivery to be used to accept the tender offer if the share certificates and all other required documents cannot be delivered to the depository before the expiration date or if the procedure for book-entry transfer cannot be completed before the expiration date;
6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and
7. A return envelope addressed to the depository.

We urge you to contact your clients as promptly as possible. The offer, proration period and withdrawal rights will expire at 5:00 p.m., New York time, on Friday September 8, 2000, unless the offer is extended.

In order to take advantage of the tender offer, a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, including any required signature guarantees and any other required documents, should be sent to the depository with either a certificate or certificates representing the tendered shares or confirmation of their book-entry transfer, all in accordance with the instructions set forth in the offer to purchase and letter of transmittal.

Holdes of shares whose certificate(s) for such shares are not immediately available, holders who cannot deliver such certificate(s) and all other required documents to the depository or holders who cannot complete the procedures for book-entry transfer before the expiration date must tender their shares according to the procedure for guaranteed delivery set forth in Section 3 of the offer to purchase.

Any inquiries you may have with respect to the offer should be addressed to the information agent or the depository at their respective addresses and telephone numbers set forth on the back cover page of the offer to purchase.

Additional copies of the enclosed material may be obtained from the information agent, telephone: (888) 512-3273. Banks and brokerage firms please call: (201) 896-1900.

Very truly yours,

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust

By: U.S. Trust Company, N.A., as Trustee

/s/ Norman P. Goldberg

By \_\_\_\_\_  
Name: Norman P. Goldberg  
Title: Managing Director

Enclosures

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF THE HOOKER FURNITURE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN TRUST, HOOKER FURNITURE CORPORATION, THE INFORMATION AGENT OR THE DEPOSITARY OR ANY AFFILIATE OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH

Up to 1,800,000 Shares of Common Stock

of

Hooker Furniture Corporation  
at

\$12.50 Per Share

by

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M.,  
NEW YORK TIME, ON FRIDAY, SEPTEMBER 8, 2000, UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration are the offer to purchase, dated August 9, 2000 and the related letter of transmittal (collectively, the "offer") in connection with the offer by the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust") to purchase up to 1,800,000 shares of the common stock, no par value per share, of Hooker Furniture Corporation, a Virginia corporation ("Hooker" or the "Company"), at a price of \$12.50 per share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the offer.

Upon the terms and subject to the conditions of the offer, if, at the expiration of the offer, more than 1,800,000 shares are validly tendered and not withdrawn, the ESOP Trust will buy shares on a pro rata basis, from all shareholders who properly tender their shares and do not withdraw them prior to the expiration of the offer. See Sections 1, 3, 4 and 5 of the offer to purchase. All shares not purchased pursuant to the offer including shares not purchased because of proration will be returned to the tendering shareholders at the ESOP Trust's expense as promptly as practicable following the expiration date.

We are the owner of record of shares held for your account. Therefore, we are the only ones who can tender your shares, and then only pursuant to your instructions. We are sending you the letter of transmittal for your information only; you cannot use it to tender shares we hold for your account.

Please instruct us as to whether you wish us to tender any or all of the shares we hold for your account on the terms and subject to the conditions of the offer.

We call your attention to the following:

1. The purchase price is \$12.50 per share, subject to the terms and conditions set forth in the offer.
2. Your tender of shares under the offer is irrevocable, subject to your rights of withdrawal pursuant to the offer. See Section 4 of the offer to purchase.
3. The offer is conditioned on a minimum percentage of shares being owned by the ESOP Trust following the purchase of those shares tendered pursuant to the offer. See Section 6 of the offer to purchase for a discussion of this and certain other conditions.
4. The offer, proration period and withdrawal rights will expire at 5:00 p.m., New York time, on Friday, September 8, 2000, unless the ESOP Trust extends the offer.

5. The offer is for up to 1,800,000 shares, constituting approximately 23.63% of the shares outstanding as of August 9, 2000.
6. Tendering shareholders who are registered stockholders or who tender their shares directly to First Union National Bank, the depository for the offer, will not be obligated to pay any brokerage commissions or fees, solicitation fees, or, except as set forth in the offer to purchase and the letter of transmittal, stock transfer taxes on the ESOP Trust's purchase of shares under the offer.
7. Hooker's Board of Directors and U.S. Trust Company, N.A., the Trustee for the ESOP Trust (the "Trustee"), have approved the tender offer. However, neither Hooker's Board of Directors nor the Trustee makes any recommendation to you as to whether you should tender or refrain from tendering your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender. This tender offer is being made to all Hooker shareholders (excluding shares held by the ESOP Trust on behalf of ESOP participants), including shareholders who are directors, officers or beneficial owners of more than five percent of Hooker's common stock. Certain of Hooker's directors and executive officers, as well as certain beneficial owners of more than five percent of Hooker's common stock, have advised Hooker and the Trustee that they intend to tender shares in the tender offer.

If you wish to have us tender any or all of your shares, please so instruct us by completing, executing, detaching and returning to us the attached instruction form. An envelope to return your instruction form to us is enclosed. If you authorize us to tender your shares, we will tender all your shares unless you specify otherwise on the attached instruction form.

Your instruction form should be forwarded to us in ample time to permit us to submit a tender on your behalf on or before the expiration date of the offer. The offer, proration period and withdrawal rights expire at 5:00 p.m., New York time, on Friday, September 8, 2000, unless the Trustee extends the offer.

The offer is being made to all holders of shares, excluding shares held by the ESOP Trust on behalf of plan participants. The ESOP Trust is not aware of any jurisdiction where the making of the tender offer is not in compliance with applicable law. If the ESOP Trust becomes aware of any jurisdiction where the making of the tender offer or the acceptance of shares pursuant thereto is not in compliance with applicable law, the ESOP Trust will make a good faith effort to comply with the applicable law. If, after such good faith effort, the ESOP Trust cannot comply with the applicable law, the tender offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of shares in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the tender offer to be made by a licensed broker or dealer, the tender offer shall be made on behalf of the ESOP Trust, if at all, only by one or more registered brokers or dealers licensed under the laws of that jurisdiction.

As described in the offer to purchase, if more than 1,800,000 shares are properly tendered and not properly withdrawn before the expiration date, the ESOP Trust will accept shares for purchase at the purchase price on a pro rata basis, if necessary, with adjustments to avoid purchases of fractional shares, as provided in the offer to purchase.

INSTRUCTION FORM WITH RESPECT TO  
OFFER TO PURCHASE FOR CASH

Up to 1,800,000 Shares of Common Stock

of

Hooker Furniture Corporation  
at

\$12.50 Per Share

by

Hooker Furniture Corporation  
Employee Stock Ownership Plan Trust

The undersigned acknowledge(s) receipt of your letter and the enclosed offer to purchase, dated August 9, 2000, and the related letter of transmittal, which, as may be amended and supplemented from time to time, together constitute the offer in connection with the tender offer by the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust"), to purchase up to 1,800,000 shares of the common stock, no par value per share, of Hooker Furniture Corporation, a Virginia corporation ("Hooker" or the "Company") at a price of \$12.50 per share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the offer.

All shares properly tendered and not properly withdrawn will be purchased at the purchase price, net to the seller in cash, without interest, upon the terms and subject to the conditions of the tender offer, including the proration provisions described in the offer to purchase. The ESOP Trust will return as promptly as practicable all other shares, including shares not purchased because of proration.

The undersigned hereby instruct(s) you to tender to the ESOP Trust the number of shares indicated below or, if no number is indicated, all shares you hold for the account of the undersigned under the terms and subject to the conditions set forth in the offer.

Aggregate Number of Shares to be tendered by you for the account of the undersigned:\* \_\_\_\_\_

Account Number: Date:

All registered shareholders sign below:

Signature(s): \_\_\_\_\_

Print Name(s): \_\_\_\_\_

-----  
Print Address: \_\_\_\_\_  
-----

Area Code and Telephone Number(s): (home)\_\_\_\_\_ (work)\_\_\_\_\_

Taxpayer Identification or Social Security Number: \_\_\_\_\_

- - - - -  
\* Unless otherwise indicated, all of the shares held for the account will be tendered.

The method of delivery of this document is at the option and risk of the tendering shareholder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to assure delivery.



representative or trustee unless the legal entity itself is not designated in the account title.)

Note: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9  
Page 2

#### Obtaining a Number

If you do not have a taxpayer identification number, apply for one immediately. To apply for a social security number, get Form SS-5, Application for Social Security Card, from your local Social Security Administration office. Get Form W-7, Application for Internal Revenue Service Individual Taxpayer Identification Number, to apply for an individual taxpayer identification number or Form SS-4, Application for Employer Identification Number, to apply for an employer identification number. You can get Form W-7 and SS-4 from the Internal Revenue Service.

#### Payees Exempt from Backup Withholding

The following is a list of payees specifically exempt from backup withholding on all payments include the following:

- (1) A corporation.
- (2) An organization exempt from tax under section 501(a), any IRA, custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2).
- (3) The United States or any of its agencies or instrumentalities.
- (4) A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
- (5) A foreign government, or any of its political subdivisions, agencies or instrumentalities.
- (6) An international organization or any of its agencies or instrumentalities.
- (7) A foreign central bank of issue.
- (8) A dealer in securities or commodities required to register in the United States, the District of Columbia or a possession of the United States.
- (9) A real estate investment trust.
- (10) An entity registered at all times during the tax year under the Investment Company Act of 1940.
- (11) A common trust fund operated by a bank under section 584(a).
- (12) A financial institution.
- (13) A middleman known in the investment community as a nominee or custodian.
- (14) A trust exempt from tax under section 664 or described in section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- (1) Payments to nonresident aliens subject to withholding under Section 4947(a)(1) of the Code.
- (2) Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- (3) Payments of patronage dividends where the amount received is not paid in money.
- (4) Payments made by certain foreign organizations.
- (5) Section 404(k) payments made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- (1) Payments of interest on obligations issued by individuals. NOTE: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- (2) Payments of tax-exempt interest (including exempt-interest dividends under Section 852 of the Code).
- (3) Payments described in Section 6049(b)(5) of the Code to non-resident aliens.
- (4) Payments on tax-free covenant bonds under Section 1451 of the Code.
- (5) Payments made by certain foreign organizations.
- (6) Payments made to a nominee.
- (7) Mortgage interest paid to you.

EXEMPT PAYEES DESCRIBED ABOVE SHOULD FILE FORM W-9 TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART 2 OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER. IF YOU ARE A NONRESIDENT ALIEN OR A FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, GIVE THE PAYER A COMPLETED FORM W-8, CERTIFICATE OF FOREIGN STATUS.

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under Section 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A and 6050N of the Code and the regulations promulgated thereunder.

Privacy Act Notice.--Section 6109 requires most recipients of dividend, interest, or other payments to give your correct taxpayer identification numbers to payers who must report the payments to IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) Failure to Furnish Taxpayer Identification Number.--If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Civil Penalty for False Information With Respect to Withholding.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to penalty of \$500.

(3) Criminal Penalty for Falsifying Information.--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares. The offer is made solely by the offer to purchase dated August 9, 2000 and the related letter of transmittal, and any amendments or supplements thereto and is being made to all holders of shares (excluding shares held by the ESOP Trust on behalf of ESOP participants). The offer is not being made to, nor will tenders be accepted from or on behalf of, holders of shares in any jurisdiction in which the making or acceptance of offers to sell shares would not be in compliance with the laws of that jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the offer to be made by a licensed broker or dealer, the offer shall be made on behalf of the ESOP Trust, if at all, by one or more registered brokers or dealers licensed under the laws of that jurisdiction.

NOTICE OF OFFER TO PURCHASE FOR CASH  
BY  
THE HOOKER FURNITURE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN TRUST  
OF  
UP TO 1,800,000 SHARES OF  
HOOKER FURNITURE CORPORATION  
COMMON STOCK, NO PAR VALUE  
AT A PURCHASE PRICE OF \$12.50 PER SHARE

The Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust") for the Hooker Furniture Corporation Employee Stock Ownership Plan (the "ESOP"), sponsored by Hooker Furniture Corporation, a Virginia corporation (the "Company" or "Hooker"), is offering to purchase for cash up to 1,800,000 shares of Hooker's common stock upon the terms and subject to the conditions set forth in the offer to purchase, dated August 9, 2000, and in the related letter of transmittal (which together, as they may be amended and supplemented from time to time, constitute the "offer"). The ESOP Trust is inviting you to tender your shares at the purchase price of \$12.50 per share, net to you in cash, without interest, upon the terms and subject to the conditions of the tender offer. This offer is not being made to acquire or influence control of the business of Hooker. This offer is being made for up to 1,800,000, or approximately 23.6% of Hooker's 7,617,298 outstanding shares.

The tender offer is subject to certain conditions, including, among other things, that:

(1) There be validly tendered and not withdrawn before the expiration of the tender offer that number of shares of Hooker common stock which when combined with shares already owned by the ESOP Trust would result in the ESOP Trust owning at least 30% of the shares of Hooker common stock issued and outstanding on the date of purchase, and

(2) After giving effect to the acceptance of shares validly tendered in the offer, Hooker will continue to have at least 300 shareholders of record.

These conditions, as well as other conditions to the offer, are set forth in the offer to purchase and the related letter of transmittal.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 8, 2000, UNLESS THE OFFER IS EXTENDED.

Hooker's Board of Directors and U.S. Trust Company, N.A., the Trustee for the ESOP Trust (the "Trustee"), have approved the tender offer. However, neither Hooker's Board of Directors nor the Trustee makes any recommendation to you as to whether you should tender or refrain from tendering your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender. This tender offer is being made to all Hooker shareholders (excluding shares held by the ESOP Trust on behalf of ESOP participants), including shareholders who are directors, officers or beneficial owners of more than five percent of Hooker's common stock. Certain of Hooker's directors and executive officers, as well as certain beneficial owners of more than five percent of Hooker's common stock, have advised Hooker and the Trustee that they intend to tender shares in the tender offer.

All shares properly tendered and not properly withdrawn before the "expiration date" (as defined below) will be purchased at the purchase price, on the terms and subject to the conditions of the tender offer, including the proration provisions. Under no circumstances will interest be paid on the purchase price for the shares, regardless of any delay in making such payment. The term "expiration date" means 5:00 p.m., New York City time, on Friday, September 8, 2000, unless and until the Trustee, in its sole discretion, shall have extended the period of time during which the offer will remain open, in which event the term expiration date shall refer to the latest time and date at which the offer, as so extended by the Trustee, shall expire. The ESOP Trust reserves the right, in its sole discretion, to purchase more than 1,800,000 shares under the offer subject to applicable law.

At a meeting of Hooker's Board of Directors held on June 20, 2000, the Board declared a quarterly dividend of \$.085 per share payable on August 29, 2000 to shareholders of record on August 15, 2000. Shareholders tendering shares pursuant to the offer will continue to be shareholders of record until the shares are purchased in the offer. Accordingly, if you are the record holder on August 15, 2000, the record date for the regular dividend, tendering your shares will NOT prevent you from receiving the dividend because no shares will be purchased in the offer until after September 8, 2000.

For purposes of the offer, the ESOP Trust will be deemed to have accepted for payment (and therefore purchased) shares properly tendered and not properly withdrawn, subject to the proration provisions of the offer, only when, as and if the Trustee gives oral or written notice to First Union National Bank, the depository of the offer, of its acceptance for payment of such shares under the offer. Payment for shares tendered and accepted for payment under the offer will be made only after timely receipt by the depository of certificates for such shares or a timely confirmation of a book-entry transfer of such shares into the depository's account at the "book-entry transfer facility" (as defined in the offer to purchase), a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, or an "agent's message" (as defined in the offer to purchase) in the case of a book-entry transfer, and any other documents required by the letter of transmittal.

Upon the terms and subject to the conditions of the offer, if more than 1,800,000 Shares, or such greater number of shares as the ESOP Trust may elect to purchase subject to applicable law, have been properly tendered (and not properly withdrawn) prior to the expiration date, the ESOP Trust will purchase all shares properly tendered and not properly withdrawn before the expiration date, on a pro rata basis, with appropriate adjustments to avoid purchases of fractional Shares. All other shares that have been tendered and not purchased will be returned to the shareholder as promptly as practicable after the expiration date.

The Trustee of the ESOP Trust expressly reserves the right, in its sole discretion, at any time and from time to time, to extend the period of time during which the offer is open and thereby delay acceptance for payment of, and payment for, any shares by giving oral or written notice of such extension to the depository and making a public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During any such extension, all shares previously tendered and not properly withdrawn will remain subject to the offer and to the right of a tendering shareholder to withdraw such shareholder's shares. No subsequent offering period will be available in connection with the offer.

Tenders of Shares under the offer are irrevocable, except that such shares may be withdrawn at any time prior to the expiration date and, unless previously accepted for payment by the ESOP Trust under the offer, may also be withdrawn at any time after 12:00 Midnight, New York City time, on October 8, 2000. For such withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by First Union National Bank, the depository for the tender offer, at one of its addresses set forth on the back cover page of the offer to purchase. Any such notice of withdrawal must specify the name of the tendering shareholder, the number of shares to be withdrawn and the name of the registered holder of such shares. If the certificates for shares to be withdrawn have been delivered or otherwise identified to the depository, then, before the release of such certificates, the serial numbers shown on such certificates must be

submitted to the depository and the signature(s) on the notice of withdrawal must be guaranteed by an "eligible guarantor institution" (as defined in the offer to purchase), unless such shares have been tendered for the account of an eligible guarantor institution. If shares have been tendered pursuant to the procedure for book-entry transfer set forth in the offer to purchase, any notice of withdrawal also must specify the name and the number of the account at the book-entry transfer facility to be credited with the withdrawn shares and must otherwise comply with such book-entry transfer facility's procedures. Withdrawals may not be revoked, and any shares properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the offer. However, withdrawn shares may be retendered at any time prior to the expiration date by following the procedures described in the offer to purchase. All questions as to the form and validity of any notice of withdrawal, including the time of receipt, will be determined by the Trustee, in its sole discretion, whose determination will be final and binding. None of the ESOP Trust, First Union National Bank, as the depository, Corporate Investor Communications, Inc., as the information agent, or any other person will be under any duty to give notification of any defects or irregularities in any tender or notice of withdrawal or incur any liability for failure to give any such notification.

The information required to be disclosed by Rule 14d-6(d)(1) under the Securities Exchange Act of 1934, as amended, is contained in the offer to purchase and is incorporated herein by reference.

The offer to purchase and the related letter of transmittal are being mailed promptly to record holders of shares whose names appear on Hooker's shareholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

Unless you are eligible to elect special tax treatment under Section 1042 of the Internal Revenue Code, as described below, you will have a taxable transaction for United States federal income tax purposes if you sell shares to the ESOP Trust. In general, you will have taxable gain or loss in an amount equal to the difference between your adjusted basis in the shares sold and the amount of cash that you receive for the shares. You may qualify under Section 1042 of the Internal Revenue Code to defer paying tax on the gain from the sale of your shares to the ESOP Trust if you reinvest the sales proceeds in "qualified replacement property" and satisfy certain other requirements. If you meet these requirements, the gain that would have been taxed at the time of the sale is instead taxed at the time you dispose of the qualified replacement property. This tax treatment will apply only if you make an affirmative election for it to apply and a number of requirements are met. If you are also a participant in the ESOP (such as spouses, brothers and sisters, children, trust and estate beneficiaries and others), and you make an election to have Section 1042 of the Internal Revenue Code apply to the sale of your shares, you and certain of your relatives who participate in the ESOP, will be prohibited for a specified period of time from receiving allocations under the ESOP of shares purchased by the ESOP Trust in the tender offer. In addition, shareholders who own (directly or by attribution) more than 25% of Hooker's shares and who participate in the ESOP will be prohibited from receiving an allocation of shares purchased in the tender offer if any shareholder elects Section 1042 treatment. Please refer to the enclosed offer to purchase for more information regarding the Section 1042 election.

THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ CAREFULLY BEFORE ANY DECISION WITH RESPECT TO THE OFFER IS MADE.

Additional copies of the offer to purchase and letter of transmittal may be obtained from the information agent at the address and telephone number set forth below and will be furnished promptly at the ESOP Trust's expense.

Tendering shareholders of record who tender shares directly will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the letter of transmittal, stock transfer taxes on the purchase of shares by Hooker pursuant to the offer. Shareholders who hold their shares through a bank or a

broker should check with such institution as to whether it charges any service fees. All fees and expenses incurred by the ESOP Trust or Hooker in connection with the tender offer will be paid by Hooker, including the expenses of the depository and Corporate Investor Communications, Inc., who is acting as the information agent in connection with the offer.

Any questions or requests for assistance may be directed to the information agent at the telephone number and address set forth below. Shareholders may also contact their broker, dealer, commercial bank, trust company or nominee for assistance concerning the offer. To confirm delivery of shares, shareholders are directed to contact the depository. No fees or commissions will be paid to brokers, dealers or any other persons (other than fees to the information agent as described in the offer to purchase) for soliciting tenders of shares pursuant to the offer.

The information agent for the tender offer is:  
Corporate Investor Communications, Inc.  
111 Commerce Road  
Carlstadt, NJ 07072-2856  
Call Toll Free (888) 512-3273  
Banks and brokerage firms please call: (201) 896-1900

Hooker Furniture Corporation

P. O. Box 4708  
Martinsville, Virginia 24115  
Phone (540) 632-0459  
Fax (540) 632-0026

Press Release

Contact: E. Larry Ryder  
Phone: (540) 656-3314

FOR IMMEDIATE RELEASE  
10 AM EDT August 9, 2000

HOOKER FURNITURE CORPORATION ANNOUNCES OFFER BY ESOP TRUST TO PURCHASE UP TO  
1,800,000 SHARES OF HOOKER'S COMMON STOCK

MARTINSVILLE, VIRGINIA (August 9, 2000): HOOKER FURNITURE CORPORATION (Hooker) announced today that the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the ESOP Trust) today commenced a tender offer for up to 1,800,000 shares of Hooker's common stock, representing 23.6% of its 7,617,298 outstanding shares, for \$12.50 per share, or a total of approximately \$22.5 million if the maximum number of shares is purchased.

The tender offer will expire at 5:00 p.m., New York City time, on Friday, September 8, 2000, unless extended.

The tender offer is being made to all of Hooker's shareholders, excluding shares held by the ESOP Trust on behalf of plan participants. The offer is subject to the condition, among others, that the number of shares tendered, when combined with shares already held by the ESOP Trust, equal at least 30% of Hooker's issued and outstanding shares. As of the date of this release, approximately 1,720,920 shares would need to be tendered to satisfy this condition. If more than 1,800,000 shares are tendered prior to the expiration of the tender offer, the ESOP Trust will purchase shares on a pro rata basis (based upon the number of shares tendered).

The tender offer has been structured to enable eligible shareholders to defer paying federal capital gains taxes on gains from the tender of their shares if and to the extent such shareholders satisfy the conditions of Section 1042 of the Internal Revenue Code of 1986, as amended.

The ESOP Trust holds the assets of the Hooker Furniture Corporation Employee Stock Ownership Plan (the ESOP). The ESOP is a tax-qualified retirement plan that provides retirement benefits to eligible Hooker employees. The shares that the ESOP Trust purchases in the tender offer will be allocated to the individual accounts of eligible ESOP participants in future years as the ESOP Trust pays down the loan that Hooker will make to the ESOP Trust to enable the ESOP Trust to purchase shares in the tender offer.

"We believe this is a very positive move for all parties concerned," said Paul Toms Jr., president and chief operating officer of Hooker Furniture. For our

selling shareholders it provides a window of opportunity to sell their shares at a price that is above recent selling prices. Also, there are significant personal tax advantages for those who choose to take advantage of them. For our employees, it represents a major increase in benefits and increases significantly their ownership in Hooker at no cost to them. The company benefits in motivating the workforce through ownership, and keeping and attracting the kind of people that have made this company what it is today."

Copies of the offer to purchase, the letter of transmittal and other tender offer documents can be obtained for free by calling the information agent, Corporate Investor Communications, Inc., at (888) 512-3273. Shareholders will also be able to obtain the offer to purchase and related materials for free at the SEC's website at [www.sec.gov](http://www.sec.gov).

This press release is for informational purposes only and is not an offer to buy or the solicitation of an offer to sell any shares of Hooker's common stock. The solicitation of offers to buy Hooker's common stock are only being made pursuant to the tender offer documents described above, which the ESOP Trust is sending out to Hooker's shareholders. Shareholders should read those materials carefully prior to making any decisions with respect to the tender offer because they will contain important information, including the various terms and conditions of the offer.

Hooker's board of directors has approved the tender offer. However, neither the ESOP Trust nor Hooker's board of directors is making any recommendation to shareholders as to whether to tender or refrain from tendering their shares. Shareholders must make their own decision as to whether to tender their shares and, if so, how many shares to tender.

Hooker Furniture Corporation is a leading manufacturer of wood furniture selling in the upper-medium price range of the residential market. Manufacturing facilities are located in Martinsville and Roanoke, VA, and Kernersville, Pleasant Garden, and Maiden, NC.

Certain statements made in this release are not based on historical facts, but are forward-looking statements relating to the consummation of future transactions. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. The consummation of these transactions is subject to a number of significant conditions. These statements reflect Hooker'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.

[LETTERHEAD OF HOOKER FURNITURE CORPORATION]

August 9, 2000

Dear Shareholders of Hooker Furniture Corporation:

The Hooker Furniture Corporation Employee Stock Ownership Plan Trust (the "ESOP Trust") for the Hooker Furniture Corporation Employee Stock Ownership Plan (the "ESOP"), sponsored by Hooker Furniture Corporation, is offering to purchase for cash up to 1,800,000 shares of Hooker's common stock, or 23.63% percent of our 7,617,298 outstanding shares.

The Board of Directors of Hooker has approved the tender offer. However, neither Hooker nor its Board of Directors makes any recommendation to you as to whether you should tender or refrain from tendering your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender. This tender offer is being made to all Hooker shareholders (excluding shares held by the ESOP Trust on behalf of ESOP participants), including shareholders who are directors, officers or beneficial owners of more than five percent of Hooker's common stock. Certain of Hooker's directors and executive officers, as well as certain beneficial owners of more than five percent of Hooker's common stock, have advised Hooker that they intend to tender shares in the tender offer.

You may tender all or only a portion of your shares subject to the terms and conditions of the tender offer, including the proration provisions. The terms and conditions of the tender offer are explained in detail in the enclosed offer to purchase and the related letter of transmittal. We encourage you to read these materials carefully before making any decision with respect to the tender offer. The instructions on how to tender shares are also explained in detail in the enclosed materials.

Corporate Investor Communications, Inc., the information agent for the tender offer, may contact you by phone to make sure you have received the offer to purchase and related materials and to answer any questions you may have. If you need information or additional forms, please call Corporate Investor Communications, Inc. at the telephone number set forth below.

Any shareholder whose shares are properly tendered directly to First Union National Bank, the depository for the tender offer, and purchased under the tender offer will receive the net purchase price in cash, without interest, as promptly as practicable after the expiration of the tender offer.

The tender offer will expire at 5:00 p.m., New York City time, on Friday, September 8, 2000, unless extended by U.S. Trust Company, N.A., the Trustee of the ESOP Trust. If you have any questions regarding the tender offer or need assistance in tendering your shares, please contact Corporate Investor Communications, Inc., the information agent for the tender offer, at (888) 512-3273, or First Union National Bank, the depository for the tender offer, at (800) 829-8432.

A feature of the tender offer that may be attractive to you is the opportunity for qualifying shareholders to defer taxation of the capital gains on the sale of their shares. You may qualify under Section 1042 of the Internal Revenue Code to defer paying tax on the gain from the sale of your shares to the ESOP Trust if you reinvest the sales proceeds in "qualified replacement property" and satisfy certain other requirements. If you meet these requirements, the gain that would have been taxed at the time of the sale would instead be taxed at the time you dispose of the qualified replacement property. This tax treatment will apply only if you make an affirmative election for it to apply and a number of other requirements are met. If you are also a participant in the ESOP, and you make an election to have Section 1042 of the Internal Revenue Code apply to the sale of your shares, you and certain of your relatives who participate in the ESOP, will be prohibited for a specified period of time from receiving allocations under the ESOP of shares purchased by the ESOP Trust in the tender offer. In addition, shareholders who own (directly or by attribution) more than 25% of Hooker's shares and who participate in the ESOP will be prohibited from receiving an allocation of shares purchased in the tender offer if any shareholder elects Section 1042 treatment. Please refer to the enclosed offer to purchase for more information regarding the Section 1042 election.

PaineWebber Incorporated will hold informational meetings for Hooker shareholders at Piedmont Arts Association, 215 Starling Avenue, Martinsville, Virginia, at the following dates and times to provide information and answer questions related to the Section 1042 election and to review investment options available to you should you decide to tender shares in the offer:

- . Tuesday, August 22, 2000 8:30 a.m. -12:00 p.m.; and
- . Tuesday, August 22, 2000 2:00 p.m. -5:30 p.m.

PaineWebber will also have representatives available to meet with shareholders individually by appointment on Wednesday, August 23. To arrange for an appointment, please call Debbie Lawless at Hooker Furniture Corporation at (540) 656-3308.

While the Company has invited PaineWebber to host these informational meetings, neither Hooker nor the Trustee of the ESOP Trust has authorized PaineWebber to solicit tenders of shares under the tender offer or make any recommendation as to whether you should tender or refrain from tendering your shares in the tender offer. Further, PaineWebber will not be acting as your investment or tax advisor at these informational meetings. We urge you to review the offer with your own financial, tax and/or legal advisor(s).

Again, we encourage you to read carefully the enclosed material.

As always, we appreciate your interest in Hooker Furniture Corporation.

Sincerely,

/s/ J. Clyde Hooker, Jr.

J. Clyde Hooker, Jr.  
Chairman and Chief Executive Officer

\$22,500,000

CREDIT AGREEMENT

dated as of September [\_\_], 2000

between

HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN TRUST

and

HOOKER FURNITURE CORPORATION

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- Exhibit A - Form of ESOP Note
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## CREDIT AGREEMENT

THIS CREDIT AGREEMENT (as amended, supplemented or modified from time to time, this "Agreement") is dated as of September [\_\_\_], 2000 and is between the HOOKER FURNITURE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN TRUST, a trust established under the Hooker Furniture Corporation Employee Stock Ownership Plan (the "Borrower"), acting through U.S. TRUST COMPANY, N.A., as trustee of the Borrower, and HOOKER FURNITURE CORPORATION, a Virginia corporation (the "Lender").

The Borrower proposes to purchase up to 1,800,000 shares of the common stock of the Lender and desires to borrow \$22,500,000 to finance such purchase. The Lender is willing to lend \$22,500,000 to the Borrower on the terms and conditions set forth herein. Accordingly, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS

Section 1.1. Definitions. The following terms, as used herein, have the following meanings:

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the specified Person (the term "control" meaning possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise).

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Martinsville, Virginia are authorized by law to close.

"Capital Lease" means a lease that should be capitalized on the balance sheet of the lessee prepared in accordance with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended or any similar successor law.

"Common Shares" means the shares of common stock of the Lender identified on Schedule 1 to the ESOP Pledge Agreement.

"Debt" means, with respect to any Person at any date, without duplication, (i) all indebtedness for borrowed money, (ii) all obligations, liabilities and indebtedness secured by any Lien on a Person's property, even though such Person shall not have assumed or become liable for the payment thereof (limited, in the case of any such obligation not assumed by such Person, to the value of such property); (iii) all obligations or liabilities created or

arising under any Capital Lease, conditional sale or other title retention agreement; (iv) all accrued pension fund and other employee benefit plan obligations and liabilities; (v) any liabilities under, or associated with, interest rate protection agreements; and (v) all deferred Taxes.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Effective Date" means the date on which this Agreement becomes effective in accordance with Section 8.6.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended or any similar successor law.

"ESOP Loan" has the meaning set forth in Section 2.1.

"ESOP Note" has the meaning set forth in Section 2.2.

"ESOP Pledge Agreement" means the Stock Pledge Agreement dated as of September [\_\_\_], 2000 between the Borrower and the Lender, substantially in the form of Exhibit B hereto, as such Agreement may be amended, supplemented or modified from time to time.

"Event of Default" has the meaning set forth in Section 7.1.

"GAAP" means generally accepted accounting principles in the United States.

"Government" means any Federal, state or local government, authority, agency, court or other body, officer or entity, and any arbitrator with authority to bind a party.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Obligations" means (i) all amounts now or hereafter payable by the Borrower to the Lender under the ESOP Note, (ii) all other obligations or liabilities now or hereafter payable by the Borrower pursuant to this Credit Agreement or the ESOP Pledge Agreement, (iii) all obligations and liabilities now or hereafter payable by the Borrower under, arising out of or in connection with any documents securing the payment of the obligations referred to in clauses (i) and (ii) above and (iv) all amounts payable under any renewals or extensions of any of the foregoing.

"Person" means an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, an association, a

trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means the Hooker Furniture Corporation Employee Stock Ownership Plan, as established by the Plan Document.

"Plan Document" means the Hooker Furniture Corporation Employee Stock Ownership Plan, as amended and restated effective as of January 1, 2000, and as may be amended, supplemented or modified from time to time.

"Plan Year" means the calendar year on which the records of the Plan and the Borrower are kept.

"Pledged Collateral" shall have the meaning set forth in the ESOP Pledge Agreement.

"Pledged Shares" means, at any date, those Pledged Shares (as defined in the ESOP Pledge Agreement) that have not been theretofore released by the Lender to the Borrower.

"Taxes" means any fee (including any license, filing or registration fees), tax (including any income, gross receipts, franchise, sales, use or real, personal, tangible or intangible property tax), interest equalization or stamp tax, assessment, levy, impost, duty, charge or withholding of any kind or nature whatsoever, imposed or assessed by any Government, together with any penalty, fine or interest thereon.

"Trust Agreement" means the Trust Agreement for the Hooker Furniture Corporation Employee Stock Ownership Plan, effective as of August 1, 2000, and as may be amended, supplemented or modified from time to time.

"Trustee" means U.S. Trust Company, N.A., and any successor trustee or trustees of the Borrower.

"UCC" means at any time the Uniform Commercial Code as in effect in the Commonwealth of Virginia; provided, however, that if the validity or perfection of any security interest granted herein is governed by a jurisdiction other than the Commonwealth of Virginia then, as to the validity or perfection of such security interest, it shall mean the Uniform Commercial Code in effect in such other jurisdiction.

Section 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations required hereunder shall be made and all financial statements delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrowers' independent public accountants) with the most recent financial statements of the Borrowers delivered to the Lender.

ARTICLE II  
THE CREDIT

Section 2.1. Commitment to Make ESOP Loan. The Lender agrees, on the terms and conditions set forth in this Agreement, to make a non-recourse term loan (the "ESOP Loan") to the Borrower on the Effective Date in the principal amount of \$22,500,000.

Section 2.2. The ESOP Note. The ESOP Loan shall be evidenced by, and shall be repayable with interest in accordance with, a single non-recourse promissory note substantially in the form of Exhibit A hereto and appropriately completed (the "ESOP Note"). The Lender shall record, and prior to any transfer of the Note shall make on the schedule forming a part thereof appropriate notations to evidence, the date and amount of the ESOP Loan and the date and amount of each payment of principal made by the Borrower with respect thereto; provided, however, that any failure of the Lender to make such a notation or any error therein shall not in any manner affect the obligation of the Borrower to repay the ESOP Loan in accordance with the terms of the ESOP Note. The Borrower hereby irrevocably authorizes the Lender to record such information and to make such notations. Any recordation by the Lender shall constitute prima facie evidence of the accuracy of the information so recorded.

Section 2.3. Optional Prepayments. The Borrower may prepay the ESOP Loan in whole at any time or from time to time in part on any Business Day by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. In the event that aggregate prepayments of principal of the ESOP Loan during any calendar year exceed \$600,000, the amount of such prepayments exceeding \$600,000 shall be applied to the principal installments of the ESOP Loan in the inverse order of their maturities.

Section 2.4. Mandatory Prepayments. On September 30 of each year, commencing with September 30, 2001, the Borrower shall repay, and there shall become immediately due and payable, a principal amount of the ESOP Loan (together with accrued but unpaid interest thereon) equal to the amount, if any, by which \$600,000 exceeds the aggregate amount of any prepayments of principal of the ESOP Loan made by the Borrower during the 12 calendar months immediately preceding such September 30. Furthermore, the Borrower shall repay, and there shall become immediately due and payable, on each date set forth below, a principal amount of the ESOP Loan (together with accrued but unpaid interest thereon) equal to the amount, if any, by which the outstanding principal amount of the ESOP Loan on such date exceeds the amount set forth below opposite such date:

Date -----	Maximum Principal Outstanding -----
January 1, 2004	\$18,900,000
January 1, 2008	\$15,300,000
January 1, 2012	\$11,700,000
January 1, 2016	\$ 8,100,000
January 1, 2020	\$ 4,500,000
January 1, 2024	\$ 900,000
September 1, 2025	\$ 0

Section 2.5. General Provisions as to Payments. The Borrower shall make each payment of principal of, and interest on, the ESOP Loan not later than 11:00 A.M. (Eastern Time) on the date when due, in Federal or other funds immediately available in Martinsville, Virginia, to the Lender at the Lender's address specified in Section 8.1. Whenever any payment of principal of, or interest on, the ESOP Loan shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by reason of this Agreement, by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.6. Computation of Interest. Interest on the ESOP Loan shall be computed on the basis of a year of 360 days consisting of 12 months of 30 days each.

Section 2.7. Non-Recourse Liability. The Lender shall have no recourse against the Trustee on account of the ESOP Loan, and the Trustee shall have no personal liability with respect to any obligation hereunder or with respect to the representations and warranties or covenants contained herein. The Lender shall have no recourse to the Borrower except to the extent of the Pledged Collateral and shall have no right to any assets of the Borrower other than the Pledged Collateral.

ARTICLE III  
CONDITIONS TO ESOP LOAN

Section 3.1. Conditions to ESOP Loan. The obligation of the Lender to make the ESOP Loan is subject to the satisfaction of the following conditions:

- (i) the fact that no Default has occurred and is continuing or would result from the ESOP Loan;

(ii) the fact that the representations and warranties of the Borrower set forth in this Agreement and the ESOP Pledge Agreement are true and correct on and as of the date of the ESOP Loan, and that the Trustee has duly authorized the execution, delivery and performance of this Agreement, the ESOP Note and the ESOP Pledge Agreement;

(iii) the receipt by the Lender of a duly executed ESOP Note, dated on or before the date of the ESOP Loan, complying with the provisions of Section 2.2;

(iv) the receipt by the Lender of a duly executed copy of the ESOP Pledge Agreement, together with certificates representing the Pledged Shares, duly endorsed in blank; (v) the receipt by the Lender of a certificate of the Trustee, dated the Effective Date, certifying (A) that attached thereto is a true, correct and complete copy of the Plan Document as in effect on the Effective Date and (B) that attached thereto is a true, correct and complete copy of the Trust Agreement as in effect on the Effective Date;

(vi) the receipt by the Lender of an opinion of Ludwig, Goldberg & Krenzel, counsel for the Borrower, dated the Effective Date, substantially in the form of Exhibit C hereto and covering such matters relating to the transactions contemplated hereby as the Lender may reasonably request;

(vii) the receipt by the Lender of certificates signed by the Trustee, dated the Effective Date, to the effect set forth in clauses (i) and (ii) of this Section 3.1;

(viii) each document (including, without limitation, any UCC financing statements) required by law or reasonably requested by the Lender to be filed, registered or recorded in order to create in favor of the Lender a perfected first priority security interest in the Pledged Collateral shall have been properly filed, registered or recorded in each jurisdiction in which the filing, registration or recordation thereof is so required or requested, and the Lender shall have received an acknowledgment copy, or other evidence satisfactory to it, of each such filing, registration or recordation;

(ix) the receipt by the Lender of a certificate signed by the Trustee to the effect that the ESOP Loan is in the best interests of and is being made primarily for the benefit of the participants and beneficiaries in the Plan;

(x) the receipt by the Lender of all documents it may reasonably request relating to the existence of the Borrower and its

authority to execute, deliver and perform, as applicable, this Agreement, the ESOP Note and the ESOP Pledge Agreement and the validity of this Agreement, the ESOP Note and the ESOP Pledge Agreement and any other matters relevant hereto or thereto, all in form and substance satisfactory to the Lender.

The documents and opinions referred to in this Section 3.1 shall be in form and substance satisfactory to the Lender.

ARTICLE IV  
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.1. Qualified Plan. The Plan is operated and administered as a qualified plan under section 401(a) of the Code and, to the extent applicable, sections 409 and 4975(e)(7) of the Code. The Borrower is not aware of any fact or circumstance that will adversely affect the qualification of the Plan under sections 401(a), 409 and 4975(e)(7) of the Code or the qualification of the Borrower under section 501(a) of the Code.

Section 4.2. Authorization and Contravention. The execution, delivery and performance by the Borrower of this Agreement, the ESOP Note and the ESOP Pledge Agreement are within its power, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any Government (other than the filing of a request for a determination letter from the Internal Revenue Service to the effect that the Plan is a qualified plan under sections 401(a), 409 and 4975(e)(7) of the Code and that the Borrower is a tax-exempt trust under section 501(a) of the Code) and do not contravene, or constitute (with or without the giving of notice or lapse of time or both) a default under, any provision of applicable law or regulation or the Plan Document or the Trust Agreement or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or result in the creation or imposition of any lien (other than the lien of the ESOP Pledge Agreement) on any of its assets.

Section 4.3. Binding Effect. This Agreement and the ESOP Pledge Agreement constitute valid and binding agreements of the Borrower, and the ESOP Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable against the Borrower in accordance with its terms, except as (i) the enforceability hereof and thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by ERISA and the Code and by equitable principles of general applicability.

Section 4.4. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower before any Government in which there is a reasonable possibility of an adverse decision which could materially adversely affect the Borrower or which in any manner draws into question the validity of this Agreement, the ESOP Note or the ESOP Pledge Agreement, and there is no basis known to the Borrower for any such action, suit or proceeding.

Section 4.5. Filings. All actions by or in respect of, and all filings with, any Government required in connection with the execution, delivery and performance of this Agreement, the ESOP Note and the ESOP Pledge Agreement, or necessary for the validity or enforceability hereof and thereof or for the protection or perfection of the rights and interests of the Lender hereunder and thereunder, other than the filing of a request for a determination letter from the Internal Revenue Service to the effect that the Plan is a qualified plan under sections 401(a), 409 and 4975(e)(7) of the Code and that the Borrower is a tax-exempt trust under section 501(a) of the Code, will, prior to the date of delivery hereof or thereof, have been duly taken or made, as the case may be, and will at all times thereafter remain in full force and effect.

Section 4.6. Use of Proceeds. The Borrower intends to use the proceeds of the ESOP Loan exclusively to acquire the Common Shares. The proceeds of the ESOP Loan will not be used by the Borrower, directly or indirectly, for the purpose of purchasing or carrying any margin stock or for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry margin stock or for any other purpose that might constitute the ESOP Loan a "purpose credit" within the meaning of Regulation U or Regulation X of the Board of Governors of the Federal Reserve System. The ESOP Loan will qualify as an exempt loan under section 4975(d) of the Code (or any successor section thereto), Section 54.4975-7 of the United States Treasury Regulations (or any successor section thereto) and Section 408(e) of ERISA (or any successor section thereto) upon the purchase by the Borrower of the Common Shares with the proceeds of the ESOP Loan.

ARTICLE V  
COVENANTS of borrower

The Borrower agrees that so long as any amount payable hereunder or under the ESOP Note remains unpaid:

Section 5.1. Operation and Administration. The Plan will at all times operate and be administered as a qualified plan under section 401(a) of the Code and, to the extent applicable, sections 409 and 4975(e)(7) of the Code, and in material compliance with all applicable requirements of ERISA

(including Titles I and II) and the Code, and all applicable regulations thereunder, as may from time to time be in effect.

Section 5.2. Reports. The Borrower will deliver or cause to be delivered to the Lender copies of (i) the Borrower's annual report (Form 5500 Series) and (ii) such other information as the Lender may from time to time reasonably request.

Section 5.3. Notices. The Borrower will promptly notify the Lender if a Default or an Event of Default shall occur.

Section 5.4. Use of Proceeds. The Borrower will use the proceeds of the ESOP Loan exclusively to acquire the Common Shares.

Section 5.5. Compliance with Laws. The Borrower will comply in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, ERISA, the Code and the rules and regulations thereunder) with respect to its operation and administration.

Section 5.6. Exempt Loan. The Borrower will take all reasonable steps necessary to insure that the ESOP Loan qualifies as an "exempt loan" under section 4975(d) of the Code, Section 54.4975-7 of the United States Treasury Regulations and Section 408(e) of ERISA.

Section 5.7. Independence of Covenants. All covenants contained herein shall be given independent effect. If a particular action or condition is not permitted by any of such covenants, the fact that such action or condition would be permitted by an exception to, or otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or such condition exists.

#### ARTICLE VI COVENANTS OF LENDER

The Lender agrees that so long as any amount payable hereunder or under the ESOP Note remains unpaid:

Section 6.1. Operation and Administration. The Lender will at all times operate and administer the ESOP as a qualified plan under section 401(a) of the Code and, to the extent applicable, sections 409 and 4975(e)(7) of the Code, and in material compliance with all applicable requirements of ERISA (including Titles I and II) and the Code, and all applicable regulations thereunder, as may from time to time be in effect.

Section 6.2. Reports. The Lender will file the annual report (Form 5500 Series) for the Plan.

Section 6.3. Compliance with Laws. In connection with the Plan, the Lender will comply in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, ERISA and the rules and regulations thereunder) with respect to its operation and administration.

Section 6.4. Exempt Loan. The Lender will take all reasonable steps necessary to insure that the ESOP Loan qualifies as an exempt loan under section 4975(d) of the Code (or any successor section thereto), Section 54.4975-7 of the United States Treasury Regulations (or any successor section thereto) and Section 408(e) of ERISA (or any successor section thereto).

Section 6.5. Determination Letter. The Lender will take all reasonable steps necessary to obtain a determination letter from the Internal Revenue Service to the effect that the Plan is a qualified plan under sections 401(a) and 4975(e)(7) of the Code and that the Borrower is a tax-exempt trust under section 501(a) of the Code (or any successor sections thereto), including the filing of retroactive amendments under section 401(b) of the Code (or any successor section thereto) or Section 54.4975-11(a)(4) of the United States Treasury Regulations (or any successor section thereto).

#### ARTICLE VII DEFAULTS

Section 7.1. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(i) the Borrower shall fail to pay when due or within five Business Days thereafter any principal of or interest on the ESOP Loan or any other amount payable hereunder or under the ESOP Note;

(ii) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered in clause (i) above) for 30 days after written notice thereof has been given to the Borrower by the Lender (or for such longer period as may be agreed to by the Lender in writing);

(iii) any representation, warranty, certification or statement made by the Borrower in this Agreement or the ESOP Pledge Agreement or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made;

(iv) the Borrower shall fail to make any payment in respect of any Debt (other than the ESOP Note) when due or within any applicable grace period; provided, however, that any failure to make any payment in

respect of any such Debt as to which no grace period is provided shall not constitute an Event of Default until seven days after such payment was due;

(v) any event or condition shall occur which results in the acceleration of the maturity of any Debt of the Borrower or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(vi) the Borrower or any of its Affiliates shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(vii) (A) the ESOP Pledge Agreement shall cease for any reason to be in full force and effect or shall cease to be effective to grant a perfected security interest in the Pledged Collateral with the priority stated to be created thereby or such security interest shall cease to be in full force and effect or shall be declared null and void, or the validity or enforceability of such security interest or the ESOP Pledge Agreement shall be contested by the Borrower, or the Borrower shall deny that it has any further liability or obligation under the ESOP Pledge Agreement, or the Borrower shall fail to perform any of its obligations under the ESOP Pledge Agreement, or (B) any creditor of the Borrower shall obtain possession of any of the Pledged Collateral by any means, including, without limitation, levy, distraint, replevin or self-help, or any such creditor shall establish or obtain any right in the Pledged Collateral which is equal to or senior to the security interest of the Lender in the Pledged Collateral; or

(viii) the Lender shall allege in writing that one or more Events of Default have occurred and the Borrower shall have failed, after 30 days' notice thereof from the Lender, to provide reasonably satisfactory evidence to the Lender that such Events of Default have not in fact occurred;

then, and in every such event, the Lender may, at its option, by notice to the Borrower, declare the ESOP Note (together with accrued interest thereon) to be

immediately due and payable (and the ESOP Note shall thereupon become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower).

Section 7.2. Limitation on Default. Notwithstanding Section 7.1, upon the occurrence of an Event of Default, the value of the Borrower's assets transferred in satisfaction of the ESOP Loan may not exceed the amount due by reason of the Default, and if the holder of the ESOP Note is a "disqualified person" (within the meaning of section 4975(e)(2) of the Code or any successor section thereto) there shall be no acceleration of payments not yet due from the Borrower and a transfer of the Borrower's assets in such event shall be permitted only upon and to the extent of the failure of the Borrower to meet the payment schedule of the ESOP Loan and only to the extent permitted under Section 2.7.

#### ARTICLE VIII MISCELLANEOUS

Section 8.1. Notices. All notices, requests and other communications to a party hereunder shall be in writing and shall be given to such party at its address set forth on the signature page hereof or such other address as such party may hereafter specify for that purpose by notice to the other. Each such notice, request or other communication shall be effective (i) if given by mail, 48 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Section 8.1.

Section 8.2. No Waivers. No failure or delay by the Lender in exercising any right, power or privilege hereunder or under the ESOP Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.3. Amendments and Waivers. Any provision of this Agreement or of the ESOP Note may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Lender.

Section 8.4. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of the Lender. The Lender may at any time sell, assign, transfer, grant participations in or otherwise dispose of all or any portion of the indebtedness incurred by the Borrower under this Agreement and evidenced by

the ESOP Note. The Lender may furnish any information concerning the Borrower in its possession from time to time to assignees and participants (including prospective assignees and participants).

Section 8.5. Governing Law. This Agreement and the ESOP Note shall be deemed to be contracts made under seal and shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, except as otherwise provided herein.

Section 8.6. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when the Lender shall have received counterparts hereof signed by all of the parties.

Section 8.7. Entire Agreement. This Agreement, the ESOP Note and the ESOP Pledge Agreement set forth the entire agreement of the parties with respect to the subject matter hereof and thereof and supersede all previous understandings, written or oral, in respect thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN TRUST

By: U.S. TRUST COMPANY, N.A.,  
as Trustee

By: \_\_\_\_\_

Name:

Title:

600 Fourteenth Street, N.W.  
Suite 400  
Washington, D.C. 20005

HOOKER FURNITURE CORPORATION

By: \_\_\_\_\_

Paul B. Toms, Jr.

President

440 East Commonwealth Boulevard  
Martinsville, Virginia 24112

## FORM OF NON-RECOURSE PROMISSORY NOTE

September [\_\_], 2000

For value received, the HOOKER FURNITURE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN TRUST, a trust established under the Hooker Furniture Corporation Employee Stock Ownership Plan (the "Borrower"), promises to pay to the order of HOOKER FURNITURE CORPORATION, a Virginia corporation (the "Lender"), the principal sum of \$22,500,000 (the "Loan") in installments as hereinafter provided. The Borrower promises to pay interest on the aggregate unpaid principal amount of the Loan for each day from the date hereof until paid, quarterly on each January 1, April 1, July 1 and October 1, commencing on January 1, 2001, at 8.00% per annum; provided, however, that any principal and, to the extent permitted by law, any interest on the Loan not paid when due or within 5 days thereafter shall thereafter bear interest for each day until paid at 9.00% per annum. Interest on the Loan shall be computed on the basis of a year of 360 days consisting of 12 months of 30 days each. All payments of principal and interest shall be made in lawful money of the United States not later than 11:00 A.M. (Eastern Time) on the date when due, in Federal or other funds immediately available in Martinsville, Virginia, to the Lender at 440 East Commonwealth Boulevard, Martinsville, Virginia 24112.

The Lender shall record, and prior to any transfer of this promissory note shall indorse on the schedule forming a part hereof appropriate notations to evidence, the date and amount of the Loan and the date and amount of each payment of principal made by the Borrower with respect thereto. The Borrower hereby irrevocably authorizes the Lender so to indorse this promissory note and to attach to and make a part of this promissory note a continuation of such schedule as and when required; provided, however, that the failure of the Lender to make such a notation or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loan in accordance with the terms hereof. Any recordation by the Lender shall constitute prima facie evidence of the accuracy of the information so recorded.

This promissory note and the obligations evidenced hereby are without recourse to the Borrower and the Trustee of the Borrower, and the Trustee of the Borrower shall have no personal liability with respect hereto and no holder hereof shall have any right to assets of the Borrower except as provided in the Credit Agreement dated as of September [\_\_], 2000 between the Borrower and the

Lender (the "Credit Agreement"). The Borrower shall have no obligation to make any payment hereunder except as provided in Section 2.7 of the Credit Agreement.

The Borrower hereby waives diligence, presentment, protest, notice of default, dishonor or nonpayment and any other notice and all demands whatsoever as set forth in the Credit Agreement.

This promissory note is the ESOP Note referred to in, and is entitled to the benefits of, the Credit Agreement. Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the repayment and prepayment hereof and the acceleration of the maturity hereof.

HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP TRUST

By: U.S. TRUST COMPANY, N.A.,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:



STOCK PLEDGE AGREEMENT

dated as of September [\_\_\_], 2000

by

HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN TRUST

in favor of

HOOKER FURNITURE CORPORATION

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## STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (as amended, supplemented or modified from time to time, this "Pledge Agreement") is dated as of September [\_\_\_], 2000 and is by the HOOKER FURNITURE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN TRUST, a trust established under the Hooker Furniture Corporation Employee Stock Ownership Plan (the "Pledgor"), in favor of HOOKER FURNITURE CORPORATION, a Virginia corporation (the "Lender").

The Pledgor proposes to enter into a Credit Agreement dated as of September [\_\_\_], 2000 (as amended, supplemented or modified from time to time and including the agreement extending the maturity of, refinancing or otherwise restructuring all or any portion of the obligations thereunder or under any successor agreement, the "Credit Agreement") with the Lender. The Pledgor is willing to provide collateral security for its obligations under the Credit Agreement to induce the Lender to enter into the Credit Agreement. Accordingly, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS

Section 1.1. Definitions. Terms used herein and not defined which are defined in the Credit Agreement shall have for the purposes hereof the meanings set forth therein.

Section 1.2. UCC Definitions. Unless otherwise specified herein, or unless the context otherwise requires, all terms used in this Pledge Agreement which are defined in the Uniform Commercial Code as in effect in the Commonwealth of Virginia shall have the meanings set forth therein.

### ARTICLE II THE SECURITY INTERESTS

Section 2.1. The Security Interests. The Pledgor hereby pledges to the Lender, and grants to the Lender a security interest in, the following (the "Pledged Collateral"):

(i) the shares of the common stock of the Pledgor described on Schedule 1 hereto (the "Pledged Shares"), and all dividends, distributions, cash, instruments and other property and proceeds from time to time received, receivable or otherwise made upon or distributed in respect of or in exchange for any or all of the Pledged Shares;

(ii) the contributions to the Pledgor made by the Lender to enable the Pledgor to meet its obligations under the ESOP Note, and all earnings attributable to such contributions; and

(iii) to the extent not otherwise included in the foregoing, all cash and non- cash proceeds thereof.

Section 2.2. Security for Obligations. This Pledge Agreement secures the payment of all of the Obligations. The security interests granted by this Pledge Agreement are granted as security only and shall not subject the Lender to, or transfer or in any way affect or modify, any obligation or liability of the Pledgor with respect to any of the Pledged Collateral or any transaction in connection therewith. Notwithstanding any other provision of this Pledge Agreement, the Lender's rights with respect to the Pledged Collateral shall be subject to the applicable limitations of ERISA and the rules and regulations issued thereunder.

Section 2.3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Lender pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, with signatures appropriately guaranteed, and accompanied in each case by any required transfer tax stamps, all in form and substance satisfactory to the Lender. The Lender shall have the right, upon the occurrence of an Event of Default, to cause any or all of the Pledged Shares or other Pledged Collateral to be transferred of record into the name of the Lender or its nominee, subject to the limitations set forth in Section 7.2 of the Credit Agreement.

Section 2.4. Scheduled Release of Collateral. At the end of each Plan Year, the Lender shall reassign and deliver to the Pledgor a portion of the Pledged Shares, and the certificates representing such portion of the Pledged Shares, and all dividends, distributions, cash, instruments and other property and proceeds received by the Lender with respect to such portion of the Pledged Shares. The number of Pledged Shares to be released at the end of a particular Plan Year shall equal: (i) the number of Pledged Shares held at the end of such Plan Year (immediately before the release of Pledged Shares for such Plan Year) multiplied by (ii) the amount of principal paid by the Pledgor on the ESOP Note during such Plan Year divided by (iii) the sum of the principal to be paid by the Pledgor on the ESOP Note for all future Plan Years through September 1, 2025.

Section 2.5. Termination of Security Interests; Release of Collateral. Upon the full, final and irrevocable payment and performance of all the Obligations and the termination of the Lender's commitment to make the ESOP Loan to the Pledgor under the Credit Agreement, the security interest in the Pledged Collateral shall terminate and all rights to the Pledged Collateral shall revert to the Pledgor. Upon any such termination of the security interests or any release of the Pledged Collateral, the Lender will, at the Pledgor's expense, execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence the termination of the security interests or the

release of the Pledged Collateral. Any such documents shall be without recourse to or warranty by the Lender.

ARTICLE III  
REPRESENTATIONS AND WARRANTIES

The Pledgor represents and warrants as follows:

Section 3.1. Authorization and Contravention. The execution, delivery and performance by the Pledgor of this Pledge Agreement are within its power, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any Government and do not contravene, or constitute (with or without the giving of notice or lapse of time or both) a default under, any provision of applicable law or the Plan Document or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Pledgor.

Section 3.2. Binding Effect. This Pledge Agreement constitutes a valid and binding agreement of the Pledgor, enforceable against the Pledgor in accordance with its terms, except as (i) the enforceability hereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

Section 3.3. Title to Pledged Shares. Upon the purchase by the Pledgor of the Common Shares with the proceeds of the ESOP Loan, the Pledgor will own the Pledged Shares free and clear of any Liens other than the security interests granted hereby.

Section 3.4. Pledged Shares. The Pledged Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to any options to purchase or similar rights of any Person. The Pledgor is not and will not become a party to or otherwise bound by any agreement, other than this Pledge Agreement, which restricts in any manner the rights of any present or future holder of any of the Pledged Shares with respect thereto.

Section 3.5. Validity, Perfection and Priority of Security Interests. Upon delivery to the Lender of all certificates or instruments representing or evidencing the Pledged Shares, the Lender will have a valid and perfected security interest in the Pledged Collateral subject to no prior Lien. No registration, recordation or filing with any Government is required in connection with the execution or delivery of this Pledge Agreement, or necessary for the validity or enforceability hereof or for the perfection of the security interests of the Lender granted hereby. The Pledgor has not performed any acts which might prevent the Lender from enforcing any of the terms and conditions of this Pledge Agreement or which would limit the Lender in any such enforcement.

ARTICLE IV  
COVENANTS

The Pledgor agrees that so long as the Lender is committed to make the ESOP Loan to the Pledgor under the Credit Agreement or any Obligation remains unpaid:

Section 4.1. Filing; Further Assurances. The Pledgor will, at its expense and in such manner and form as the Lender may require, execute, deliver, file and record any financing statement, specific assignment or other paper and take any other action that may be reasonably necessary or desirable, or that the Lender may request, in order to create, preserve, perfect or validate the security interests granted hereby or to enable the Lender to exercise and enforce its rights hereunder with respect to any of the Pledged Collateral. To the extent permitted by applicable law, the Pledgor hereby authorizes the Lender to execute and file, in the name of the Pledgor or otherwise, UCC financing statements which the Lender in its sole discretion may deem reasonably necessary or appropriate to further perfect the security interests.

Section 4.2. Liens on Pledged Collateral. The Pledgor will not sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral or create or suffer to exist any Lien (other than security interests in favor of the Lender) on any Pledged Collateral. The Pledgor will defend the Pledged Collateral and the Pledgor's rights with respect thereto against, and take such action as is necessary to remove, any Lien with respect to the Pledged Collateral other than the security interests granted to the Lender hereunder.

Section 4.3. Change in Law. The Pledgor will promptly notify the Lender in writing of any change in law known to it (and will use its best efforts to become aware of any such change in law) which (i) adversely affects or will adversely affect the validity, perfection or priority of the security interests in any material respect or (ii) requires or will require a material change in the procedures to be followed in order to maintain and protect the validity, perfection and priority of the security interests.

ARTICLE V  
DISTRIBUTIONS ON COLLATERAL; VOTING

Section 5.1. Right to Receive Distributions on Pledged Collateral; Voting.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) the Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Pledge Agreement or the Credit Agreement; provided, however, that, unless

otherwise prohibited by applicable law, the Pledgor shall not exercise or refrain from exercising any such right if, in the Lender's reasonable judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof, and, provided further, that, with respect to extraordinary corporate matters, the Pledgor shall give the Lender at least five days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and other payments and distributions made upon or with respect to the Pledged Collateral; provided, however, that any and all

(1) dividends and other distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(2) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction or capital, capital surplus or paid-in-surplus, and

(3) cash paid, payable or otherwise distributed in respect of principal of, in redemption of, or in exchange for, any Pledged Collateral, shall be, and shall be forthwith delivered to the Lender to hold as Pledged Collateral or to pay amounts owing under the ESOP Note and shall, if received by the Pledgor, be received in trust for the benefit of the Lender, be segregated from the other property or funds of the Pledgor and be forthwith delivered to the Lender as Pledged Collateral in the same form as so received (with any necessary endorsement).

(iii) The Lender shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies, powers of attorney, consents, ratifications, waivers and other instruments as the Pledgor may reasonably request to enable the Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends which it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) Unless otherwise prohibited by applicable law, all rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to paragraph 5.1(a)(i) and to receive the dividends which it would otherwise be authorized to receive and retain pursuant to paragraph 5.1(a)(ii) shall cease, and all such rights shall thereupon become vested in the Lender which shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends which are received by the Pledgor contrary to the provisions of paragraph 5.1(a)(i) shall be received in trust for the benefit of the Lender, shall be segregated from other funds of the Pledgor and shall be forthwith delivered to the Lender as Pledged Collateral in the same form as so received (with any necessary endorsement).

ARTICLE VI  
GENERAL AUTHORITY; REMEDIES

Section 6.1. General Authority. The Pledgor hereby irrevocably appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in- fact, in the name of the Pledgor or its own name, for the sole use and benefit of the Lender, but at the Pledgor's expense, at any time and from time to time, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Pledge Agreement. The Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

Without limiting the foregoing, the Pledgor hereby gives the Lender the power and right on its behalf, without notice to or further assent by the Pledgor, to do the following:

(i) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and non-negotiable instruments taken or received by the Pledgor as, or in connection with, the Pledged Collateral; and

(ii) to do, at its option, but at the expense of the Pledgor, at any time or from time to time, all acts and things which the Lender deems necessary to protect or preserve the Pledged Collateral and, upon the occurrence of an Event of Default, to realize upon the Pledged Collateral.

Without limiting the foregoing, the Pledgor hereby gives the Lender the power and right on its behalf, with the written approval of the

Trustee of the Pledgor or, upon the occurrence of an Event of Default, without notice to or further assent by the Pledgor, to do the following:

(i) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due upon or in connection with the Pledged Collateral;

(ii) to commence, settle, compromise, compound, prosecute, defend or adjust any claim, suit, action or proceeding with respect to, or in connection with, the Pledged Collateral; and

(iii) to sell, transfer, assign or otherwise deal in or with the Pledged Collateral or any part thereof, as fully and effectually as if the Lender were the absolute owner thereof.

Section 6.2. UCC Rights. If an Event of Default shall have occurred, the Lender may in addition to all other rights and remedies granted to it in this Pledge Agreement and in any other agreement securing, evidencing or relating to the Obligations, exercise (i) all rights and remedies of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and (ii) all other rights available to the Lender at law or equity.

Section 6.3. Application of Cash; Sale of Pledged Collateral.

(a) The Pledgor expressly agrees that if any Event of Default shall occur and be continuing, the Lender, without demand of performance or other demand or notice of any kind (except the notice specified below of the time and place of any public or private sale) to or upon the Pledgor or any other Person (all of which demands and/or notices are hereby waived by the Pledgor), may forthwith (i) apply the cash, if any, then held by it as collateral as specified in Section 6.8 and (ii) if there shall be no such cash or if such cash shall be insufficient to pay Obligations in full, to collect, receive, appropriate and realize upon the Pledged Collateral, and/or sell, assign, give an option or options to purchase or otherwise dispose of or deliver the Pledged Collateral (or contract to do so) or any part thereof in one or more parcels (which need not be in round lots) at public or private sale, at any exchange, broker's board or at any office of the Lender or elsewhere in such manner as is commercially reasonable and, as the Lender may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Lender shall have the right upon any such public sale, and, if the Pledged Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, upon any such private sale or sales, to purchase the whole or an part of the Pledged Collateral so sold, and thereafter to hold the same, absolutely and free from

any right or claim of any kind. To the extent permitted by applicable law, the Pledgor waives all claims, damages and demands against the Lender arising out of the foreclosure, repossession, retention or sale of the Pledged Collateral. The Trustee shall cooperate as necessary in any such actions as determined by the Lender.

(b) Unless the Pledged Collateral threatens to decline speedily in value or is a type customarily sold on a recognized market, the Lender shall give the Pledgor five days' written notice of its intention to make any such public or private sale or sale at a broker's board or on a securities exchange. Such notice shall (i) in the case of a public sale, state the time and place fixed for such sale, (ii) in the case of sale at a broker's board or on a securities exchange, state the board or exchange at which such sale is to be made and the day on which the Pledged Collateral, or any portion thereof being sold, will first be offered for sale and (iii) in the case of a private sale, state the day after which such sale may be consummated. The Lender shall not be required or obligated to make any such sale pursuant to any such notice. The Lender may adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In the case of any sale of all or any part of the Pledged Collateral on credit or for future delivery, the Pledged Collateral so sold may be retained by the Lender until the selling price is paid by the purchaser thereof, but the Lender shall not incur any liability in case of the failure of such purchaser to take up and pay for the Pledged Collateral so sold and, in the case of such failure, such Pledged Collateral may again be sold upon like notice. The Trustee will cooperate as necessary in any such actions as determined by the Lender.

Section 6.4. Rights of Purchasers. Upon any sale of the Pledged Collateral (whether public or private), the Lender shall have the right to deliver, assign and transfer to the purchaser thereof the Pledged Collateral so sold. Each purchaser (including the Lender) at any such sale shall hold the Pledged Collateral so sold absolutely, free from any claim or right of whatever kind, including any equity or right of redemption of the Pledgor who, to the extent permitted by law, hereby specifically waives all rights of redemption, including, without limitation, any right to redeem the Pledged Collateral under Section 9-506 of the UCC, and any right to a judicial or other stay or approval which it has or may have under any law now existing or hereafter adopted.

Section 6.5. Federal Securities Laws. In view of the position of the Pledgor in relation to the Pledged Shares, or because of other present or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being herein called the "Federal

Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder. The Pledgor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Lender if the Lender were to attempt to dispose of all or any part of the Pledged Collateral, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Lender in any attempt to dispose of all or part of the Pledged Collateral under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Under applicable law, in the absence or an agreement to the contrary, the Lender might be held to have certain general duties and obligations to the Pledgor to make some effort toward obtaining a fair price even though the obligations of the Pledgor may be discharged or reduced by the proceeds of a sale at a lesser price. The Pledgor clearly understands that the Lender is not to have any such general duty or obligation to the Pledgor, and the Pledgor will not attempt to hold the Lender responsible for selling any part of the Pledged Collateral at an inadequate price even if the Lender shall accept the first offer received or does not approach more than one possible purchaser. Without limiting the generality of the foregoing, the provisions of this section would apply if, for example, the Lender were to place all or any part of the Pledged Collateral for its own account, or if the Lender placed all or any part of the Pledged Collateral privately with a purchaser or purchasers. Accordingly, the Pledgor expressly agrees that the Lender is authorized, in connection with any sale of the Pledged Collateral, if it deems it advisable so to do, (i) to restrict the prospective bidders on or purchasers of any of the Pledged Collateral to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any such Pledged Collateral, (ii) to cause to be placed on certificates for any or all of the Pledged Collateral or on any other securities pledged hereunder a legend to the effect that such security has not been registered under the Federal Securities Laws and may not be disposed of in violation of the provisions of said laws and (iii) to impose such other limitations or conditions in connection with any such sale as the Lender deems necessary or advisable in order to comply with the Federal Securities Laws or any other law. The Pledgor covenants and agrees that it will execute and deliver such documents and take such other action as the Lender deems necessary or advisable in order to comply with the Federal Securities Laws or any other law. The Pledgor acknowledges and agrees that such limitations may result in prices and other terms less favorable to the seller than if such limitations were not imposed, and, notwithstanding such limitations, agrees that any such sale shall be deemed to have been made in a commercially reasonable manner, it being the agreement of the Pledgor and the Lender that the provisions of this section will apply notwithstanding the

existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Lender sells. The Lender shall be under no obligation to delay a sale of any Pledged Collateral for a period of time necessary to permit the issuer of any securities contained therein to register such securities under the Securities Act of 1933, or under applicable state securities laws, even if the issuer would agree to do so.

Section 6.6. Other Rights of the Lender.

(a) The Lender (i) shall have the right and power to institute and maintain such suits and proceedings as it may deem appropriate to protect and enforce the rights vested in it by this Pledge Agreement and (ii) may proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Pledged Collateral and to sell all or, from time to time, any of the Pledged Collateral under the judgment or decree of a court of competent jurisdiction.

(b) The Lender shall, to the extent permitted by applicable law, without notice to the Pledgor or any party claiming through the Pledgor, without regard to the solvency or insolvency at such time of any Person then liable for the payment of any of the Obligations, without regard to the then value of the Pledged Collateral or any part thereof, and of the profits, revenues and other income thereof, pending such proceedings, with such powers as the court making such appointment shall confer, and to the entry of an order directing that the profits, revenues and other income of the property constituting the whole or any part of the Pledged Collateral be segregated, sequestered and impounded for the benefit of the Lender, and the Pledgor irrevocably consents to the appointment of such receiver or receivers and to the entry of such order.

(c) In no event shall the Lender have any duty to exercise any rights or take any steps to preserve the rights of the Lender in the Pledged Collateral, nor shall the Lender be liable to the Pledgor or any other Person for any loss caused by the Lender's failure to meet any obligation imposed by Section 9-207 of the UCC or any successor provision. Without limiting the foregoing, the Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Lender accords its own property, it being understood that the Lender shall not have any duty or responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Lender has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

Section 6.7. Waiver and Estoppel.

(a) The Pledgor agrees, to the extent it may lawfully do so, that it will not at any time in any manner whatsoever claim or take the benefit or advantage of any appraisal, valuation, stay, extension, moratorium, turnover or redemption law, or any law permitting it to direct the order in which the Pledged Collateral shall be sold, now or at any time hereafter in force which may delay, prevent or otherwise affect the performance or enforcement of this Pledge Agreement, and hereby waives all benefit or advantage of all such laws. The Pledgor covenants that it will not hinder, delay or impede the execution of any power granted to the Lender in the Credit Agreement, the ESOP Note or this Pledge Agreement.

(b) The Pledgor, to the extent it may lawfully do so, on behalf of itself and all who claim through or under it, including without limitation any and all subsequent creditors, vendees, assignees and lienors, waives and releases all rights to demand or to have any marshalling of the Pledged Collateral upon any sale, whether made under any power of sale granted herein or pursuant to judicial proceedings or under any foreclosure or any enforcement of this Pledge Agreement, and consents and agrees that all of the Pledged Collateral may at any such sale be offered and sold as an entirety.

(c) The Pledgor waives, to the extent permitted by law, presentment, demand, protest and any notice of any kind (except the notices expressly required hereunder) in connection with this Pledge Agreement and any action taken by the Lender with respect to the Pledged Collateral. The Pledgor waives and agrees not to assert any privileges which it may acquire under Section 9- 112 of the UCC.

Section 6.8. Application of Moneys. The proceeds of any sale of, or other realization upon, all or any part of the Pledged Collateral shall be applied by the Lender in the following order of priority:

first, to payment of the expenses of such sale or other realization, including reasonable compensation to the Lender and its agents and counsel, and all expenses, liabilities and advances incurred or made by the Lender, its agents and counsel in connection therewith or in connection with the care, safekeeping or otherwise of any or all of the Pledged Collateral, and any other unreimbursed expenses for which the Lender is to be reimbursed pursuant to Section 6.3;

second, to payment of the Obligations; and

third, any surplus then remaining shall be paid to the Pledgor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Section 6.9. Limitation on Remedies. Notwithstanding any other provisions of this Pledge Agreement to the contrary, the Lender may not take any action with respect to the Pledged Collateral in violation of ERISA or the Code, or the rules and regulations thereunder.

ARTICLE VII  
MISCELLANEOUS

Section 7.1. Notices. All notices, requests and other communications to a party hereunder shall be in writing and shall be given to such party at its address set forth on the signature page hereof or such other address as such party may hereafter specify for that purpose by notice to the other. Each such notice, request or other communication shall be effective (i) if given by mail, 48 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means, when delivered at the address specified in this section. Rejection or refusal to accept, or the inability to deliver because of a changed address or which no notice was given, shall not affect the validity of notice given in accordance with this section. Any party giving a notice, request or other communication hereunder shall send a copy of such communication to Thomas S. Word, Jr., Esquire, McGuireWoods LLP, 901 East Cary Street, Richmond, Virginia 23219.

Section 7.2. No Waivers; Remedies Not Exclusive.

(a) No failure to delay by the Lender in exercising any right, power or privilege under this Pledge Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege.

(b) No remedy conferred upon or reserved to the Lender in this Pledge Agreement is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law, in equity or by statute.

(c) If the Lender shall have proceeded to enforce any right, remedy or power under this Pledge Agreement and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Lender, the Pledgor and the Lender shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights under this Pledge Agreement, and thereafter all rights, remedies and powers of the Lender shall continue as though no such proceedings had been taken.

(d) All rights of action under this Pledge Agreement may be enforced by the Lender without the possession of any instrument evidencing any Obligation or the production thereof at any trial or other proceeding relative thereto.

Section 7.3. Amendments and Waivers. Any provision of this Pledge Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Pledgor and the Lender.

Section 7.4. Successors and Assigns. The provisions of this Pledge Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 7.5. Governing Law. This Pledge Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 7.6. Limitation by Law; Severability.

(a) All rights, remedies and powers provided in this Pledge Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Pledge Agreement are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Pledge Agreement invalid, unenforceable in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

(b) If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Lender in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provisions in any other jurisdiction.

Section 7.7. Counterparts; Effectiveness. This Pledge Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Pledge Agreement shall become effective when the Lender shall have received counterparts hereof signed by both parties.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed as of the day and year first above written.

HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN TRUST

By: U.S. TRUST COMPANY, N.A.,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

600 Fourteenth Street, N.W.  
Suite 400  
Washington, D.C. 20005

HOOKER FURNITURE CORPORATION

By: \_\_\_\_\_  
Paul B. Toms, Jr.  
President

440 East Commonwealth Boulevard  
Martinsville, Virginia 24112

Schedule 1

-----

List of Pledged Shares

-----

Name of Issuer	Class of Stock	Certificate #	# of Shares
Hooker Furniture Corporation	Common Stock		

Form of Opinion of Counsel  
-----

September [\_\_], 2000

Hooker Furniture Corporation  
440 East Commonwealth Boulevard  
Martinsville, Virginia 24112

Ladies and Gentlemen:

We have acted as counsel to U.S. Trust Company, N.A., a national banking association, in its capacity as Trustee (the "Trustee") of The Hooker Furniture Corporation Employee Stock Ownership Plan (the "Plan") and the trust (the "Trust") which was created pursuant to the Trust Agreement dated August 1, 2000 (the "Trust Agreement") between Hooker Furniture Corporation (the "Company") and the Trustee, in connection with the purchase by the Trust of the Common Shares and in connection with the \$22,500,000 term loan by the Company to the Trust.

In rendering the opinion expressed below, we have examined:

1. An executed copy of the Offer to Purchase dated August 9, 2000 and the related Letter of Transmittal;
2. An executed copy of the Credit Agreement dated as of September [\_\_], 2000 between the Trust and the Company (the "Credit Agreement");
3. An executed copy of the Stock Pledge Agreement dated as of September [\_\_], 2000 by the Trust in favor of the Company (the "Stock Pledge Agreement");
4. An executed copy of the Non-Recourse Promissory Note dated as of September [\_\_], 2000 made by the Trust in favor of the Company (the "ESOP Note");
5. A copy of the Trust Agreement, certified by the Secretary of the Company as of the date hereof;
6. Resolutions of the Board of Directors of the Company appointing the Trustee to act as trustee of the Trust, certified by the Secretary of the Company as of the date hereof;
7. Acceptance of its appointment as trustee by the Trustee, certified by the Secretary of the Company as of the date hereof;
8. A certificate of the Secretary of the Company dated as of the date hereof certifying that there are no other trustees of the Trust besides the Trustee at the date hereof.

The documents described in Items 1 through 4 above are herein collectively referred to as the "ESOP Loan Documents". Capitalized terms which are used

herein and are defined in the ESOP Loan Documents have the meaning ascribed to them in the ESOP Loan Documents unless otherwise defined herein.

In our examination we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity, accuracy and completeness of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity, accuracy and completeness of the originals of such copies. We have made no independent examination of or special inquiry as to factual matters set forth in any certificates of the Company or the Trustee.

In addition, we have assumed that (a) there will be no changes in current federal or state law or the rules or regulations thereunder after the date hereof which would affect the conclusions of our opinion, and (b) the Trust will be operated in accordance with its terms. We also have assumed that (a) the Plan and the Trust have been duly adopted and are in full force and effect; (b) the provisions of the Plan and Trust in all material respects satisfy in form the requirements applicable to a qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder; (c) the Trust has been duly constituted in accordance with a valid and binding trust instrument, and is tax-exempt under Section 501(a) of the Code; and (d) the Plan and Trust constitute in all material respects in form an "employee stock ownership plan" as defined in Section 4975(e)(7) of the Code and the regulations thereunder. We also have assumed that the Company has duly authorized and executed the ESOP Loan Documents, and that such agreements constitute valid and binding obligations of the Company.

We do not express any opinion as to whether (i) the plan fiduciaries involved have satisfied or will satisfy their fiduciary duties as set forth in Sections 404 and 405 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or (ii) the transactions contemplated by the ESOP Loan Documents constitute "prohibited transactions" within the meanings of Section 4975 of the Code or Section 406 of ERISA. We do not express any opinions as to the priority of the Company's security interests granted pursuant to the Stock Pledge Agreement.

We do not express any opinion herein as to any law other than the law of the Commonwealth of Virginia and the federal law of the United States of America. Our opinion in paragraph 4 set forth below is limited to Articles 8 and 9 of the Uniform Commercial Code of Virginia (the "Virginia UCC"), and therefore that opinion paragraph does not address (i) laws of jurisdictions other than Virginia, and of Virginia other than the Virginia UCC, and (ii) under Virginia UCC Section [-103 or any other law, what law governs perfection of the security interests granted in the pledged securities (the "Pledged Stock") described in and covered by the Stock Pledge Agreement.

For the purposes of rendering our opinion in paragraph 5 set forth below, we also have assumed with your permission that (a) the Pledged Stock consists exclusively of "certificated securities" (as defined in Section 8.8A-102(1)(a) of the Virginia UCC), (b) the Pledged Stock is at all times in the exclusive possession and control of Company, (c) value has been given pursuant to the Credit Agreement, and (d) the Trust has rights in the Pledged Stock.

Based upon the foregoing, and subject to the qualifications hereinafter set forth, we are of the opinion that:

1. The Trustee is a national banking association who has been duly appointed Trustee of the Plan and Trust, has accepted such trusteeship, and has all requisite power and authority to carry out the obligations of the Trustee arising in connection with the transactions contemplated by the ESOP Loan Documents.
2. The execution, delivery and performance by the Trustee of the ESOP Loan Documents have been duly authorized by all necessary action on the part of the Trustee.
3. The ESOP Loan Documents have been duly executed and delivered by the Trustee and constitute the valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms.
4. The execution, delivery and performance by the Borrower of the ESOP Loan Documents (i) require no action by or in respect of, or filing with, any governmental body, agency or official, (ii) do not contravene, or constitute (with or without the giving of notice or lapse of time or both) a default under, any provision of applicable law or regulation or the Plan Document or of any agreement, judgment, injunction, order, decree or other instrument binding on or affecting the Borrower, and (iii) do not result in the creation or imposition of any Lien (other than the Lien created in favor of the Company) on any asset of the Borrower.
5. Upon delivery of the Pledged Stock to the Company, the Company will hold a perfected security interest in the Pledged Stock.

The foregoing opinions are subject to:

- (a) the qualification that certain of the remedial provisions, waivers, penalties, forfeitures, elections and other provisions of the ESOP Loan Documents may be limited or rendered unenforceable by applicable laws and interpretations, but in our opinion such laws and interpretations do not affect the overall validity and enforceability of the ESOP Loan Documents and do not, subject to the other exceptions and limitations set forth in this opinion letter, make the remedies generally afforded by the ESOP Loan Documents inadequate for the practical realization of the benefits purported to be provided by such remedies with respect to your ability to realize upon the principal benefits or security intended to be provided by the ESOP Loan Documents (except for the economic consequences of procedural or other delay);
- (b) our assumption that you will not at any time, directly or indirectly, reserve, charge or take interest on the loan made pursuant to the ESOP Loan Documents, whether before or after maturity, at a rate which shall exceed applicable usury limits; and
- (c) the Bankruptcy and Insolvency Exception, the Equitable Principles Limitation and Other Common Qualifications set forth on Exhibit A attached hereto and hereby incorporated by reference as if set forth at length herein.

This is the opinion referred to in Section 3.1(vi) of the Credit Agreement. Our opinions given herein are as of the date hereof and we assume no obligation to update such opinions to reflect any facts or circumstances which may hereafter come to our attention or any changes in law which may hereafter occur.

This opinion is provided to you as a legal opinion only, and not as a guarantee or warranty of the matters discussed herein. This opinion is solely for the information of the addressee and is not to be quoted in whole or in part or otherwise referred to or is it to be filed with or disclosed to any governmental agency or other person without our prior written consent, except SunTrust Bank. This opinion may not be relied upon by any person other than the addressee of this letter and SunTrust Bank which may rely upon this opinion to the same extent as if it were an addressee hereof.

Very truly yours,

EXHIBIT A

-----

(a) The Bankruptcy and Insolvency Exception. The opinions set forth in this opinion letter are subject to the effect of bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights and remedies of creditors generally, including, without limitation:

(i) the Federal Bankruptcy Code and thus comprehends, among others, matters of turn-over, automatic stay, avoiding powers, fraudulent transfer, preference, discharge, conversion of a non-recourse obligation into a recourse claim, limitations on ipso facto and anti-assignment clauses and the coverage of pre-petition security agreements applicable to property acquired after a petition is filed;

(ii) all other Federal and state bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement and assignment for the benefit of creditors laws that affect the rights and remedies of creditors generally (not just creditors of specific types of debtors);

(iii) all other Federal bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement and assignment for the benefit of creditors laws that have reference to or affect generally only creditors of specific types of debtors and state laws of like character affecting generally only creditors of financial institutions and insurance companies;

(iv) state fraudulent transfer and conveyance laws; and

(v) judicially developed doctrines relevant to any of the foregoing laws, such as substantive consolidation of entities.

(b) The Equitable Principles Limitation. The opinions set forth in this opinion letter are subject to the effect of general principles of equity, whether applied by a court of law or equity, including, without limitation, principles:

(i) governing the availability of specific performance, injunctive relief or other equitable remedies, which generally place the award of such remedies, subject to certain guidelines, in the discretion of the court to which application for such relief is made;

(ii) affording equitable defenses (e.g., waiver, laches and estoppel) against a party seeking enforcement;

(iii) requiring good faith and fair dealing in the performance and enforcement of a contract by the party seeking its enforcement;

(iv) requiring reasonableness in the performance and enforcement of an agreement by the party seeking enforcement of the contract;

(v) requiring consideration of the materiality of (A) the Company's breach and (B) the consequences of the breach to the party seeking enforcement;

(vi) requiring consideration of the impracticability or impossibility of performance at the time of attempted enforcement; and

(v) affording defenses based upon the unconscionability of the enforcing party's conduct after the parties have entered into the contract.

(c) Other Common Qualifications. The opinions set forth in this opinion letter are subject to the effect of generally applicable rules of law that:

(i) limit or affect the enforcement of provisions of a contract that purport to require or effect waiver of the obligations of good faith, fair dealing, diligence and reasonableness;

(ii) provide that forum selection clauses in contracts are not necessarily binding on the court(s) in the forum selected;

(iii) limit the availability of a remedy under certain circumstances where another remedy has been elected;

(iv) limit the right of a creditor to use force or cause a breach of the peace in enforcing rights;

(v) relate to the sale or disposition of collateral or the requirements of a commercially reasonable sale;

(vi) limit the enforceability of provisions releasing, exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct;

(vii) may, where less than all of a contract may be unenforceable, limit the enforceability of the balance of the contract to circumstances in which the unenforceable portion is not an essential part of the agreed exchange;

(viii) govern and afford judicial discretion regarding the determination of damages and entitlement to attorneys' fees and other costs;

(ix) may, in the absence of a waiver or consent, discharge a guarantor to the extent that (A) action by a creditor impairs the value of collateral securing guaranteed debt to the detriment of the guarantor, or (B) guaranteed debt is materially modified; and

(x) may permit a party who has materially failed to render or offer performance required by the contract to cure that failure unless (A) permitting a cure would unreasonably hinder the aggrieved party from making substitute arrangements for performance, or (B) it was important in the circumstances to the aggrieved party that performance occur by the date stated in the contract.

[SUNTRUST LETTERHEAD]

June 26, 2000

Mr. E. Larry Ryder  
 Chief Financial Officer  
 Hooker Furniture Corporation  
 Hand Delivered

Dear Larry :

On behalf of SunTrust Bank, (the "Bank"), I am pleased to confirm the Bank's commitment to provide the following loan subject to the terms and conditions stated below.

Borrower:	Hooker Furniture Corporation
Amount: - - - - -	Up to \$22,500,000
Purpose: - - - - -	Loan to ESOP to purchase company stock
Facility Description: - - - - -	10 year fully amortizing term loan
Amortization: - - - - -	10 year mortgage amortization, with equal total payments
Final Maturity: - - - - -	2010
Pricing: - - - - -	Variable Rate of Libor + 3/8 of 1%, currently 7.03% Forward fixed rate swap effective 8/31/00, currently 7.65%.*  *Indication rates only based on one month Libor. Actual rates will be determined at closing.
Interest Period: - - - - -	Quarterly (Actual 360 day basis)
Prepayment Penalty: - - - - -	No prepayment penalty on variable rate portion Two way make whole provision on swap to fixed rate
Security Collateral: - - - - -	Unsecured with a negative pledge on all corporate assets excluding fixed assets securing the IRB

Proposed Covenants:  
- -----

Covenants representative of these type of transactions including but not limited to:

1. Minimum Debt Service Coverage of 2.25 times during fiscal 2000, 2001 and 2002, dropping to 1.75 times in years 2003,2004 and 2005 and increasing to 2.25 times thereafter. Debt Service Ratio is defined as follows:

Net Income + Depreciation + Amortization + Interest + ESOP Contribution - Dividends Divided by Interest + Current Maturities of Long Term Debt + ESOP Contribution

2. Maximum Balance Sheet Leverage of 50% in fiscal years 2000,2001, 45% in 2002,2003, 40% in 2004,2005 and 30% thereafter. Balance Sheet Leverage is defined as follows:

Borrowed debt/borrowed debt + equity

Covenants will be tested quarterly. Hooker will provide SunTrust with a compliance certificate quarterly.

Conditions to Borrowing,  
- -----  
of Representations  
- -----  
& Warranties, Events  
- -----  
of Default:  
- -----

Loan Agreement to include conditions, reps & warranties and events default customary in this type of transaction

Expenses:  
- -----

Borrower will pay all legal expenses to prepare loan documents. SunTrust's attorney will provide Hooker with a firm fee quote on legal expenses.

Governing Law:  
- -----

VA

We appreciate the opportunity to work with you and wish you much continued success. Please do not hesitate to call if you have any questions or comments. Thank you.

Sincerely,

/s/ Ellen L. Wood

Ellen L. Wood  
Senior Vice President

Agreed by:

Hooker Furniture Corporation

By: /s/ Edwin L. Ryder 6/26/00

-----  
Edwin L. Ryder

Title: Sr. Vice President - Finance & Admin.  
-----

TERM LOAN AGREEMENT

BETWEEN

HOOKER FURNITURE CORPORATION

AND

SUNTRUST BANK

CLOSING DATE: September \_\_, 2000

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Supplement A Financial Covenants

LOAN AGREEMENT

THIS AGREEMENT, made, entered into and effective as of September \_\_\_\_, 2000, by and between HOOKER FURNITURE CORPORATION, a Virginia Corporation ("Borrower"); and SUNTRUST BANK, a Georgia Banking Company ("Lender");

W I T N E S S E T H :

WHEREAS, Borrower has applied to Lender for financing the proceeds of which will be used solely to make a loan to the Borrower's Employee Stock Ownership Plan to enable it to purchase shares of the Company's stock, as more particularly described hereinbelow; and

WHEREAS, Lender is willing to extend financing to Borrower in accordance with the terms hereof upon the execution of this Agreement by Borrower, compliance by Borrower with all of the terms and provisions of this Agreement and fulfillment of all conditions precedent to Lender's obligations herein contained;

NOW, THEREFORE, to induce Lender to extend the financing provided for herein, and for other good and valuable consideration, the sufficiency and receipt of all of which are acknowledged by Borrower, Lender and Borrower agree as follows:

1. DEFINITIONS, TERMS AND REFERENCES

1.1 Certain Definitions. In addition to such other terms as

elsewhere defined herein, as used in this Agreement, in any Exhibits and in any Supplements, the following terms shall have the following meanings:

"Affiliate" shall mean, with respect to any Person, any Person

Controlling, Controlled by or under common Control with such Person. For purposes hereof, each Subsidiary shall at all times be considered an "Affiliate" of Borrower.

"Agreement" shall mean this Loan Agreement, as it may be amended or

supplemented from time to time.

"Applicable Rate" shall mean the interest rate per annum payable on the

Obligations, as is defined and more particularly described in Section 2.1.

"Bankruptcy Code" shall mean Title 11 of the United States Code, as it

may be amended from time to time.

"Borrowed Debt" shall mean all short and long term Debt for borrowed

money, regardless of the lender, plus Capital Leases.

"Borrower" shall have the meaning given to such term in the preamble to

this Agreement. Each of the covenants, agreements, representations and warranties made in this Agreement and under the Loan Documents shall also apply to each Subsidiary.

"Business Day" shall mean a day on which Lender is open for the conduct

of banking business at its office in Richmond, Virginia, where payments are to be made under this Agreement and, if applicable Business Day relates to any determination of the LIBOR Rate, on which dealings are carried on in the London interbank market.

"Capital Lease" shall mean any lease of property that, in accordance  
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with GAAP, should be capitalized on the balance sheet of a Person.

"Closing Date" shall mean the date of this Agreement.  
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"Consolidated Subsidiaries" shall mean those Subsidiaries of Borrower  
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(if any) existing from time to time which, for purposes of GAAP, are required to be consolidated for financial reporting purposes.

"Control", "Controlled" or "Controlling" shall mean, with respect to  
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any Person, the power to direct the management and policies of such Person, directly, indirectly, whether through the ownership of voting securities or otherwise; provided, however, that, in any event, any Person which owns directly  
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or indirectly ten percent (10%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation shall be deemed to "Control" such corporation for purposes of this Agreement.

"Debt" shall mean, with respect to any Person, without duplication, (i)  
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all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, (iv) all obligations of such Person as lessee under Capital Leases, (v) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all obligations of such Person to reimburse any bank or other person in respect of amounts paid under a letter of credit or similar instrument, (vii) all obligations of others secured by a Lien on any asset of such Person, whether or not such obligation is assumed by such Person (limited, in the case of any such obligation not assumed by such Person, to the value of such asset), (viii) all obligations of others endorsed or guaranteed by such Person, (ix) all accrued pension fund and other employee benefit plan obligations and liabilities, and (x) all derivative, interest rate protection or similar hedging agreements.

"Default Condition" shall mean the occurrence of any event which, after  
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satisfaction of any requirement for the giving of notice or the lapse of time, or both, would become an Event of Default.

"Default Rate" shall mean that interest rate per annum equal to two  
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percent (2%) per annum in excess of the otherwise Applicable Rate payable on any Obligation.

"Employee Benefit Plan" shall mean any employee welfare benefit plan as  
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that term is defined in Section 3(1) of ERISA, any employee pension benefit plan, as that term is defined in Section 3(2) of ERISA or any other plan which is subject to the provisions of Title IV of ERISA or which is for the benefit of any employees of Borrower and any employees of any Subsidiary or any other entity which is a member of a controlled group or under common control with Borrower, as such terms are defined in Section 4001(a)(14) of ERISA.

"Environmental Laws" shall mean all federal, state and local laws,  
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rules, regulations, ordinances, programs, permits, guidances, orders and consent decrees relating to health, safety and environmental matters, whether now or hereafter existing, including, but not limited to state and federal superlien and environmental cleanup laws and U.S. Department of Transportation regulations and any other state or local law or regulation relating to pollution, reclamation, or protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, or hazardous or toxic materials or wastes into air, water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants or hazardous or toxic materials or wastes.

"Equity" shall mean total assets minus total liabilities, each as  
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calculated in accordance with GAAP.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974,  
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as may be amended from time to time.

"ESOP" shall mean the Borrower's Employee Stock Ownership Plan.  
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"ESOP Loan" shall mean the Loan of \$22,500,000 made by the Borrower to  
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the ESOP with the proceeds of the Note.

"ESOP Note" shall mean the promissory note in the original principal  
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amount of Twenty-two Million Five Hundred Thousand and no/100 Dollars  
(\$22,500,000) dated as of the date of this Agreement, made by the ESOP and  
payable to the Borrower.

"ESOP Stock" shall mean all of the Borrower's stock acquired by the  
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ESOP with the proceeds of the ESOP Note.

"Event of Default" shall mean any of the events or conditions described  
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in Article 7, provided that any requirement for the giving of notice or the  
lapse of time, or both, has been satisfied.

"Executive Office" shall mean the address of Borrower designated as  
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such on Exhibit "A".  
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"Fiscal Year", in respect of a Person, shall mean the fiscal year of  
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such Person employed by such Person as of the Closing Date, and designated as  
such on Exhibit "A" as to Borrower. The term "Fiscal Quarter" shall correspond  
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accordingly thereto.

"GAAP" shall mean generally accepted accounting principles consistently  
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applied for the period or periods in question.

"Interest Payment Date" means the first day of December, 2000 and the  
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first day of each December, March, June and September thereafter, and the day on  
which the Term Loan is paid in full.

"Lender" shall have the meaning given to such term in the preamble to  
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this Agreement.

"LIBOR Rate" shall mean the one month LIBOR established by the British  
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Bankers Association as of 11:00 a.m. (London Time) on the first Business Day of  
each month as published by a on-line information service, such as Bloomberg  
Financial Markets News Services or any comparable reporting service selected by  
the Lender. The LIBOR Rate shall be adjusted on the first Business Day of the  
month. Adjustments to the LIBOR Rate shall be effective as of the first calendar  
day of each month.

"Lien" shall mean any deed to secure debt, deed of trust, mortgage or  
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similar instrument, and any lien, security interest, preferential arrangement  
which has the practical effect of constituting a security interest, security  
title, pledge, charge, encumbrance or servitude of any kind, whether by  
consensual agreement or by operation of statute or other law, and whether  
voluntary or involuntary, including, without limitation, any conditional sale or  
other title retention agreement or lease in the nature thereof.

"Loan Documents" shall mean this Agreement, the Negative Pledge, the  
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Note, any Master Agreement and any and all other documents, instruments,  
certificates and agreements executed and/or delivered by Borrower in connection  
herewith, or any one, more, or all of the foregoing, as the context shall  
require.

"Master Agreement" shall mean any interest rate swap transaction,

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interest rate cap transaction, interest rate floor transaction, interest rate collar transaction or other similar transaction pursuant to an International Swap Dealers Association, Inc. Master Agreement which may hereafter be executed by and between the Borrower and the Lender, together with all amendments and schedules thereto and confirmations thereof from time to time.

"Material Adverse Effect" shall mean with respect to any event, act,

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condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon any of (a) the financial condition, operations, business, properties or prospects of the Borrower, as determined by the Lender in the exercise of its reasonable business judgment, and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Lender under any of the Loan Documents or the ability of the Borrower to perform its obligations under any of the Loan Documents or (c) the legality, validity or enforceability of any of the Loan Documents.

"Negative Pledge" shall mean the Negative Pledge and Agreement dated of

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even date herewith, as amended or supplemented from time to time whereby the Borrower agrees not to create or suffer to exist any Lien except Permitted Liens on any real or personal property or assets of either the Borrower or any Subsidiary. The Negative Pledge shall be substantially in the form of Exhibit G.

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"Note" shall mean the promissory note, dated of even date herewith, as

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amended or supplemented from time to time, in the principal amount of Twenty-Two Million Five Hundred Thousand and No/100 Dollars (\$22,500,000) evidencing the obligation to repay the Term Loan together with interest, together with any renewals, modifications or extensions thereof, in whole or in part. The Note shall be substantially in the form of Exhibit "B".

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"Obligations" shall mean any Debt of Borrower to Lender arising

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hereunder or as a result hereof, whether evidenced by the Note, or otherwise, and any and all extensions or renewals thereof in whole or in part; any Debt of Borrower to Lender under any later or future advances or loans made by Lender to Borrower, and any and all extensions or renewals thereof in whole or in part and any and all existing or future Debt of Borrower to Lender and any and all extensions or renewals thereof in whole or in part.

"Permitted Encumbrances" shall mean (i) Liens for taxes not yet due and

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payable or being actively contested as permitted by this Agreement; (ii) carriers', warehousemen's mechanics, materialmen's, repairmen's or other like Liens arising in the ordinary course of business, payment for which is not yet due or which are being actively contested in good faith and by appropriate, lawful proceedings, and for which adequate reserves have been established as required by GAAP; (iii) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation; (iv) deposits to secure the performance of utilities, leases, statutory obligations and surety and appeal bonds and other obligations of a like nature arising by statute or under customary terms regarding depository relationships on deposits held by financial institutions with whom Borrower has a banker-customer relationship; (v) typical restrictions imposed by licenses and leases of software (including location and transfer restrictions); (vi) Purchase Money Liens not to exceed \$1,000,000 in the aggregate outstanding at any one time; and (vii) encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of the real estate of Borrower, which do not materially detract from the value of such real estate or impair the use thereof in the business of the Borrower.

"Person" shall mean any individual, partnership, corporation, limited

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liability company, joint venture, joint stock company, trust, governmental unit or other entity.

"Prime Rate" refers to that interest rate so denominated and set by

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Lender from time to time as an interest rate basis for borrowings. The Prime Rate is but one of several interest rate bases used by Lender. Lender extends credit at interest rates above and below the Prime Rate.

"Purchase Money Lien" shall mean any Lien granted by Borrower or any

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Subsidiary from time to time to vendors or financiers of equipment to secure the payment of the purchase price thereof so long as (i) such Liens extend only to the specific equipment so purchased, (ii) secure only such deferred payment obligation and related interest, fees and charges and no other Debt, and (iii) are promptly released upon the payment in full of such purchase price and related interest, fees and charges.

"Subordinated Debt" shall mean any Debt of Borrower or any Subsidiary

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to any Person which, by written agreement in form and substance satisfactory to Lender, has been subordinated in right of payment and claim, to the rights and claims of Lender in respect of the Obligations, on terms and conditions satisfactory to Lender.

"Subsidiary" shall mean any corporation, partnership, business

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association or other entity (including any Subsidiary of any of the foregoing) of which Borrower owns, directly or indirectly, fifty percent (50%) or more of the capital stock or equity interest having ordinary power for the election of directors or others performing similar functions.

"Term Loan" shall mean the loan in the principal amount of Twenty-Two

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Million Five Hundred Thousand and No/100 Dollars (\$22,500,000) to be made to the Borrower by the Lender pursuant to the provisions of this Agreement.

1.2. Use of Defined Terms. All terms defined in this Agreement

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and the Exhibits shall have the same defined meanings when used in any other Loan Documents, unless the context shall require otherwise.

1.3. Accounting Terms. All accounting terms not specifically

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defined herein shall have the meanings generally attributed to such terms under GAAP.

1.4. Terminology. All personal pronouns used in this

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Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to Articles, Sections, Subsections, paragraphs, clauses, subclauses, Exhibits or Supplements shall refer to the corresponding Article, Section, Subsection, paragraph, clause, subclause of, or Exhibit or Supplement attached to, this Agreement, unless specific reference is made to the articles, sections or other subdivisions of, or Exhibit or Supplement to, another document or instrument. Wherever in this Agreement reference is made to any instrument, agreement or other document, including, without limitation, any of the Loan Documents, such reference shall be understood to mean and include any and all amendments thereto or modifications, restatements, renewals or extensions thereof. Wherever in this Agreement reference is made to any statute, such reference shall be understood to mean and include any and all amendments thereof and all regulations promulgated pursuant thereto. Whenever any matter set forth herein or in any Loan Document is to be consented to or satisfactory to Lender, or is to be determined, calculated or approved by Lender, then, unless otherwise expressly set forth herein or in any such Loan Document, such consent, satisfaction, determination, calculation or approval shall be in Lender's sole discretion, exercised in good faith and, where required by law, in a commercially reasonable manner, and shall be conclusive absent manifest error.

1.5. Exhibits. All Exhibits attached hereto are by reference

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made a part hereof.

2. THE FINANCING.

2.1. Term Loan.

(a) Subject to the terms and conditions of this Agreement, the Lender agrees to make a Term Loan to the Borrower on the Closing Date in the principal amount of Twenty-Two Million Five Hundred Thousand and No/100 Dollars (\$22,500,000).

(b) The entire proceeds of the Term Loan shall be used by the Borrower solely to make a loan in like amount to the ESOP and will be evidenced by the ESOP Note, the proceeds of which will be used by the ESOP solely to acquire ESOP Stock.

(c) The unpaid principal balance of the Term Loan shall bear interest at a per annum rate equal to the sum of the LIBOR Rate for each month plus three-eighths of one percent (.375%) per annum. Payments of interest on the Note evidencing the Term Loan shall be made in arrears on each Interest Payment Date beginning on the Interest Payment Date next succeeding the date of disbursement of the Term Loan.

(d) The obligation of the Borrower to repay the Term Loan shall be evidenced by the Note. The principal balance of the Term Loan shall be payable in forty (40) equal consecutive quarterly installments of principal and interest on the first day of each September, December, March and June, commencing on December 1, 2000, in the amount of \$ \_\_\_\_\_ each, based upon an assumed interest rate of \_\_\_\_ % per annum and a ten (10) year principal amortization, provided that, the last such installment shall be in an amount

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sufficient to repay in full the entire unpaid principal balance of the Term Loan and all accrued but unpaid interest thereon. All payments will be applied first to accrued interest, then to principal.

(e) The Borrower shall have the right at any time to prepay the Term Loan in whole or, from time to time in part, in each case without penalty, provided that (i) each prepayment shall be in a minimum principal

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amount of \$5,000, and (ii) prepayments will be applied to the installments due on the Note in the inverse order of their maturity; provided further, however,

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the Borrower shall be responsible for any costs, expenses or charges resulting from the termination of any Master Agreement.

2.2. Payments and Computations. All payments due under this

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Agreement (including any payment or prepayment of principal, interest, fees and other charges) or with respect to the Obligations shall be made without offset or deduction in lawful money of the United States of America, in immediately available funds, to the Lender at its office at 919 E. Main Street, Richmond, Virginia 23219, or at such other place as the Lender may designate, and shall be applied first to any accrued fees or expenses, next to accrued late charges, next to accrued interest and then to principal, or in such other fashion as the Lender may select. If any payment of principal, interest or fees is due on a day which is not a Business Day, then the due date will be extended to the next succeeding full Business Day and interest and fees will be payable with respect to the extension. Upon the occurrence of an Event of Default and during the continuation of such Event of Default, interest shall accrue on the Term Loan at the Default Rate. The rate at which interest accrues on the unpaid principal balance of the Term Loan shall be changed as of the effective date of any change in the LIBOR Rate. Interest and fees shall be computed on the basis of a year of 360 days and actual days elapsed. The Lender may, but shall not be obligated to, debit the amount of any payment due under this Agreement to any deposit account of the Borrower maintained with the Lender.

2.3. Capital Adequacy. If the adoption of any applicable

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law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency,

in each case after the date hereof, has or would have the effect of reducing the rate of return on the Lender's capital as a consequence of its obligations hereunder to a level below that which the Lender could have achieved but for such adoption, change or compliance (taking into consideration the Lender's policies with respect to capital adequacy) by an amount deemed by the Lender to be material, then from time to time, 30 days after written demand by the Lender, the Borrower shall pay to the Lender such additional amount or amounts as will compensate the Lender for such reduction. A certificate of the Lender claiming compensation under this ss. 2.3 and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder and the basis therefor shall be prepared in good faith by the Lender and shall be conclusive in the absence of manifest error. In determining any such amount, the Lender may use any reasonable averaging and attribution methods.

2.4. Unavailability of LIBOR Rate. If, after the date  
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hereof, the Lender determines that the LIBOR Rate cannot be determined, the Lender and the Borrower shall negotiate in good faith to establish an alternate index as a basis for setting interest rates hereunder, which shall approximate the LIBOR Rate as closely as possible. Until such alternate index is agreed upon, interest shall accrue at the greater of (a) the LIBOR Rate most recently determined under this Agreement plus three-eighths of one percent (.375%) from time to time in effect thereafter and (b) the Prime Rate less two percent (2.0%) for a period not to exceed 30 days, during which time the parties shall agree upon an alternate index.

2.5. Usury Savings Provisions. Lender and Borrower hereby  
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further agree that the only charge imposed by Lender upon Borrower for the use of money in connection herewith is and shall be the interest expressed in the Note at the rate set forth in each of the Note, and that all other charges imposed by Lender upon Borrower in connection herewith, are and shall be deemed to be charges made to compensate Lender for underwriting and administrative services and costs, and other services and costs performed and incurred, and to be performed and incurred, by Lender in connection with the Term Loan, and shall under no circumstances be deemed to be charges for the use of money. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder or under the Note and charged or collected pursuant to the terms of this Agreement or pursuant to the Note exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Lender has charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by applicable law and Lender shall promptly refund to Borrower any interest received by Lender in excess of the maximum lawful rate or, if so requested by Borrower, shall apply such excess to the principal balance of the Obligations. It is the intent hereof that Borrower not pay or contract to pay, and that Lender not receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by Borrower under applicable law.

3. GENERAL REPRESENTATIONS AND WARRANTIES. In order to induce  
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Lender to enter into this Agreement, Borrower hereby represents and warrants to Lender as set forth below:

3.1. Corporate Existence and Qualification. Borrower is a  
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corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, as designated on Exhibit "A", with its  
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principal place of business, chief executive office and office where it keeps all of its books and records being located at the Executive Office and is duly qualified as a foreign corporation in good standing in each other state in which the failure to be so qualified would have a Material Adverse Effect. Borrower has as its corporate name, as registered with the secretary of state of the state of its incorporation, the words first inscribed hereinabove as its name, and, except as may be described on Exhibit "A", has not done business under any  
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other name for at least the past seven (7) years.

3.2. Corporate Authority; Validity and Binding Effect.  
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Borrower has the power to make, deliver and perform under the Loan Documents, and to borrow hereunder, and has taken all necessary and appropriate corporate action to authorize the execution, delivery and performance of the Loan

Documents. This Agreement and each of the other Loan Documents is, or when executed and delivered in accordance with this Agreement will be, a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, and general principles of equity.

3.3. Incumbency and Authority of Signing Officers. The

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undersigned officers of Borrower hold the offices specified hereinbelow and, in such capacities, are duly authorized and empowered to execute, attest and deliver this Agreement and the remainder of the Loan Documents for and on behalf of Borrower, and to bind Borrower accordingly thereby.

3.4. No Material Litigation. Except as may be set forth on

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Exhibit "A", there are no legal proceedings pending (or, so far as Borrower or  
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its officers know, threatened), before any court or administrative agency which, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

3.5. Taxes. Borrower has filed or caused to be filed all tax

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returns required to be filed by it and has paid all taxes shown to be due and payable by it on said returns or on any assessments made against it.

3.6. Corporate Organization. The articles of incorporation of and

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bylaws of Borrower are in full force and effect under the law of the state of its incorporation and all amendments to said articles of incorporation and bylaws have been duly and properly made under and in accordance with all applicable laws.

3.7. Insolvency. After giving effect to the execution and delivery

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of the Loan Documents and the making of disbursements under the Note, Borrower will not be "insolvent", within the meaning of such term as defined in ss. 101(32) of the Bankruptcy Code; or be unable to pay its debts generally as such debts become due; or have an unreasonably small capital.

3.8. Title. Borrower has good and marketable title to all of its

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properties subject to no material Lien of any kind except as otherwise disclosed in writing to Lender on Exhibit A, except for the Permitted Encumbrances.

3.9. Margin Stock. Borrower is not engaged principally, or as

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one of its important activities, in the business of purchasing or carrying any "margin stock", as that term is defined in Section 221.2(h) of Regulation U of the Board of Governors of the Federal Reserve System, and no part of the proceeds of any borrowing made pursuant hereto will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation X of said Board of Governors. In connection herewith, if requested by Lender, Borrower will furnish to Lender a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in said Regulation U to the foregoing effect.

3.10. No Violations. The execution, delivery and performance by

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Borrower of this Agreement and the Note have been duly authorized by all necessary corporate action and do not and will not require any consent or approval of the shareholders of Borrower, violate any provision of any law, rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Borrower or of the charter or bylaws of Borrower, or result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which Borrower is a party or by which it or its properties may be bound or affected; and Borrower is not in default

under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

3.11. Financial Statements. The audited financial statements of  
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Borrower and its Consolidated Subsidiaries (if any) for its most recent Fiscal Year together with the unaudited financial statements of Borrower and its Consolidated Subsidiaries (if any) for that portion ended with its most recent Fiscal Quarter of its current Fiscal Year, for which statements have been prepared, copies of which heretofore have been furnished to Lender, fairly present, in all material respects, the financial condition of Borrower and its Consolidated Subsidiaries (if any), the results of its operations and the transactions in its equity accounts as of the dates and for the periods referred to therein, and have been prepared in accordance with GAAP. There are no material liabilities, direct or indirect, fixed or contingent, of Borrower or any such Consolidated Subsidiaries as of the date of such financial statements which are not reflected therein or in the notes thereto. No event has occurred which could reasonably be anticipated to have a Material Adverse Effect since the date of the balance sheet contained in the audited financial statements described hereinabove.

3.12. Pollution and Environmental Control. Except as disclosed on  
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Exhibit A, Borrower and each Subsidiary have obtained all permits, licenses and  
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other authorizations which are required under all Environmental Laws where the failure to so obtain could have a Material Adverse Effect, and is in material compliance with, all Environmental Laws.

3.13. Possession of Permits. Borrower and each Subsidiary possess  
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all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of any of its properties and assets, and Borrower is not in violation of any thereof which violation could reasonably be expected to have a Material Adverse Effect.

3.14. Subsidiaries. As of the Closing Date, Borrower has no  
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Subsidiaries except as described on Exhibit "A".  
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3.15. Federal Taxpayer Identification Number. Borrower's federal  
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taxpayer identification number is as indicated on Exhibit "A".  
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3.16. Employee Benefit Plans. As of the Closing Date, Borrower has  
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no Employee Benefit Plans except as described on Exhibit "A".  
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3.17. Claims. Except as disclosed on Exhibit A, no product sold,  
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leased, licensed or delivered by Borrower is subject to any guaranty, warranty, right of return or other indemnity beyond Borrower's standard written warranty.

3.18. Labor Controversies. Except as disclosed on Exhibit A, there  
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are no labor controversies pending or, to the best knowledge of the Borrower threatened against it, which, if adversely determined, could have a Material Adverse Effect.

4. AFFIRMATIVE COVENANTS. Borrower covenants to Lender that from and  
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after the date hereof, and so long as any amount remain unpaid on account of either the Note or any of the other Loan Documents or this Agreement remains effective (whichever is the last to occur), Borrower will comply (and cause each Subsidiary to comply) with the affirmative covenants set forth below:

4.1. Records. All material records of Borrower will be kept at its  
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Executive Office and will not be removed from such address without the prior written consent of Lender.

4.2. Right to Inspect. Lender (or any Person or Persons

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designated by it) shall, in its sole discretion, have the right to call during normal business hours at any place of business of Borrower at any reasonable time and without prior notice, and, without hindrance or delay, inspect, audit, check and make extracts from Borrower's books, records, journals, orders, receipts and any correspondence and other data relating to the Borrower's business or to any other transactions between the parties hereto.

4.3. Quarterly Financial Statements. Borrower shall, within forty

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five (45) days after the end of each Fiscal Quarter, furnish to Lender unaudited financial statements of Borrower, including balance sheets, income statements and statements of cash flow, for the Fiscal Quarter ended, and for the Fiscal Year to date, on a consolidated basis certified as presenting fairly and in all material respects such information, by a duly authorized officer of Borrower. Accompanying such financial statements shall be a copy of the Borrower's Form 10-Q filed with the Securities Exchange Commission.

4.4. Annual Financial Statements. Borrower shall within ninety

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(90) days after the end of each Fiscal Year, furnish to Lender the annual audit and report of shareholders of Borrower, certified without material qualification by independent certified public accountants selected by Borrower and reasonably acceptable to Lender, and prepared in accordance with GAAP, together with relevant financial statements of Borrower for the Fiscal Year then ended, on a consolidated basis, if applicable. Borrower shall cause said accountants to furnish Lender with a statement that in making their examination of such financial statements, they obtained no knowledge of any Event of Default or Default Condition which pertains to accounting matters relating to this Agreement or the Note, or, in lieu thereof, a statement specifying the nature and period of existence of any such Event of Default or Default Condition disclosed by their examination. The Borrower shall furnish to the Lender promptly upon receipt thereof, copies of any reports submitted to the Borrower by its independent certified public accountants in connection with examination of the financial statements of the Borrower made by such accountants as well as any filings made with or communications received from the Securities Exchange Commission, including but not limited to Form 10-K.

4.5. Payment of Taxes. Borrower shall pay and discharge all taxes,

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assessments and governmental charges upon it, its income and its properties prior to the date on which penalties attach thereto, unless and to the extent only that (x) such taxes, assessments and governmental charges are being contested in good faith and by appropriate proceedings by Borrower, (y) Borrower maintains reasonable reserves on its books therefor and (z) the non-payment of such taxes does not result in a Lien upon any of the Borrower's property other than a Permitted Encumbrance.

4.6. Maintenance of Insurance. Borrower shall maintain insurance

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with responsible insurance companies on such of its properties, in such reasonable amounts and against such risks as is customarily maintained by similar businesses operating in the same vicinity, but in any event to include business interruption, freight, loss, damage, flood, windstorm, fire, theft, extended coverage and product liability insurance in amounts reasonably satisfactory to Lender, which such insurance shall not be cancelable by Borrower, unless with the prior written consent of Lender, or by Borrower's insurer, unless with at least thirty (30) days (or such lesser or greater number of days as Lender may agree or accept) advance written notice to Lender thereof. Borrower shall file with Lender upon its request a detailed list of such insurance then in effect stating the names of the insurance companies, the amounts and rate of insurance, the date of expiration thereof, the properties and risks covered thereby and the insured with respect thereto, a copy of each such insurance policy.

4.7. Maintenance of Property and Management. Borrower shall

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maintain its property in good working condition less ordinary wear and tear.

4.8. Certificate of Compliance and No Default. Borrower shall, on

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a quarterly basis not later than forty five (45) days after the close of each of its first three Fiscal Quarters and not later than ninety (90) days after the close of its Fiscal Year, certify to Lender, in a statement executed by a duly authorized officer of Borrower in the form of Exhibit "C" attached hereto, that

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no Event of Default and no Default Condition exists or has occurred, or, if an Event of Default or Default Condition exists or has occurred, specifying the nature and period of existence thereof. Such certificate shall also set forth, in reasonable detail, compliance with all financial covenants set forth in Supplement A for the immediately preceding Fiscal Quarter on a rolling four quarter basis.

4.9. Change of Principal Place of Business. Borrower hereby

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understands and agrees that if, at any time hereafter, Borrower elects to move its Executive Office, or if Borrower elects to change its name, identity or its structure to other than a corporate structure, Borrower will notify Lender in writing at least thirty (30) days prior thereto.

4.10. Preservation of Corporate Existence. Borrower shall preserve

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and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation. The Borrower shall qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or desirable in view of its business and operations or the ownership of its properties and where the failure to be so qualified could have a Material Adverse Effect.

4.11. Compliance With Laws. Borrower and each of its Subsidiaries

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shall comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which could have a Material Adverse Effect. Without limiting the foregoing, each of Borrower and its Subsidiaries shall obtain and maintain all permits, licenses and other authorizations which are required under, and otherwise comply with, all federal, state, and local laws and regulations, except where the failure to so obtain, maintain or comply would not be expected to have a Material Adverse Effect.

4.12. Subordinations. Borrower shall provide Lender with a

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subordination agreement, in form satisfactory to Lender, executed by any Person who is an officer or director of Borrower to whom Borrower is or hereafter becomes indebted for money borrowed in excess of \$100,000, subordinating in right of payment and claim all of such indebtedness and any future advances thereon to the claims of Lender on the Note and the other Obligations so long as any amount remains unpaid on the Note or any of the Obligations. Such subordination agreement shall provide, among other things, that no principal or interest on any such indebtedness shall be repaid unless and until there is no outstanding balance due and payable on the Note or on any other Obligations of Borrower to Lender.

4.13. Certain Required Notices. The Borrower shall furnish to the

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Lender, promptly after the commencement or obtaining knowledge thereof (i) notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Borrower, which, when taken with all other similar claims, if determined adversely to the Borrower could have a Material Adverse Effect, (ii) notice of any pending or, to the knowledge of the Borrower, threatened claim arising under any Environmental Law at, on, in, or under affecting any of the properties of the Borrower, which, if determined adversely to the Borrower could have a Material Adverse Effect, or (iii) the existence and nature of any Default Condition or Event of Default.

5. NEGATIVE COVENANTS. Borrower covenants to Lender that from and after

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the date hereof and so long as any amount remains unpaid on account of either the Note or any of the other Loan Documents or this Agreement remains effective (whichever is the last to occur), Borrower will not do (and will not permit any Subsidiary to do), without the prior written consent of Lender, any of the things or acts set forth below:

5.1. Encumbrances. Create, assume, or suffer to exist any Lien on

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its property, except for Permitted Encumbrances.  
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5.2. Debt. Incur, assume, or suffer to exist any Debt, except for:

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(i) Debt to Lender or any Affiliate of Lender; (ii) Debt to Persons other than Lender existing on the date of this Agreement, including existing Borrowed Debt as listed on Schedule A; (iii) Subordinated Debt; (iv) trade payables and

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contractual obligations including import letters of credit to suppliers and customers incurred in the ordinary course of business; (v) accrued pension fund and other employee benefit plan obligations and liabilities (provided, however, that such Debt does not result in the existence of any Event of Default or Default Condition under any other provision of this Agreement); (vi) deferred taxes; (vii) Debt resulting from endorsements of negotiable instruments received in the ordinary course of its business, including import letters of credit; (viii) Debt secured by Purchase Money Liens not to exceed \$1,000,000 in the aggregate at any one time outstanding; (ix) Debt arising in connection with derivative, interest rate protection and similar hedging arrangements relating to the Obligations or entered into in the ordinary course of business in order to manage existing or anticipated interest rate, equity value, exchange rate or commodity price risks and not for speculative purposes with the Borrower's liability for risk exposure not to exceed \$1,000,000 in the aggregate at any one time; and (x) Debt not otherwise permitted by clause (i) through (ix) above in an aggregate principal amount not to exceed \$1,000,000 at any one time outstanding.

5.3. Contingent Liabilities. Guarantee, endorse, become surety

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with respect to or otherwise become directly or contingently liable for or in connection with the obligations of any other Person, except for endorsements of  
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negotiable instruments for collection in the ordinary course of business.

5.4. Dividends. Declare and pay dividends except when no Default

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Condition or Event of Default shall have occurred and be continuing or would result therefrom.

5.5. Redemption. Purchase, redeem or otherwise acquire for value

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any of its shares of any class of capital stock, except: (i) with the proceeds  
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of the ESOP Loan; (ii) when no Default Condition or Event of Default shall have occurred and be continuing or would result therefrom, or (iii) pursuant to the Hooker Furniture Corporation Employee Stock Ownership Plan amended and restated effective as of January 1, 2000, as such Plan may be amended, supplemented or modified from time to time, the Trust Agreement for Hooker Furniture Corporation Employee Stock Ownership Plan effective as of August 1, 2000, as such Agreement may be amended, supplemented or modified from time to time, or applicable laws or regulations relating to the ESOP.

5.6. Mergers. Dissolve, liquidate, merge, lease, transfer or

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otherwise terminate its corporate status or enter into any merger, reorganization or consolidation or dispose of any material portion of its assets or make any substantial change in the basic type of business conducted by Borrower and its Subsidiaries, as of the Closing Date.

5.7. Affiliate Transactions. Enter into, or be a party to, or

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permit any Subsidiary to enter into or be a party to, any transaction with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon fair and reasonable terms which are no less favorable to Borrower than would obtain in a comparable arm's length transaction with a Person not an Affiliate.

5.8. Subsidiaries. Divest itself of any material assets by

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transferring them to any Subsidiary which is not a wholly-owned Subsidiary.

5.9. Fiscal Year. Change its Fiscal Year, or permit any Subsidiary

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to have a fiscal year different from the Fiscal Year of Borrower.

5.10. Federal Taxpayer Identification Number. Change its federal

taxpayer identification number without prior written notice to Lender.

5.11. Employee Benefit Plans. Permit an Employee Benefit Plan to

become materially underfunded.

6. FINANCIAL COVENANTS. Borrower covenants to Lender that, from and

after the date hereof and so long as any amount remains unpaid on account of either the Note or any of the other Loan Documents or this Agreement remains effective (whichever is the last to occur), it will comply with the financial covenants set forth on Supplement "A"

attached hereto, which is incorporated by reference herein.

7. EVENTS OF DEFAULT. The occurrence and continuation of any events or

conditions set forth below shall constitute an Event of Default hereunder, provided that any requirement for the giving of notice or the lapse of time, or both, has been satisfied:

7.1. Obligations. Borrower shall fail to make any payments of (i)

principal and interest on the Term Loan within five (5) days of the date due; or (ii) any amounts due under any of the other Obligations within five days after written notice thereof has been given to Borrower by Lender.

7.2. Misrepresentations. Borrower or any Subsidiary shall make any

representations or warranties in any of the Loan Documents or in any certificate or statement furnished at any time hereunder or in connection with any of the Loan Documents which proves to have been untrue or misleading in any material respect when made or furnished.

7.3. Certain Covenants. Borrower shall default in the observance

or performance of any covenant or agreement contained in Sections 4.3, 4.4, 4.5, 4.9, 4.12, or in Articles 5 or 6 or Supplement "A".

7.4. Other Covenants. Borrower or any Subsidiary shall default in

the observance or performance of any covenant or agreement contained herein or in any of the other Loan Documents (other than a covenant or agreement or a default in the performance or observance of which is dealt with specifically elsewhere in this Article 7) unless (i) with respect to this Agreement, such

default is cured to Lender's satisfaction within thirty (30) days after the sooner to occur of receipt of notice of such default from Lender or the date on which such default first becomes known to Borrower and (ii) with respect to any other Loan Document, such default is cured within any applicable grace, cure or notice and cure period contained therein (or, if no such period is contained therein, such default is cured in accordance with clause (i) above).

7.5. Other Debts. Borrower shall default in connection with any

agreement for Debt with any creditor other than Lender which entitles said creditor to accelerate the maturity thereof, where the aggregate principal amount of such Debt is in excess of \$1,000,000.

7.6. Voluntary Bankruptcy. Borrower or any Subsidiary shall file a

voluntary petition in bankruptcy or a voluntary petition or answer seeking liquidation, reorganization, arrangement, readjustment of its debts, or for any other relief under the Bankruptcy code, or under any other act or law pertaining to insolvency or debtor relief, whether state, Federal, or foreign, now or hereafter existing; Borrower or any Subsidiary shall enter into any agreement indicating its consent to, approval of, or acquiescence in, any such petition or proceeding; Borrower or any Subsidiary shall apply for or permit the appointment by consent or acquiescence of a receiver, custodian or trustee of Borrower or any Subsidiary for all or a substantial part of its property; Borrower or any Subsidiary shall make an assignment for the benefit of creditors; or Borrower or any Subsidiary shall be unable or shall fail to pay its debts generally as

such debts become due, or Borrower or any Subsidiary shall admit, in writing, its inability or failure to pay its debts generally as such debts become due.

7.7. Involuntary Bankruptcy. There shall have been filed against

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Borrower or any Subsidiary an involuntary petition in bankruptcy or seeking liquidation, reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code, or under any other act or law pertaining to insolvency or debtor relief, whether state, federal or foreign, now or hereafter existing; Borrower or any Subsidiary shall suffer or permit the involuntary appointment of a receiver, custodian or trustee of Borrower or any Subsidiary or for all or a substantial part of its property; or Borrower or any Subsidiary shall suffer or permit the issuance of a warrant of attachment, execution or similar process against all or any substantial part of the property of Borrower or any Subsidiary and in each such case, any such proceeding shall continue undismissed and unstayed for a period of 60 consecutive days.

7.8. Judgements. A final judgment or order for the payment of

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money is rendered against Borrower or any Subsidiary in the amount of \$100,000 or more (exclusive of amounts covered by insurance) and either (x) enforcement proceedings shall have been commenced by any creditor upon such judgment or order, or (y) a stay of enforcement of such judgment or order, by reason of pending appeal or otherwise, shall not be in effect for any period of thirty (30) consecutive days.

7.9. Bankruptcy of Affiliate. Any motion, complaint or other

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pleading is filed in any bankruptcy case of any Affiliate of the Borrower and such motion, complaint or pleading seeks the consolidation of Borrower's assets and liabilities with the assets and liabilities of such Person and any such proceeding shall continue undismissed and unstayed for a period of 60 consecutive days.

7.10. Material Adverse Effect. There shall be any event, act,

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condition or occurrence having a Material Adverse Effect.

7.11. Change of Control, Etc. Any of the following shall occur: (i)

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any Person or group of Persons, other than the ESOP, acting in concert as a partnership or other group shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become, after the date hereof, the "beneficial owner" (within the meaning of such term under Rule 13d-3 under the Securities Exchange Act) of securities of the Borrower representing 15% or more of the combined voting power of the then outstanding securities of Borrower ordinarily (and apart from rights) accruing under special circumstances) having the right to vote in the election of directors; or (ii) the Board of Directors of the Borrower shall cease to consist of a majority of the individuals who constituted the Board of Directors immediately following the consummation of the Closing or who shall become a member thereof subsequent to the date hereof after having been nominated, or otherwise approved in writing, by at least a majority of individuals who constitute the Board of Directors of the Borrower immediately following the consummation of the Closing.

7.12. Deemed Insecure. Lender, at any time and in good faith, shall

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deem itself insecure (and for the purposes of this Agreement, Lender shall be entitled to deem itself insecure when some event occurs, fails to occur or is threatened or some objective condition exists or is threatened which significantly impairs the prospects that any of the Obligations will be paid when due, or which significantly affects the financial or business condition of Borrower).

8. REMEDIES. Upon the occurrence and during the continuation of any

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Event of Default, Lender shall have all of the rights and remedies set forth below, and it may exercise any one, more, or all of such remedies, in its sole discretion, without thereby waiving any of the others.

8.1. Acceleration of the Obligations. Lender, at its option, may

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declare all of the Obligations (including but not limited to that portion thereof evidenced by the Note) to be immediately due and payable, whereupon the same shall become immediately due and payable without presentment, demand,

protest, notice of nonpayment or any other notice required by law relative thereto, all of which are hereby expressly waived by Borrower, anything contained herein to the contrary notwithstanding. If any note of Borrower to Lender constituting Obligations, including, without limitation, the Note, shall be a demand instrument, however, the recitation of the right of Lender to declare any and all Obligations to be immediately due and payable, whether such recitation is contained in such note or in this Agreement, as well as the recitation of the above events permitting Lender to declare all Obligations due and payable, shall not constitute an election by Lender to waive its right to demand payment under a demand at any time and in any event, as Lender in its discretion may deem appropriate. Thereafter, Lender, at its option, may, but shall not be obligated to, accept less than the entire amount of Obligations due, if tendered, provided, however, that unless then agreed to in writing by Lender, no such acceptance shall or shall be deemed to constitute a waiver of any Event of Default.

8.2. Other Remedies. Unless and except to the extent expressly

provided for to the contrary herein, the rights of Lender specified herein shall be in addition to, and not in limitation of, Lender's rights under any statute or rule of law or equity, or under any other provision of any of the Loan Documents, or under the provisions of any other document, instrument or other writing executed by Borrower or any third party in favor of Lender, all of which may be exercised successively or concurrently.

8.3. Set Off. Lender may set off against the Obligations any funds

owed by Lender to Borrower.

9. MISCELLANEOUS.

9.1. Waiver. Each and every right granted to Lender under this

Agreement, or any of the other Loan Documents, or any other document delivered hereunder or in connection herewith or allowed it by law or in equity, shall be cumulative and may be exercised from time to time. No failure on the part of Lender to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right preclude any other or future exercise thereof or the exercise of any other right. No waiver by Lender of any Default Condition or Event of Default shall constitute a waiver of any subsequent Default Condition or Event of Default.

9.2. Governing Law. THIS AGREEMENT, THE NOTE AND THE OTHER LOAN

DOCUMENTS, AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

9.3. Survival. All representations, warranties and covenants made

herein and in the Loan Documents shall survive the execution and delivery hereof and thereof. The terms and provisions of this Agreement shall continue in full force and effect, notwithstanding the payment of the Note, until all amounts owed under the other Loan Documents have been paid in full.

9.4. No Assignment by Borrower. No assignment hereof or of any

Loan Document shall be made by Borrower without the prior written consent of Lender. Lender may assign or participate all or any part of its rights, title and interest herein and in the Loan Documents at any time hereafter with (and subject to) the prior written consent of the Borrower, which shall not be unreasonably withheld or delayed.

9.5. Counterparts. This Agreement may be executed in two or more

counterparts, each of which when fully executed shall be an original, and all of said counterparts taken together shall be deemed to constitute one and the same agreement.

9.6. Reimbursement. Borrower shall pay to Lender on demand all

reasonable out-of-pocket costs and expenses that Lender pays or actually incurs in connection with the negotiation,

preparation, consummation, enforcement and termination of this Agreement and the other Loan Documents, including, without limitation: (a) reasonable attorneys' fees and paralegals' fees and disbursements of outside counsel; (b) reasonable costs and expenses (including outside attorneys' and paralegals' fees and disbursements) for any amendment, supplement, waiver, consent or subsequent closing in connection with the Loan Documents and the transactions contemplated thereby; (c) sums paid or incurred to pay for any amount or to take any action required of Borrower under the Loan Documents that Borrower fails to pay or take; and (d) after an Event of Default, costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) paid or incurred to obtain payment of the Obligations, and otherwise enforce the provisions of the Loan Documents or to defend any claim made or threatened against Lender arising out of the transactions contemplated hereby (including, without limitation, preparations for and consultations concerning any such matters). The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid to Borrower. Borrower will pay all expenses incurred by it in this transaction. In the event Borrower becomes a debtor under the Bankruptcy Code, Lender's claim in such case shall include interest on the Obligations and all fees, costs and charges provided for herein (including, without limitation, reasonable attorneys' fees actually incurred), all to the extent allowed by the Bankruptcy Code.

9.7. Successors and Assigns. This Agreement and Loan Documents

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shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties hereto and thereto.

9.8. Severability. If any provision this Agreement or of any of

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the Loan Documents or the application thereof to any party thereto or circumstances shall be invalid or unenforceable to any extent, the remainder of such Loan Documents and the application of such provisions to any other party thereto or circumstance shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

9.9. Notices. All notices, requests and demands to or upon the

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respective parties hereto shall be deemed to have been given or made when personally delivered or deposited in the mail, registered or certified mail, postage prepaid, addressed to the Borrower at its Executive Office Attn: Chief Financial Officer and to the Lender at P. O. Box 4911, Martinsville, Virginia 24115, Attention: Ellen L. Wood, Senior Vice President (or to such other address as may be designated hereafter in writing by the respective parties hereto) except in cases where it is expressly provided herein or by applicable law that such notice, demand or request is not effective until received by the party to whom it is addressed.

9.10. Entire Agreement; Amendments. This Agreement, together with

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the remaining Loan Documents, constitute the entire agreement between the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any Loan Document may be changed, waived, discharged, modified or terminated orally, but only by an instrument in writing signed by the party against whom enforcement is sought.

9.11. Time of Essence. Time is of the essence in this Agreement and

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the other Loan Documents.

9.12. Interpretation. No provision of this Agreement or any Loan

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Document shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

9.13. Lender Not a Joint Venturer. Neither this Agreement nor any

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Loan Document shall in any respect be interpreted, deemed or construed as making Lender a partner or joint venturer with Borrower or as creating any similar relationship or entity, and Borrower agrees that it will not make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding involving Lender and Borrower.

9.14. Jurisdiction. BORROWER AGREES THAT ANY LEGAL ACTION OR

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PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY LOAN DOCUMENT MAY BE BROUGHT IN THE CIRCUIT COURT OF THE CITY OF MARTINSVILLE, VIRGINIA OR THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF VIRGINIA, ALL AS LENDER MAY ELECT. BY EXECUTION OF THIS AGREEMENT, BORROWER HEREBY SUBMITS TO EACH SUCH JURISDICTION, HEREBY EXPRESSLY WAIVING WHATEVER RIGHTS MAY CORRESPOND TO IT BY REASON OF ITS PRESENT OR FUTURE DOMICILE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST BORROWER IN ANY OTHER JURISDICTION OR TO SERVE PROCESS IN ANY MANNER PERMITTED OR REQUIRED BY LAW.

9.15. Acceptance. This Agreement, together with the other Loan

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Documents, shall not become effective unless and until delivered to Lender at its principal office in the Commonwealth of Virginia and accepted in writing by Lender at such office as evidenced by its execution hereof (notice of which delivery and acceptance are hereby waived by Borrower).

9.16. Payment on Non-Business Days. Whenever any payment to be made

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hereunder or under the Note shall be stated to be due on a Saturday, Sunday or a public holiday under the laws of the Commonwealth of Virginia, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest hereunder or under the Notes.

9.17. Cure of Defaults by Lender. If Borrower defaults in the

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performance of any duty or obligation to Lender hereunder or under any Loan Document, Lender may, at its option, but without obligation, cure such default and any costs, fees and expenses incurred by Lender in connection therewith including, without limitation, for the purchase of insurance, the payment of taxes and the removal or settlement of liens and claims, shall be reimbursed pursuant to Section 9.6.

9.18. Recitals. All recitals contained herein are hereby

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incorporated by reference into this Agreement and made part thereof.

9.19. Attorney-in-Fact. Borrower hereby designates, appoints and

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empowers Lender irrevocably as its attorney-in-fact, at Borrower's cost and expense, to do in the name of Borrower any and all actions which Lender may deem necessary or advisable to carry out the terms of this Agreement or any other Loan Document upon the failure, refusal or inability of Borrower to do so and Borrower hereby agrees to indemnify and hold Lender harmless from any costs, damages, expenses or liabilities arising against or incurred by Lender in connection therewith.

9.20. Sole Benefit. The rights and benefits set forth in this

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Agreement and the other Loan Documents are for the sole and exclusive benefit of the parties hereto and thereto and may be relied upon only by them.

9.21. Indemnification. Borrower will hold Lender, its respective

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directors, officers, employees, agents, Affiliates, successors and assigns harmless from and indemnify Lender, its respective directors, officers, employees, agents, Affiliates, successors and assigns against, all loss, damages, costs and expenses (including, without limitation, reasonable attorney's fees, costs and expenses) actually incurred by any of the foregoing, whether direct, indirect or consequential, as a result of or arising from or relating to any "Proceedings" (as defined below) by any Person, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any Person under any statute, case or regulation, including, without limitation, any federal or state securities laws or under any common law or equitable case or otherwise,

arising from or in connection with this Agreement, and any other of the transactions contemplated by this Agreement, except to the extent such losses, damages, costs or expenses are due to the willful misconduct or gross negligence of Lender. As used herein, "Proceedings" shall mean actions, suits or

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proceedings before any court, governmental or regulatory authority and shall include, particularly, but without limitation, any actions concerning Environmental Laws. At the request of Lender, Borrower will indemnify any Person to whom Lender transfers or sells all or any portion of its interest in the Obligations or participations therein pursuant to the provisions of Section 9.4 hereof. Lender shall not be responsible or liable to any Person for consequential damages which may be alleged as a result of this Agreement or any of the transactions contemplated hereby. The obligations of Borrower under this Section 9.21 shall survive the termination of this Agreement and payment of the Obligations.

9.22. JURY TRIAL WAIVER. EACH OF BORROWER AND LENDER HEREBY WAIVES,

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TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO ANY OF THE LOAN DOCUMENTS, OBLIGATIONS OR THE COLLATERAL.

9.23. COORDINATION. If there is a conflict in any of the

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provisions, rights or remedies of any of the Loan Documents and this Agreement, the terms of such Loan Document is to be construed to be in addition to and not in place of any provision, right or remedy contained in this Agreement.

9.24. CONFIDENTIALITY. Lender hereby acknowledges that certain of

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the information to be furnished to it pursuant to this Agreement may be received prior to the time it shall have been made public. Lender hereby agrees that it will keep all information so furnished to it pursuant hereto confidential in accordance with its normal banking procedures and, except in accordance with such procedures, will make no disclosure to any other Person of such information until the same shall have become public, except (i) in connection with matters involving this Agreement and with Lender's Obligations under law or regulation, (ii) pursuant to subpoenas or similar process, (iii) to governmental authorities or examiners, (iv) to independent auditors or counsel, (v) to any parent or corporate Affiliate of Lender, or (vi) to any (a) assignee or proposed assignee hereunder, provided that Borrower has consented to such disclosure, or (b)

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participant or proposed participant in each case so long as such assignee or proposed assignee or participant or proposed participant (x) is not in the same general type of business as Borrower on the date of such disclosure and (y) agrees in writing to accept such information subject to the restrictions provided in this Section 9.24.

10. CONDITIONS PRECEDENT. Unless waived in writing by Lender at or prior

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to the execution and delivery of this Agreement, the conditions set forth below shall constitute express conditions precedent to any obligation of Lender hereunder.

10.1. Secretary's Certificate. Receipt by Lender of a certificate

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from the Secretary (or Assistant Secretary) of Borrower, certifying to Lender that appropriate resolutions have been entered into by the Board of Directors of Borrower incident hereto and that the officers of Borrower whose signatures appear hereinbelow, on the other Loan Documents, and on any and all other documents, instruments and agreements executed in connection herewith, are duly authorized by the Board of Directors of Borrower for and on behalf of Borrower to execute and deliver this Agreement, the other Loan Documents and such other documents, instruments and agreements, and to bind Borrower accordingly thereby, all in form and substance substantially similar to those board resolutions set forth and described on Exhibit "D".

10.2. Good Standing Certificates. Receipt by Lender of a

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certificate of good standing with respect to Borrower and each Subsidiary from the secretary of state of the state of incorporation of Borrower, dated within 30 days of the date hereof.

10.3. Loan Documents. Receipt by Lender of all the other Loan

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Documents, duly executed in form and substance acceptable to Lender.

10.4. Opinion of Counsel. Receipt by Lender of an opinion of

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counsel from independent legal counsel to Borrower in substantially the form of Exhibit "F".

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10.5. No Default. No Default Condition or Event of Default shall

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exist and Borrower shall in all respects be in compliance with all of the terms of the Loan Documents, as evidenced by its delivery of a certificate of no default to such effect, to be substantially in the form of Exhibit "C" attached

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hereto.

10.6. Approval of ESOP Loan. Receipt by Lender of the form of the

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ESOP Note and all solicitation materials relating to the use of the proceeds of the ESOP Loan copies of which are attached hereto as Exhibit E to purchase the

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ESOP Stock.

10.7. Master Agreement The Borrower shall have entered into a

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Master Agreement with a financial institution reasonably acceptable to the Lender upon terms acceptable to the Lender providing for a forward fixed rate swap for the entire ten (10) year period of the Term Loan.

10.8. Other. Receipt by Lender of such other documents,

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certificates, instruments and agreements as shall be required hereunder or provided for herein or as Lender or Lender's counsel may require in connection herewith.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their duly authorized officers as of the \_\_\_ day of September, 2000.

"LENDER"

SUNTRUST BANK

By: \_\_\_\_\_(SEAL)

Ellen L. Wood  
Senior Vice President

"BORROWER"

HOOKER FURNITURE CORPORATION

By: \_\_\_\_\_ (SEAL)  
Paul B. Toms, Jr.  
President

and By: \_\_\_\_\_ (SEAL)  
Edwin L. Ryder  
Senior Vice President  
Finance & Administration

EXHIBIT A

BORROWER INFORMATION

Borrower's Legal Name and State of Incorporation: Hooker Furniture Corporation, Virginia

Address of Executive Office: 440 East Commonwealth Boulevard, Martinsville, Virginia 24112

Jurisdiction in which Executive Office is Located: Martinsville, Virginia

Fiscal Year: November 30

Other Names Used by Borrower: None

Litigation: None

Existing Liens other than Permitted Encumbrances: None

Subsidiaries: Triwood, Inc.

Taxpayer Identification Number: 54-0251350

Employee Benefit Plans: 401(K), ESOP

Claims: None

Labor Controversies: None

Business Locations: Martinsville, Virginia  
Roanoke, Virginia  
Kernersville, North Carolina  
Pleasant Garden, North Carolina  
Maiden, North Carolina

Borrowed Debt: \$9,800,000 in initial aggregate principal amount of The Catawba County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Hooker Furniture Corporation Project) Series 1996 issued pursuant to the Trust Indenture dated as of October 1, 1996 between The Catawba County Industrial Facilities and Pollution Control Financing Authority and Norwest Bank Minnesota, N.A., as Trustee, as amended pursuant to the First Amendment to Trust Indenture dated November 2, 1998 and as such Trust Indenture may be further amended, supplemented or modified from time to time, and related obligations of the Borrower pursuant to the Loan Agreement dated as of October 1, 1996 between The Catawba County Industrial Facilities and Pollution Control Financing Authority and the Borrower, as such Loan Agreement may be amended, supplemented or modified from time to time, and the Reimbursement Agreement dated as of October 1, 1996 between the Borrower and NationsBank, N.A., as such Reimbursement Agreement may be amended, supplemented or modified from time to time, provided that the principal amount of such bonds does not hereafter exceed \$7,000,000 outstanding at any one time.

\$15,000,000 revolving credit facility pursuant to Loan Agreement dated December 18, 1992 between Hooker Furniture Corporation and NationsBank of Virginia, N.A., as amended and as such agreement may be amended, supplemented or modified from time to time, and any extensions or renewals thereof, provided that the principal amount of such loan does not exceed \$15,000,000 outstanding at any one time.

Pollution and  
Environmental  
Control:

The Borrower formerly owned a 50% interest in a joint venture that produced particleboard for furniture manufacturing. The Borrower currently owns 100% of such venture. During 1998, the joint venture was cited by the U.S. Environmental Protection Agency ("EPA") for a violation of certain regulations under the Clean Air Act Amendments of 1990. No final action has been taken by EPA in this matter, including the assessment of fines against the joint venture. The Borrower's former joint venturer is obligated to indemnify the Borrower for 50% of any such fines.

Based upon performance tests conducted in November 1998, the EPA issued the Borrower a Notice of Violation in March 1999 for the failure of two boilers at the Borrower's Martinsville facility to meet particulate emission limitations under the Clean Air Act. The Borrower made adjustments to one non-compliant boiler and conducted a second performance test in February 1999. The results of that second performance test indicated that the boiler was in compliance with its particulate limitations. The Borrower has forwarded those results to EPA. The Borrower has analyzed the operations of the second non-compliant boiler and has formulated a plan to bring that boiler into compliance with its particulate emission limitations. No final action has been taken by EPA in this matter, including the assessment of fines against the Borrower.

EXHIBIT B

City of Richmond

September \_\_, 2000

State of Virginia

TERM NOTE

FOR VALUE RECEIVED, the undersigned (the Borrower) promises to pay to the order of SunTrust Bank without offset or deduction at its office in Martinsville, Virginia, or at such other place as the holder of this Note shall designate in writing the principal sum of Twenty-Two Million Five Hundred Thousand and No/100 dollars (\$22,500,000) in lawful money of the United States and in immediately available funds in forty (40) consecutive quarterly installments of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) each including interest on the unpaid principal balance at the LIBOR Rate plus three eighths of one percent (.375%) per annum until paid, commencing on September 1, 2000, continuing on the first day of each December, March, June and September thereafter and ending on December 1, 2010; provided, however, that the last such installment shall be in the amount necessary to repay in full the unpaid principal balance of this Note and all accrued but unpaid interest thereon. All payments will be applied first to accrued interest, then in reduction of principal.

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

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

This Note is the Term Note referred to in, and is entitled to the benefits of, the Term Loan Agreement, dated as of the date hereof between the Borrower and the Lender (the "Loan Agreement"). Terms used herein which are defined in the Loan Agreement shall have their defined meanings when used herein. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated Events of Default and also the prepayments on account of principal hereof prior to the maturity of this Note upon the terms and conditions specified in the Loan Agreement.

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

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

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

HOOKER FURNITURE CORPORATION

By: \_\_\_\_\_ (SEAL)  
Paul B. Toms, Jr.  
President

and By: \_\_\_\_\_ (SEAL)  
Edwin L. Ryder  
Senior Vice President  
Finance & Administration

EXHIBIT "C"

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CERTIFICATE OF NO DEFAULT

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The undersigned, being the Senior Vice President Finance & Administration of Hooker Furniture Corporation ("Borrower"), and, in such capacity, being familiar with the matters set forth herein and duly authorized and empowered to issue this Certificate for and on behalf of Borrower, does hereby certify to SunTrust Bank ("Lender"), in connection with and pursuant to that certain Term Loan Agreement, dated as of August \_\_, 2000, between Borrower and Lender (herein, as it may be amended to date, called the "Loan Agreement";

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capitalized terms used herein, without definition, having the meaning given to such terms in the Loan Agreement) that, as of the date of this Certificate, there exists no Event of Default or Default Condition.

Without limiting the generality of the foregoing, Borrower is in compliance with all financial covenants referenced in Section 6 of the Loan Agreement and specified in Supplement A thereto, as demonstrated by the

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computations set forth on Schedule "A" attached to this certificate by the

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Borrower.

WITNESS my hand as of \_\_\_\_\_, \_\_\_\_\_.

-----

Edwin L. Ryder  
Senior Vice President Finance & Administration

EXHIBIT "D"

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SECRETARY'S CERTIFICATE

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I hereby certify that I am the duly elected, qualified and serving Secretary of Hooker Furniture Corporation (the "Corporation"); that the Corporation is a corporation organized and existing under the laws of the Commonwealth of Virginia, having its registered office and registered agent in such state; that the following copy is a true and correct copy of resolutions duly adopted at a meeting of the Board of Directors of the Corporation, held on or prior to the date of this Certificate, at which a quorum was present and acting throughout; that said meeting was duly authorized by the By-Laws of the Corporation; that the actions taken at such meeting and reflected in said resolutions are authorized by the By-Laws of the Corporation; that said resolutions are now in full force and effect and have not been modified or amended; that on the date hereof the office of Chairman of the Board, President and Senior Vice President Finance & Administration of the Corporation are held by the Persons named as such below and the office of Secretary of the Corporation is held by the Person named as such below; and that the following are the genuine signatures of said officers:

Chairman of the Board	_____
President	_____
Senior Vice President Finance & Administration	_____
Secretary	_____

"RESOLVED that this corporation enter into a certain term loan agreement with SunTrust Bank ("Lender"), providing for the extension of a term loan by the Lender in favor of this corporation in the principal amount of Twenty-two Million, Five Hundred Thousand and no/100 Dollars (\$22,500,000.00), upon the terms and for the purposes set forth in the term loan agreement coupled with a negative pledge against all now owned or hereinafter and/or personal property of this corporation except as permitted by the term loan agreement;

"RESOLVED FURTHER, that either the Chairman of the Board, President or Senior Vice President Finance & Administration of this corporation be and he is hereby authorized to execute and deliver said term loan agreement and all other agreements, and to consent and agree to any and all terms to each and every one thereof. Any two such officers shall execute any notes which said Lender may require.

"RESOLVED, FURTHER, that the execution and delivery of any writings or the taking of any other actions in connection with the foregoing by either the President or the Chief Financial Officer or any officer of this corporation be and the same is hereby ratified as the act and deed of this corporation;

"RESOLVED, FURTHER, that the Secretary of this corporation be and he is hereby authorized to affix the seal of this corporation to any writings executed by the President in connection with the foregoing, and to attest the same, but such attestation is not required to evidence the same as the act and deed of this corporation."

So certified to as of August \_\_, 2000.

(CORPORATE SEAL)

\_\_\_\_\_  
\_\_\_\_\_, Secretary

I, \_\_\_\_\_, President of Hooker Furniture Corporation, do certify that \_\_\_\_\_ is the duly elected and qualified Secretary of said corporation as of the date hereof, and the keeper of the records and minutes of the meetings of the Board of Directors of said corporation.

\_\_\_\_\_  
\_\_\_\_\_, President

EXHIBIT F

OPINION OF COUNSEL

[Letterhead of Firm]

[Date]

SunTrust Bank  
P.O. Box 4911  
Martinsville, Virginia 24115

Ladies and Gentlemen:

We have acted as counsel to Hooker Furniture Corporation, a corporation (the "Borrower"), in connection with that certain \$22,500,000 loan (the "Loan") from SunTrust Bank, P.O. Box 4911, Martinsville, Virginia 24115 (the "Lender") to the Borrower being consummated on the same date as this letter. For purposes of the opinions contained in this letter, we have examined and reviewed the following documents:

(a) Borrower's Note (the "Note"), dated \_\_\_\_\_, in the principal amount of \$22,500,000, executed by the Borrower and payable to the order of the Lender; and

(b) Term Loan Agreement (the "Loan Agreement"), dated the same date as the Note, executed by the Borrower.

For purposes of this letter, the Note and Loan Agreement are collectively referred to as the "Loan Documents".

We have examined originals or copies, certified or otherwise identified to our satisfaction, of the documents pursuant to which the Borrower has been organized or formed and other related documents, such as corporate resolutions, if applicable, as well as of the documents and agreements covered by our opinions below, and have made such other examinations as we have deemed appropriate with respect to the subject matter of this letter. As to any facts relevant to our opinions which we did not independently establish, we have relied upon information furnished to us by or on behalf of the Borrower, and in such examination we have assumed the genuineness of all signatures not witnessed by us and the conformity to originals of all documentation submitted to us as certified or photostatic copies thereof.

Whenever any opinion herein with respect to the existence or absence of facts is qualified by the phrase "to the best of our knowledge," such phrase indicates only that during the course of our representation of the Borrower, no information has come to our attention which would give us actual knowledge of the existence or absence of such facts. Except to the extent expressly stated herein, we have not undertaken any independent investigation to determine the existence or absence of any such facts, and no inference as to our knowledge of the existence of such facts should be drawn from the fact of our representation of the Borrower.

Based upon and subject to the foregoing and to the qualifications, limitations, exceptions and assumptions, if any, set forth below, we are of the opinion that:

1. Borrower is a corporation duly formed, validly existing and in good standing under the laws of the Commonwealth of Virginia.

2. Borrower has all requisite authority to borrow the proceeds of the Loan and to execute and perform Borrower's obligations under the Loan Documents.

3. The Loan Documents have each been duly authorized and properly executed and delivered by Borrower and each of the Loan Documents is a legal, valid and binding obligation and agreement of Borrower, enforceable in accordance with its terms.

4. To the best of our knowledge, no material legal or administrative proceedings are pending or threatened against or affecting Borrower.

5. To the best of our knowledge, no further approval of or consent from any governmental authority, or any other person or entity, is required in connection with the execution of any of the Loan Documents.

6. The Loan Documents do not violate, conflict with, result in the breach of, or constitute a default under any applicable constitutional, legislative, judicial and administrative provisions, statutes, regulations, decisions, rulings and other laws or, to the best of our knowledge, any contract to which Borrower is a party, or, to the best of our knowledge, result in the creation or imposition of any lien, charge or encumbrance upon any assets of Borrower, pursuant to the terms of any contract to which Borrower is a party.

The opinions expressed in this opinion are subject to the following qualifications:

(a) Any opinions herein as to the enforceability of the Loan Documents are subject to the qualification that enforcement of the Loan Documents is limited by the following: (i) principles of equity which may limit the availability of certain equitable remedies; and (ii) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws applicable to creditors' rights or the collection of debtors' obligations generally.

(b) Any opinions herein as to the enforceability of the Loan Documents are further subject to the qualification that the enforceability of certain of the remedial, waiver and other provisions of the Loan Documents is further limited by applicable constitutional, legislative, judicial and administrative provisions, statutes, regulations, decisions, rulings and other laws in addition to those described in subparagraph (a) above; however, such additional laws do not, in our opinion, substantially interfere with the practical realization of the benefits expressed in the Loan Documents except for the economic consequences of any procedural delay which may result from such laws.

(c) We have assumed that the Lender has the power and authority to execute, deliver and perform the Loan Documents.

(d) We have no obligation to update our opinions for events occurring after the date of this letter.

(e) We are attorneys licensed to practice only in the Commonwealth of Virginia and our opinions are limited to matters involving the laws of the Commonwealth of Virginia and the United States of America.

Very truly yours,

EXHIBIT G

NEGATIVE PLEDGE AND AGREEMENT

This Negative Pledge and Agreement (this "Agreement") is made and delivered as of the \_\_\_ day of August 2000 by and between Hooker Furniture Corporation (the "Borrower") and SunTrust Bank (the "Lender") and provides as follows:

RECITALS

1. The Borrower and the Lender have entered into a Term Loan Agreement dated as of the date hereof (the "Loan Agreement") whereby the Lender has agreed to make a Term Loan to the Borrower in the principal amount of \$22,500,000 upon the terms and conditions provided in the Loan Agreement.

2. The Lender has required as a condition of making the Term Loan that the Borrower agree not to create or suffer to exist any Lien on any of now owned or hereinafter acquired real and personal property of either the Borrower or any Subsidiary (collectively, the "Property"), except Permitted Encumbrances.

3. Except as otherwise defined in this Agreement, the capitalized terms used in this Agreement shall have the same meaning as the defined terms used in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Lender and Borrower hereby agree as follows:

1. Borrower hereby agrees that until such time as the outstanding principal amount of the Note and all Obligations are paid in full, neither the Borrower nor any Subsidiary shall (i) except for Permitted Encumbrances, create, assume, grant or suffer to exist, any Lien of any kind, voluntarily or involuntarily upon any Property, or (ii) sell, assign, convey, transfer or otherwise dispose of any Property in violation of any covenant set forth in the Loan Agreement.

2. Any violation of the covenants of Borrower set forth above shall constitute a default under this Agreement. Borrower acknowledges and agrees that a default under this Agreement shall constitute a default under the Note and an Event of Default under the Loan Agreement.

3. Borrower acknowledges that any damages which Lender may sustain as a result of violation of this Agreement may be difficult to measure and ascertain and further agrees that any violation of this Agreement shall be subject to injunctive relief in addition to any other remedies available to Lender (i) at law or in equity or (ii) under the terms of the Note and the Loan Agreement.

4. Borrower shall be liable to pay, upon demand, all reasonable costs and expenses, including reasonable attorneys' fees and expenses, incurred by Lender in enforcing or in taking any action necessary to preserve and protect its rights under this Agreement.

5. This Agreement and the rights thereto are expressly governed by and are to be construed in accordance with the laws of the Commonwealth of Virginia.

6. All rights and remedies of the parties under this Agreement shall inure to any assignee or successor of Lender and shall bind any successors and assigns of Borrower.

WITNESS the following duly authorized signatures.

HOOKER FURNITURE CORPORATION

By: \_\_\_\_\_  
Edwin L. Ryder  
Senior Vice President  
Finance & Administration

STATE OF VIRGINIA            )  
  ), to wit  
CITY/COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of August, 2000, in my jurisdiction aforesaid by Edwin L. Ryder, the Senior Vice President Finance & Administration of Hooker Furniture Corporation on behalf of the Corporation.

-----  
Notary Public

My Commission Expires: \_\_\_\_\_

SUPPLEMENT A  
FINANCIAL COVENANTS

Until the final payment of all of the Borrower's Obligations, the Borrower agrees to observe and maintain the following financial covenants, calculated in accordance with GAAP unless otherwise provided herein.

1. Maintain a Minimum Debt Service Coverage of 2.25 times at each fiscal quarter end through November 30, 2002; 1.75 times at each fiscal quarter end thereafter through November 30, 2005; and 2.25 times at each fiscal quarter end thereafter, based on a rolling four quarter basis. The Debt Service Coverage Ratio is defined as follows:

$$\frac{\text{Net Income} + \text{Depreciation} + \text{Amortization} + \text{Interest} + \text{ESOP Contribution} - \text{Dividends Divided by Interest} + \text{Current Maturities of}}{\text{Long Term Debt} + \text{ESOP Contribution}}$$

2. Maintain a Maximum Balance Sheet Leverage of 50% at each fiscal quarter end through November 30, 2001; 45% at each fiscal quarter end through November 30, 2003; 40% at each fiscal quarter end through November 30, 2005 and 30% for each fiscal quarter end thereafter. The Balance Sheet Leverage is defined as follows:

$$\frac{\text{Borrowed Debt}}{\text{Borrowed Debt} + \text{Equity}}$$

(in each case, as defined in the definition section of this Loan Agreement)

Compliance with the foregoing Covenants will be tested quarterly, with calculations included in the Borrower's Quarterly Certificate of No Default.

EXHIBIT (d)(1)

HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN

Amendment and Restatement  
Effective as of January 1, 2000

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HOOKER FURNITURE CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN

BACKGROUND

Hooker Furniture Corporation (the "Company") established the Hooker Furniture Corporation Employee Stock Ownership Plan (the "Plan"), effective January 1, 1987, for the purpose of increasing the financial security of faithful employees of the Company and to provide retirement benefits for them and their beneficiaries by investing in Company stock. The Plan has been amended several times since its original effective date.

The Plan is intended to meet the requirements of Section 401(a) of the Internal Revenue Code (the "Code") and to be an "employee stock ownership plan," as that term is defined in Code Section 4975(e)(7). The Plan is designed to invest primarily in Company stock.

The Company now wishes to amend and restate the Plan, effective as of January 1, 2000, to comply with the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, other federal legislation applicable to the Plan, and to make certain other changes to the Plan.

NOW, THEREFORE, the Company agrees as follows:

## SECTION I

### Definitions

Where indicated by initial capital letters, the following terms shall have the following meanings:

1.1 Account: An account (or accounts) maintained for the benefit of a Participant pursuant to Section 4.1.

1.2 Adjustment Date: Each December 31 subsequent to the effective date. The Committee may establish more frequent Adjustment Dates, if the Committee deems it appropriate.

1.3 Allocable Shares: The whole shares and fractional shares of Company Stock contributed by the Employer to the Trust Fund, purchased by the Trust Fund with cash contributions by the Employer or released from encumbrance, as described in Section IV.

1.4 Beneficiary: The person or entity who is to receive any benefits payable from the Plan on account of a Participant's death. If the Participant is married, the Beneficiary is automatically the Participant's surviving spouse and no written designation is required. If the Participant is not married, or if the Participant is married and the Participant wishes to designate a Beneficiary other than his spouse, the spouse must consent to the designation of another person who will become the designated Beneficiary to receive benefits under the Plan. If at the time of his death, the Participant has no surviving spouse or designated Beneficiary, the Beneficiary is the personal representative of the Participant's estate. A Participant may designate a person or entity to be his Beneficiary by filing a properly completed and executed form provided by the Committee. If a married Participant wishes to designate a Beneficiary other than his spouse, the Beneficiary designation must be witnessed by a Plan representative or a notary public and the spouse must (a) consent to the designation in writing and (b) acknowledge the effect of such designation. A Participant's Beneficiary is bound by the terms of the Plan.

1.5 Board: The Board of Directors of the Company.

1.6 Break in Service: Five consecutive One-Year Breaks in Service.

1.7 Code: The Internal Revenue Code of 1986, as amended, or any subsequently enacted federal revenue law. A reference to a particular Section of the Code shall include a reference to any regulations issued under the Section and to the corresponding section of any subsequently enacted federal revenue law.

1.8 Committee: The committee established pursuant to Section VIII to be responsible for the general administration of the Plan and supervision of the Trust Fund.

1.9 Company: Hooker Furniture Corporation and any successor by merger, consolidation or otherwise.

1.10 Company Stock: Common stock of the Company that meets the requirements of a "qualifying employer security" under ERISA Section 407(d)(5) and "employer securities" under Code Section 409(l).

1.11 Compensation: The earnings paid to an Employee by the Employer during a Plan Year for personal services, prior to withholding as reported on Form W-2, including bonuses, overtime pay, and commissions. Compensation shall not include any of the following items (even if includible in gross income): reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, and welfare benefits. Notwithstanding anything in the Plan to the contrary, Compensation shall include salary reduction contributions made under Code Section 125 to a cafeteria plan maintained by the Company or a Related Company or made under Code Section 402(e)(3) to a cash or deferred arrangement maintained by the Company or a Related Company, and, if applicable, any other elective contributions described in Code Section 402(h) or 403(b), deferred compensation under an eligible deferred compensation plan described in Code Section 457, and employee contributions described in Code Section 414(h)(2). The amount of annual Compensation taken into account under the Plan for an Employee may not exceed \$150,000, or an adjusted amount determined pursuant to Code Sections 401(a)(17) and 415(d). For convenience of administration, Compensation may be rounded to the nearest \$50.

1.12 Early Retirement Date: The date upon which a Participant has both completed 5 Years of Service and attained age 55.

1.13 Effective Date: January 1, 2000, the effective date of this amendment and restatement of the Plan. The original effective date of the Plan was January 1, 1987.

1.14 Eligibility Computation Period: The 12 consecutive month period beginning with the date on which an Employee first completes an hour of Service, and each Plan Year beginning with the Plan Year in which occurs the first anniversary of the date on which the Employee first completes an Hour of Service.

1.15 Employee: Any person employed by the Employer as a common law employee on the Employer's U.S. payroll, and not as an independent contractor. "Employee" shall include leased employees within the meaning of Code Section 414(n)(2) to the extent required under Code Section 414(n).

1.16 Employer: The Company and any Related Company that adopts the Plan as provided in Section XII.

1.17 ERISA: The Employee Retirement Income Security Act of 1974, as amended from time to time, and regulations issued thereunder.

1.18 5% Owner: If the Company or a Related Company is a corporation, any person who owns (or is considered as owning within the meaning of Code Section 318) more than 5% of the outstanding stock of the Company or a Related Company or stock possessing more than 5% of the total combined voting power of all stock of the Company or a Related Company. If the Company or Related Company is not a corporation, a 5% Owner is any person who owns more than 5% of the capital or profits interest in the Company or a Related Company.

1.19 Highly Compensated Employee: An Employee who:

(a) Was a 5% Owner at any time during the Plan Year or the preceding Plan Year, or

(b) Received Section 415 Compensation from the Company and Related Companies in excess of \$80,000 for the preceding Plan Year, and, to the extent elected by the Committee pursuant to applicable Treasury Regulations, was in the top 20% of employees when ranked on the basis of Compensation. The \$80,000 limit shall be adjusted pursuant to Code Sections 414(q) and 415(d). The determination of Highly Compensated Employee for a Plan Year shall be made in accordance with Code Section 414(q), and applicable Treasury Regulations and Internal Revenue Service rulings and other releases.

1.20 Hours of Service: An Employee shall be credited with one Hour of Service for:

(a) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, by the Company or a Related Company for the performance of duties. These hours shall be credited to the Employee for the computation period in which the duties are performed.

(b) Each hour (up to a maximum of 501 hours during a single continuous period) for which the Employee is paid or entitled to payment by the Company or a Related Company for a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) because of vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. These hours shall be credited to the Employee for the computation period in which the duties would have been performed. Hours under this subparagraph shall be calculated and credited pursuant to ss. 2530.200b-2 of the Department of Labor Regulations, which are incorporated in the Plan by this reference.

(c) Each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Company or a Related Company. The same Hours of Service shall not be credited both under subparagraph (a), (b) or (d), as the case may be, and under this subparagraph (c). These hours shall be credited to the Employee for the computation period to which the award or agreement pertains, rather than the computation period in which the award, agreement or payment is made.

(d) For purposes of determining whether an Employee has a One-Year Break in Service, each hour (up to a maximum of 501 hours in a single continuous period) for which the Employee is absent because of (i) the pregnancy of the Employee, (ii) the birth of a child of the Employee, (iii) the placement of a child with the Employee in connection with the Employee's adoption of the child, or (iv) the Employee's caring for a child immediately after the birth or placement of the child. These hours shall be credited to the Employee for the computation period in which the absence begins only if the Employee would otherwise incur a One-Year Break in Service in that computation period. In all other cases, these hours shall be credited to the next following computation period.

(e) If the Company or a Related Company leases employees, Hours of Service with the Company and Related Companies shall be credited for any leased employee who is to be considered an Employee for purposes of the Plan under Code Sections 414(n) and 414(o). In any case for which employment records do not accurately reflect hours worked, Hours of Service shall be credited at the rate of 45 hours per calendar week.

(f) Notwithstanding anything in the Plan to the contrary, Hours of Service shall be determined in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"), the special rules relating to veterans' reemployment rights under USERRA pursuant to Code Section 414(u), and the Family and Medical Leave Act of 1993.

1.21 Ineligible Employee: An Employee whose terms and conditions of employment are covered by a collective bargaining agreement that does not provide for his participation in the Plan or who, for any reason, at any time, does not meet the requirements of Section 2.1 for participation.

1.22 Key Employee: An Employee, former Employee or beneficiary who, at any time during the Plan Year or during any of the four preceding Plan Years, is or was (a) an officer of the Company or a Related Company whose annual Section 415 Compensation from the Company and Related Companies exceeds 50% of the amount described in Code Section 415(b)(1)(A) as in effect for the Plan Year, (b) one of the ten employees who own (or are considered as owning within the meaning of Code Section 318) the largest interests in the Company or a Related Company and whose annual Section 415 Compensation from the Company and Related Companies exceeds \$30,000 (as that amount may be adjusted), (c) a 5% Owner, or (d) a 1% owner of the Company or a Related Company whose annual Section 415 Compensation from the Company and Related Companies exceeds \$150,000. "Key Employee" shall also include the beneficiary of a deceased Key Employee, as described above. The determination of Key Employee status shall be made in accordance with Code Section 416(i), and the number of persons who are considered Key Employees shall be limited as provided under that Section. A "non-Key Employee" is any Employee or former Key Employee who is not a Key Employee.

1.23 Normal Retirement Date: A Participant's 65th birthday.

1.24 One-Year Break in Service:

(a) For purposes of eligibility to participate in the Plan, an Eligibility Computation Period during which the Employee does not perform more than 500 Hours of Service; and

(b) For all other purposes, a Plan Year during which the Employee does not perform more than 500 Hours of Service.

1.25 Participant: An Employee who meets the eligibility requirements of Section II.

1.26 Permanent Disability: A physical or mental condition which entitles the Participant to disability benefits under the Company's long term disability program. The Committee shall determine whether a Participant has incurred a

Permanent Disability on the basis of a medical report of a physician acceptable to the Committee.

1.27 Plan: The "Hooker Furniture Corporation Employee Stock Ownership Plan," as set forth herein and as amended from time to time.

1.28 Plan Year: The 12 consecutive month period beginning on January 1 and ending on December 31.

1.29 Pre-Loan Value: The fair market value of the Company Stock as of the Valuation Date immediately prior to the date on which the Plan becomes party to a loan secured by Company Stock held in the Trust Fund.

1.30 Price Stabilization Period: A period, established by the Company in its discretion pursuant to Section 7.1(c), which begins on or after the date of a loan secured by Company Stock held in the Trust Fund, and which ends on a date no later than the fifth anniversary of the date of such loan.

1.31 Related Company: Any corporation or business organization that is under common control with the Company (as determined under Code Section 414(b) or (c)), that is a member of an affiliated service group with the Company (as determined under Code Section 414(m)) or that is required to be aggregated with the Company under Code Section 414(o) and applicable Treasury Regulations thereunder.

1.32 Section 415 Compensation: An Employee's total annual compensation from the Company and Related Companies, as defined in the Treasury Regulations issued under Code Section 415. Under this definition, "Section 415 Compensation" includes an Employee's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with the Company and Related Companies (including, but not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses). "Section 415 Compensation" also shall include any elective deferral (as defined in Code Section 402(g)(3)), and any amount which is contributed or deferred by the Company and Related Companies at the election of the Employee and is not includible in the gross income of the Employee by reason of Code Sections 125 or 457. "Section 415 Compensation" does not include the following:

(a) Contributions made by the Company or a Related Company to a plan of deferred compensation to the extent that the contributions are not includible in the Employee's gross income for the taxable year in which they are contributed.

(b) Amounts received from the exercise of a non-qualified stock option or from restricted property.

(c) Amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option.

(d) Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are not includible in the gross income of the Employee).

The amount of an Employee's annual Section 415 Compensation that may be taken into account under the Plan may not exceed \$150,000 (or an adjusted amount determined pursuant to Code Sections 401(a)(17) and 415(d)).

1.33 Suspense Account: The account established to hold Company Stock that has been pledged as security for a loan, as described in Section 4.1(b).

1.34 Top Heavy: One or more plans that are qualified under Code Section 401(a) and under which the sum of the present value of accrued benefits of Key Employees under defined benefit plans and the account balances of Key Employees under defined contribution plans exceed 60% of the sum of the present value of accrued benefits and account balances of all employees, former employees and beneficiaries in the plans. The determination whether this Plan is Top Heavy for a Plan Year shall be made as of the last day of the immediately preceding Plan Year, except in the case of the first Plan Year, the last day of such Plan Year, based on values as of that date, and shall be made in accordance with Code Section 416(g). If the Company and Related Companies maintain more than one plan qualified under Code Section 401, then (a) each such plan in which a Key Employee is a participant and (b) each such plan that must be taken into account in order for a plan described in the preceding clause to meet the requirements of Code Section 401(a)(4) or 410 shall be aggregated with this Plan to determine whether the plans, as a group, are Top Heavy. The Company and Related Companies may, in their discretion, aggregate any other qualified plan with this Plan to the extent that such aggregation is permitted by Code Section 416(g).

1.35 Trust, Trust Fund or Fund: The trust implementing the Plan and the Plan assets held in the trust.

1.36 Trustee: The corporate entity appointed by the Company and accepting the Trust, and any successor trustee appointed by the Company and accepting the Trust.

1.37 Valuation Date: Each November 30. The Committee may establish more frequent Valuation Dates or change the Valuation Date, if the Committee deems it appropriate.

1.38 Years of Service:

(a) For purposes of eligibility to participate in the Plan, Eligibility Computation Periods during which the Employee completes at least 1,000 Hours of Service; and

(b) For all other purposes, Plan Years during which the Employee completes at least 1,000 Hours of Service (including the last consecutive period of service with the Company prior to the Effective Date recognized under any other plan maintained by the Company that is qualified under Section 401(a) of the Code).

## SECTION II

### PARTICIPATION

#### 2.1 Eligibility Requirements:

(a) Each Employee who was a Participant in the Plan immediately before January 1, 2000 and who is not an Ineligible Employee shall continue to be a Participant as of January 1, 2000.

(b) Each Employee who is not an Ineligible Employee will become a Participant on the first January 1 or July 1 coinciding with or next following the latest of the following dates, if he is then an Employee:

(i) The date the Employee has completed one Eligibility Computation Period in which he performed 1,000 Hours of Service; or

(ii) The date the Employee has attained age 21.

(c) An Employee who becomes a Participant shall remain a Participant until he retires, dies, otherwise terminates employment, or becomes an Ineligible Employee and no longer has an Account balance in the Plan.

#### 2.2 Reemployment:

(a) If an Employee who is not an Ineligible Employee terminates employment after he has a vested interest in his Account and then is reemployed by the Employer, the Employee will requalify as a Participant as of the date of his reemployment.

(b) If an Employee who is not an Ineligible Employee terminates employment before he has a vested interest in his Account, has a series of consecutive One-Year Breaks in Service that equals or exceeds the greater of (i) five or (ii) the number of his Years of Service before his termination of employment, and then is reemployed by the Employer, the Employee must again satisfy the requirements of Section 2.1 in order to qualify as a Participant. In all other cases, if an Employee who is not an Ineligible Employee terminates employment before he has a vested interest in his Account and then is reemployed, the Employee will qualify as a Participant immediately upon his reemployment, if he has met the requirements for participation, or, if not, he will qualify as of the first January 1 or July 1 on which he has met the requirements, if he is then an Employee.

2.3 Loss of Eligibility with Continued Employment: If a Participant who is continuing in the employ of the Employer becomes an Ineligible Employee, he shall cease to be a Participant, but his Account shall continue to be held for his benefit and shall be adjusted and credited with earnings and losses pursuant to Section 4.4. If the Participant ceases to be an Ineligible Employee, he shall be immediately eligible to participate in the Plan, and, for purposes of vesting, his Years of Service shall include his Years of Service as an Ineligible Employee, to the extent otherwise creditable under the Plan.

## SECTION III

### CONTRIBUTIONS

#### 3.1 Employer Contributions:

(a) For each Plan Year, the Employer may contribute to the Plan an amount which the Board deems appropriate. In addition, if the Plan has entered into a loan secured by Company Stock held in the Trust Fund, the Employer shall make a contribution of not less than the amount of the current installments of principal and interest that are due on such loan.

(b) The Employer's contribution may be made in cash, in Company Stock or in a combination of the two; provided that the Employer shall contribute annually an amount of cash that is at least equal to the current installments of principal and interest that are due on any loan secured by Company Stock held in the Trust Fund. The contribution of the Employer for any Plan Year may be made in one or more payments at any time; provided that the total amount of the contribution for any Plan Year shall be paid to the Trustee not later than the date on which the Employer's income tax return is required to be filed, including any extensions for filing obtained.

(c) The Employer's cash contribution, earnings on that contribution, dividends attributable to Company Stock that is used as collateral for a loan to acquire Company Stock and dividends on certain other shares of Company Stock held in the Trust Fund (as described in Section 4.4(c)) shall be used to pay the current installments of principal and interest on any outstanding loan that is secured by Company Stock held in the Trust Fund. To the extent that the Employer's contribution is not used to pay the current installments of principal and interest on such a loan, the Employer contribution shall be allocated to Participants' Accounts as described in Section IV, and used to purchase Company Stock when available.

3.2 Limitation on Contribution: Notwithstanding the foregoing, the Employer's contribution for any Plan Year shall not exceed the amount that may be allowed as a deduction from the gross income of the Employer under Code Section 404.

3.3 No Right or Duty of Inquiry: Neither the Trustee, the Committee, nor any Participant shall have any right or duty to inquire into the amount of the Employer's annual contribution or the method used in determining the amount of the Employer's contribution. The Trustee shall be accountable only for funds actually received by him.

3.4 Non-Reversion: It shall be impossible, at any time before satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the principal or income of the Trust Fund to be used for, or diverted to, purposes other than for the exclusive benefit of such Participants and their Beneficiaries. However, the Company's contribution under the Plan for any Plan Year shall be conditioned upon (i) the Plan initially being a qualified plan under Code Section 401(a) for such Plan Year, and (ii) the contribution being deductible under Code Section 404. If, after the Company's contribution has been made, it is determined that a condition described in (i) or (ii) was not satisfied with respect to such contribution, or that all or a portion of such

contribution was made under a mistake of fact, the Trustee shall refund to the Company within one year of the date the contribution is remitted to the Trustee by reason of a mistake of fact, or within one year of the denial of qualification or disallowance of the deduction, the amount of the contribution that was affected by the mistake of fact, or by a condition described in (i) or (ii) not being satisfied, subject to the following rules:

(a) The Trustee shall be under no obligation to make such refund unless a written direction to make the refund, signed by an authorized representative of the Company, is submitted to the Trustee.

(b) Earnings attributable to the refundable amount shall not be refunded, but the refundable amount shall be reduced by a proportionate share of any losses from the Trust from the date of crediting by the Trustee to the date of segregation.

(c) The Trustee shall be under no obligation to verify that the refund is allowable or timely and shall be entitled to rely on the Company's written direction to act.

## SECTION IV

### ACCOUNTS AND ALLOCATIONS

#### 4.1 Accounts:

(a) An Account shall be maintained for each Participant, to which Employer contributions and earnings shall be credited.

(b) If Company Stock has been pledged as collateral for a loan, the encumbered Company Stock will be held in a separate account (the "Suspense Account") pending repayment of the loan. As the loan is repaid, the Company Stock that was originally pledged as collateral for the portion of the loan that is repaid shall be released from encumbrance. The number of shares of Company Stock released from encumbrance for each Plan Year during the duration of the loan shall equal the number of encumbered shares of Company Stock held by the Plan immediately before the release, multiplied by the following fraction (which fraction shall not exceed one):

(i) The numerator is the amount of principal and interest paid for the Plan Year, and

(ii) The denominator is the sum of the numerator plus the principal and interest to be paid for all future Plan Years (determined without taking into account any possible extension or renewal periods).

The amount of Company Stock released from encumbrance for each Plan Year shall be allocated to Participants' Accounts in the manner described in Section 4.2.

4.2 Allocation of Company Stock, Cash Contributions and Forfeitures: As of each Adjustment Date, the Committee shall allocate to Participants' Accounts all shares and fractional shares of Company Stock contributed by the Employer to the Trust Fund, purchased by the Trust Fund with cash contributions by the Employer or released from encumbrance pursuant to Section 4.1 ("Allocable Shares"), plus cash contributions, forfeitures and unallocated dividends due to distributions during Plan Year, in the following manner:

(a) As of the Adjustment Date, the Committee shall allocate the total number of Allocable Shares, plus cash contributions, forfeitures and unallocated dividends due to distributions during the Plan Year, to the Accounts of all Participants who are employed by the Employer on the Adjustment Date. An allocation on the Adjustment Date shall also be made to a Participant who was employed by the Employer on the immediately preceding Adjustment Date, but who is not employed on the present Adjustment Date due to his retirement pursuant to Section 6.1 or 6.2, death or Permanent Disability. The allocation shall be made in the proportion that each such Participant's Compensation for the Plan Year bears to the total Compensation of all such Participants for the Plan Year, except that:

(i) Any Allocable Shares that were released from the Suspense Account pursuant to Section 4.1 as a result of dividends paid

on Company Stock previously allocated to a Participant's Account will be allocated to the Participant based on the ratio of (A) the balance of the Participant's Account as of the previous Adjustment Date (reduced by any distributions or forfeitures since that date), to (B) the sum of the balance of the Accounts of all Participants as of such Adjustment Date (reduced by any distributions or forfeitures since that date); and

(ii) The fair market value of the Company Stock allocated to each Participant's Account for the Plan Year must not be less than the dividends that would have otherwise been allocated to the Participant's Account for the Plan Year.

(b) Notwithstanding the provisions of subsection (a), if the Plan is Top Heavy for a Plan Year, the allocation shall be made as of the Adjustment Date as follows:

(i) Unless this minimum allocation is provided to the Participants under another qualified plan maintained by the Employer, the Committee shall first allocate the Allocable Shares, cash contributions, forfeitures and unallocated dividends due to distributions during the Plan Year, among the Accounts of the Participants who are Employees on the Adjustment Date (whether or not they completed 1,000 Hours of Service during the Plan Year ending on the Adjustment Date), up to an amount equal to 3% of each such Participant's Section 415 Compensation. The allocation shall be made in the proportion that each such Participant's Compensation for the Plan Year bears to the total Compensation of all such Participants for the Plan Year.

(ii) The remainder, if any, of the Allocable Shares, cash contributions, forfeitures and unallocated dividends due to distributions during the Plan Year, shall be allocated to the Accounts of those Participants who completed 1,000 Hours of Service during the Plan Year and who are Employees on the Adjustment Date. The allocation shall be made in the proportion that each such Participant's Compensation for the Plan Year bears to all such Participants' Compensation for the Plan Year.

(iii) For purposes of determining whether the Top Heavy minimum allocation provided in section 4.2(b)(i) is required or has been satisfied, salary reduction contributions made on behalf of Key Employees pursuant to a qualified cash or deferred arrangement shall be taken into account.

#### 4.3 Ineligibility to Receive Allocations of Company Stock:

(a) If the Trust acquires Company Stock in a sale to which Code Section 1042 applies, no portion of the Company Stock acquired by the Trust in the sale, or earnings attributable to the Company Stock acquired by the Trust in the sale, may be allocated directly or indirectly to the Account of:

(i) Any person who made an election under Code Section 1042(a) with respect to Company Stock;

(ii) Any person who is related (within the meaning of Code Section 267(b)) to a person described in clause (i) above, subject to the conditions of Code Section 409(n)(3); or

(iii) Any person who owns (after application of Code Section 318(a) and without regard to Code Section 318(a)(2)(B)(i)) more than 25% of any class of stock of the Company or a Related Company or more than 25% of the total value of outstanding stock of the Company or a Related Company.

(b) The restrictions of this Section 4.3 shall apply to persons described in clause (i) and (ii) for the period beginning on the date of the sale of the Company Stock and ending on the later of (x) the date which is ten years after the sale, or (y) the date of the allocation attributable to the final payment of the loan in connection with the sale. There shall be no limit on the period during which the restrictions apply to the persons described in clause (iii).

#### 4.4 Valuation of Assets and Allocation of Earnings:

(a) As of each Adjustment Date, the Trustee shall determine the current fair market value of the assets of the Trust Fund. The fair market value of the Company Stock as of such Adjustment Date shall be the fair market value determined by the Trustee as of the Valuation Date immediately preceding the Adjustment Date. The Trustee's determination of the fair market value of the Company Stock shall be based on a valuation by an independent, disinterested appraiser pursuant to the requirements of Treasury Regulations issued under Code Section 170(a)(1). Before crediting the contributions and forfeitures allocated under Section 4.2, the Committee shall adjust proportionately each Participant's Account and the Suspense Account so as to reflect any increase or decrease in value of the Trust Fund since the last Adjustment Date as it relates to the assets actually invested.

(b) As of each Adjustment Date, before the allocations of Section 4.2 are made, the Committee shall allocate the net income or losses generated on any investments other than Company Stock since the last Adjustment Date among Participants' Accounts on the basis of the balance in each Participant's Account attributable to investments other than Company Stock as of the preceding Adjustment Date reduced by any distributions and forfeitures from the Participant's Accounts since the preceding Adjustment Date.

(c) All cash dividends that (1) are paid on Company Stock allocated to the Suspense Account or (2) are paid on Company Stock that was previously allocated to the Suspense Account but which has since been allocated to a Participant's Account, may be used to repay the loan for which such Company Stock is or had been pledged as collateral. Cash dividends that are paid on Company Stock that was acquired by the Trust prior to August 5, 1989 may, in the discretion of the Company, be used to repay any loan incurred for the purpose of acquiring Company Stock (as described in Code Section 404(a)(9)). Other cash dividends shall be retained in Participants' Accounts. Notwithstanding the foregoing, if a Participant is prohibited from receiving an allocation of Company Stock due to the restrictions of Section 4.3, the cash dividends paid on Company Stock allocated to the Participant, and which would have otherwise been used to repay a loan for which Company Stock has been pledged as collateral, shall be retained in the Participant's Account.

(d) All Company Stock received by the Trustee as a result of a stock split or stock dividend or as a result of a reorganization or other recapitalization of the Company shall be allocated among Participants' Accounts and the Suspense Account by applying the applicable stock split or stock

dividend factor to the number of shares in each Participant's Account and the Suspense Account on the record date for the stock split, stock dividend, or recapitalization.

4.5 Segregated Accounts: Any account that has been segregated from the Trust Fund pursuant to Section 6.7(b) shall not share in the adjustments and allocations of Section 4.4. Each segregated account shall be credited with the net income and increases and decreases in value attributable to that account only.

#### 4.6 Annual Additions:

(a) Notwithstanding the foregoing, the total amount of the Annual Addition (defined below) that may be allocated to the Accounts of any Participant for any Limitation Year (defined below) shall not exceed the lesser of (i) \$30,000 or (ii) 25% of the Participant's Section 415 Compensation. The amount referred to in (i) above shall be adjusted from time to time to correspond to the amount prescribed by law under Code Section 415(c)(1)(A) or by the Secretary of the Treasury pursuant to Code Section 415(d), determined as of the Adjustment Date of the Limitation Year to which the limitation applies.

(b) For purposes of this Section 4.6, the "Limitation Year" is the Plan Year, the term "Employer" includes Related Companies and the term "Loan Contributions" means Employer contributions that are applied by the Plan to the repayment of a loan incurred for the purpose of acquiring Company Stock (as described in Code Section 404(a)(9)). Except to the extent modified by subsection (c), "Annual Addition" means the sum of:

(i) the lesser of (A) the Participant's share of Employer contributions used to make principal and interest payments on a loan secured by Company Stock, or (B) the fair market value of Company Stock allocated to a Participant's Account, and

(ii) any forfeitures allocated to the Participant's Account.

(c) If not more than one-third of the Loan Contributions for a Plan Year are allocated to the Accounts of Highly Compensated Employees, then Annual Additions will not include (i) the portion of the Loan Contributions that are applied to the payment of interest on the loan secured by Company Stock and charged against a Participant's Account, and (ii) forfeitures of Company Stock that was acquired with the proceeds of such a loan. The amount of any qualified gratuitous transfer (as defined in Code Section 664(g)(1)) allocated to a Participant for any Limitation Year shall not exceed the limitations imposed by this Section 4.6, but such amount shall not be taken into account in determining whether any other amount exceeds the limitations of this Section 4.6.

(d) If the Annual Additions to a Participant's Account in any Limitation Year exceed the limitation of this Section 4.6, then the amounts that would have been credited to his Account but for this Section 4.6 in excess of the limitation shall be administered as follows:

(i) Any excess amount shall be deemed to be a forfeiture as of the end of the Plan Year to which the limitation applies and shall be reallocated among the Accounts of the Participants (other than Participants to whom the limitation applies) as a forfeiture in such

manner that no allocation to an Account exceeds the limitation imposed by this Section; and

(ii) If the allocation or reallocation of the excess amount causes the limitation imposed by this Section to be exceeded with respect to each Participant, then the excess amount as finally determined shall be held unallocated in a separate suspense account. The amount held in a suspense account shall be used to reduce Employer contributions for the next Plan Year (and succeeding Plan Years, as necessary). A suspense account shall not be subject to adjustment for investment gains or losses.

(e) If the Employer and Related Companies maintain more than one defined contribution plan qualified under Code Section 401, then this Section 4.6 shall be applied in such a way that the total Annual Additions under all such plans shall not exceed the amount specified in subsection (a). If Annual Additions in excess of the limitations are allocated, the Committee shall instruct the Trustee to adjust the Annual Additions to this Plan before adjustments are made to any other defined contribution plan maintained by the Employer or a Related Company.

4.7 Correction of Error: If an error is made in the adjustment of a Participant's Account, the error shall be corrected by the Committee in a manner determined in its discretion. In no event shall the Accounts of other Participants be adjusted on account of the error.

4.8 Trust as Single Fund: The creation of separate Accounts for accounting and bookkeeping purposes shall not restrict the Trustee in operating the Trust as a single Fund. Allocations to the Accounts of Participants in accordance with this Section IV shall not vest any right of title to any part of the assets of the Fund in such Participants, except as provided in Section V.

SECTION V

VESTING

5.1 Vesting:  
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(a) A Participant shall become vested in his Account according to the following schedule:

Years of Service -----	Vested Percentage -----
Less than 5 years	0%
Five years or more	100%

(b) For any Plan Year in which the Plan is Top Heavy, a Participant will become vested in his Account according to the following schedule:

Years of Service -----	Vested Percentage -----
Less than 3 years	0%
Three years or more	100%

The vesting schedule described in this subsection (b) shall only apply to Participants who perform an Hour of Service on or after the first day of the Plan Year in which the Plan is Top Heavy. If the Plan becomes Top Heavy and then ceases to be Top Heavy, the vesting schedule of this subsection (b) shall continue to apply to all Participants who have then completed at least five Years of Service (whether or not consecutive) and the vesting schedule of subsection (a) shall apply to all other Participants; provided, however, that no Participant's vested interest in his Account balance may be reduced as a result of the change in vesting.

(c) Notwithstanding the foregoing, a Participant's Account shall become fully vested on the first to occur of (i) his Normal Retirement Date, (ii) his death, or (iii) his Permanent Disability, if he is then a Employee.

5.2 Service Rules:

(a) If an Employee terminates employment before he has a vested interest in his Account, has a series of consecutive One-Year Breaks in Service that equals or exceeds the greater of (i) five or (ii) the number of his Years of Service before his termination of employment, and then is reemployed by the Employer, his Years of Service performed before his termination of employment shall be disregarded in applying the vesting schedule to his post-reemployment Account. In all other cases, if an Employee terminates employment and then is reemployed by the Employer, all of his Years of Service shall be counted for purposes of applying the vesting schedule to his post-reemployment Account.

(b) If a former Participant incurs a Break in Service, again qualifies as a Participant and has an Account balance attributable to his previous employment, the Participant's Years of Service completed after his reemployment shall not increase his vested interest in his pre-employment Account balance. The Committee shall maintain records sufficient to determine the Participant's vested interest in his pre-reemployment Account balance.

### 5.3 Vested Benefits and Forfeitures:

(a) If a Participant terminates employment for any reason other than retirement on or after his Normal Retirement Date, Early Retirement Date, death or Permanent Disability, the Committee shall determine his vested interest in his Account. The terminated Participant's Account shall be valued as of the Adjustment Date coinciding with or next preceding the date on which the Participant terminates employment.

(b) If the Participant's vested Account balance does not exceed \$5,000, the vested Account shall be paid to the terminated Participant in a single lump sum payment as soon as practicable after the Participant terminates employment. The non-vested portion of the Account shall be forfeited as of the last day of the Plan Year in which the Participant receives the distribution provided in this Section 5.3. If the Participant terminates employment before he has any vested interest in his Account, the vested percentage (0%) shall be deemed to be distributed as of the last day of the Plan Year in which he terminates employment and the non-vested portion (100%) shall be forfeited as of that date.

(c) If the Participant's vested Account balance exceeds \$5,000, the vested Account shall be paid to the terminated Participant in accordance with the provisions of Section 6.7(b). Payments will commence as soon as practicable after the Participant terminates employment. The non-vested portion of the Account shall be forfeited as of the last day of the Plan Year in which the Participant receives the last of such installment payments or the last day of the Plan Year in which the Participant incurs his fifth consecutive One-Year Break in Service, whichever occurs first.

(d) If the Participant's vested Account balance exceeds \$5,000, the Participant must consent to the distribution before it can be made. The Participant's consent must be given in accordance with the provisions of subsection 6.6(e). If the Participant does not consent to the distribution, the Participant's vested interest in his Account will be held in the Trust Fund until the Participant's Normal Retirement Date and then will be distributed in accordance with Section VI. In such an event, the Participant's non-vested Account balance will be forfeited upon the earlier of (i) the date the Participant's vested interest is distributed or (ii) the date on which the Participant incurs five consecutive One-Year Breaks in Service. If the Participant's vested Account does not exceed \$5,000, the Participant's consent will not be necessary in order to make a distribution pursuant to this Section 5.3.

(e) If a Participant terminates employment before he has a 100% vested interest in his Account, receives a distribution from his Account (including a deemed distribution pursuant to subsection (b) above) and is reemployed before he has a Break in Service, the amount that the participant previously forfeited shall be restored to his Account, if the Participant repays any amount previously distributed, as follows:

(i) The Participant must repay the amount distributed no later than the earlier of (x) five years after the first date on which the Participant is reemployed or (y) the close of the Participant's first Break in Service beginning after the distribution.

(ii) The Employer shall restore the forfeiture out of Employer contributions and forfeitures for the Plan Year in which the restoration occurs by allocating the restored forfeiture to the Participant's Account before the allocation of Section 4.2 is made.

If the Participant does not repay the amount distributed, the amount previously forfeited will not be restored to the Participant's Account. A Participant described above who had a deemed distribution pursuant to subsection (b) shall be deemed to have repaid his or her deemed distribution upon reemployment.

(f) The Amount of a Participant's forfeiture shall first be deducted from the investments in the Participant's Account other than Company Stock before any amount is deducted from Company Stock held in his Account. All amounts forfeited under the Plan shall be reallocated as described in Section 4.2 as of the Adjustment Date coinciding with or next following a distribution or deemed distribution made pursuant to this Section 5.3.

## SECTION VI

### BENEFITS

6.1 Normal Retirement: A Participant may retire as of his Normal Retirement Date or as of the first day of any month following his Normal Retirement Date. The Participant's Account shall be valued as of the Adjustment Date coinciding with or next following the date on which he retires and shall be distributed in accordance with Sections 6.6 and 6.7.

6.2 Early Retirement: A Participant may retire as of his Early Retirement Date or as of the first day of any month following his early Retirement Date. The Participant's Account shall be valued as of the Adjustment Date coinciding with or next following the date on which he retires and shall be distributed in accordance with Sections 6.6 and 6.7.

6.3 Disability Retirement: If a Participant incurs a Permanent Disability, his retirement shall be effective as of the date on which the Committee determines that he is Permanently Disabled. The Participant's Account shall be valued as of the Adjustment Date coinciding with or next following the date on which he becomes entitled to receive a distribution (as provided in the preceding sentence) and shall be distributed in accordance with Sections 6.6 and 6.7.

6.4 Termination of Employment: A Participant who terminates employment for any reason other than death or retirement on or after his Normal retirement Date or Early Retirement Date shall be entitled to receive his vested interest in his Account, determined under Section V. His vested interest shall be distributed in accordance with Sections 6.6 and 6.7.

6.5 Death Benefits: If a Participant or former Participant dies before his vested interest in his Account has been distributed, the Participant's vested interest in his Account will be paid to the Participant's Beneficiary in a form selected pursuant to Section 6.7. The deceased Participant's Account shall be valued as of the Adjustment Date of the Plan Year in which he dies. The Committee may authorize advance payments to be made to the Beneficiary after the Participant's death and before benefit payments begin.

#### 6.6 Commencement of Distribution:

(a) Subject to subsections (b), (c), (d), (e) and (f), a retired or deceased Participant's vested Account balance shall be distributed (or shall begin to be distributed) as soon as is practicable following the date on which the Participant retires or dies. Subject to the following subsections, a terminated Participant's vested Account balance shall be distributed (or shall begin to be distributed) according to the provisions of Section V.

(b) Except as otherwise provided in subsection (d), unless a Participant elects otherwise, the distribution of the Participant's Account will commence not later than one year after the close of:

(i) The Plan Year in which the Participant terminates employment with the Company or a Related Company after his Normal Retirement Date, death or Permanent Disability, or

(ii) The fifth Plan Year following the Plan Year in which the Participant otherwise separates from Service with the Company or a Related Company, provided that this subsection shall not apply if the Participant is reemployed by the Company or a Related Company before such fifth Plan Year.

(c) Notwithstanding the foregoing, and unless the Participant otherwise consents, distributions must commence no later than 60 days following the close of the Plan Year in which occurs the latest of:

(i) The date the Participant attains age 65,

(ii) The 10th anniversary of the date on which the Participant first commenced participation in the Plan, or

(iii) The Participant's date of termination of employment.

(d) Each Participant's vested Account must begin to be distributed in accordance with the following rules, except as otherwise permitted by law:

(i) If the Participant is not a 5% Owner, the Participant's Account must be distributed (or must begin to be distributed) by April 1 of the calendar year following the later of (x) the calendar year in which the Participant attains age 70 1/2, or (y) the calendar year in which the Participant retires.

(ii) If the Participant is a 5% Owner, the Participant's Account must be distributed (or must begin to be distributed) by April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2.

(e) If a Participant becomes entitled to a distribution before his Normal Retirement Date and the Participant's vested Account balance does not exceed \$5,000, the Account will be distributed in a lump sum payment without the Participant's consent. If the Participant's vested Account balance exceeds \$5,000, the Participant must consent to the distribution before it may be made. The Participant's consent must be given in writing on a form provided by the Committee, or in any other manner permitted under applicable Treasury Regulations that is authorized by the Committee. Such form, and a notice which explains the optional forms of benefit available to the Participant under the Plan and his right to defer the receipt of his benefits under subsection (f), will be provided to the Participant no less than 30 days and no more than 90 days before the "annuity starting date." For purposes of this subsection, "annuity starting date" shall mean the date on which the distribution to the Participant is to commence. Notwithstanding the foregoing, a distribution may commence less than 30 days after the date on which the notice described above is given to the Participant, provided that:

(i) The Committee clearly informs the Participant that the Participant has a right to a period of at least 30 days to consider the decision whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(ii) The Participant, after receiving the notice, affirmatively elects a distribution.

(f) If a Participant who becomes entitled to a distribution requiring consent under subsection (e) does not consent to the distribution, the Participant's vested Account balance will be held in the Trust Fund and will not be distributed until the earlier of (i) the date the Participant consents to the distribution, the Participant's Normal Retirement Date, or (iii) the Participant's death.

#### 6.7 Form of Benefit:

(a) Benefits from the Plan will be paid in cash or Company Stock, as determined by the Committee in a non-discriminatory manner; provided that a Participant or Beneficiary who is entitled to receive a distribution may elect to receive his distribution in whole share of Company Stock, with fractional shares paid in cash. Elections as to the form of distribution shall be made by submitting a written election to the Committee before the distribution is made.

(b) Benefits may be paid in one of the following forms of payment selected by the Committee in a non-discriminatory manner:

(i) The amount may be paid to the Participant or Beneficiary in a lump sum payment.

(ii) The amount may be paid to the Participant or Beneficiary, with earnings allocated and adjustments made pursuant to Section 4.4, in substantially equal at least annual installments over a term certain selected by the Committee. The Committee may adopt rules whereby larger account balances are distributed over longer periods than smaller account balances are distributed. The term certain shall not extend beyond the normal life expectancies of the Participant and his Beneficiary and, unless the Participant or Beneficiary consents to a longer distribution, the term certain shall not extend beyond the longer of:

A. Five years, or

B. In the case of a Participant whose vested Account balance exceeds \$755,000, five years plus one additional year (up to five additional years) for each \$150,000 or fraction thereof by which the balance of the Participant's vested Account exceeds \$755,000. The dollar amounts described herein shall be subject to cost-of-living adjustments pursuant to Code Section 415(d).

If the Participant dies before the completion of installment payments, any balance of the amount shall be paid to his Beneficiary as provided in Section 6.5. If a Beneficiary who is receiving payments dies, any remaining balance of the Account shall be paid to the personal representative of the Beneficiary's estate. If a Participant's Account is to be distributed in Company Stock, the

Participant's Account shall remain part of the Trust Fund and shall share in earnings allocations and adjustments under Section 4.4. When establishing the term of installment payments, at the time payments begin, the present value of the payments projected to be paid to the Participant, based on his life expectancy, must be more than 50% of the present value of the payments projected to be paid to the Participant and his Beneficiary, based on their life expectancies.

(c) If the installment method of distribution is selected, then, as of any subsequent Adjustment Date, the Committee, with the consent of the Participant, may cause the amount then credited to the Account of the Participant to be paid in a lump sum.

(d) The following rules apply to payments after a Participant's death:

(i) If a Participant dies after payments have begun, then his remaining vested Account balance, if any, must be distributed to his Beneficiary at least as rapidly as under the method of distribution elected by the Participant.

(ii) If a Participant dies before his vested Account balance has begun to be distributed, then, except as provided below, his vested Account balance, if any, must be distributed within five years after the Participant's death. If the Participant's vested Account balance is distributed in installment payments to (or for the benefit of) an individual Beneficiary, then (subject to subsection (b)) the Participant's vested Account balance may be distributed over the life of the Beneficiary or over a period not extending beyond the Beneficiary's life expectancy, and the payments must begin not later than one year after the Participant's death (or such other date as may be prescribed by Treasury Department regulations).

6.8 Location of Former Participants: If a former Participant who is entitled to a distribution cannot be located and the Committee has made reasonable efforts to locate the former Participant, then the former Participant's vested interest shall be forfeited. The former Participant's Account shall be forfeited as of the last day of the Plan Year in which the Committee determines that it has been unable to locate the former Participant after having made reasonable efforts to do so. If the former Participant or Beneficiary makes a written claim for the Account after it has been forfeited, the Company shall cause the Account to be reinstated as set forth in Section 5.3.

6.9 Benefits to Minors and Incompetents:

(a) If any person entitled to receive payment under the Plan is a minor, the Committee, in its discretion may dispose of such amount in any one or more of the following ways:

(i) By payment of the amount directly to the minor;

(ii) By application of the amount for the benefit of the minor;

(iii) By payment of the amount to a parent of the minor or to any adult person with whom the minor is living at the time or to

any person who is legally qualified and is acting as guardian of the minor or of the property of the minor, provided that the parent or adult person to whom any amount is to be paid has advised the Committee in writing that he will hold or use the amount for the benefit of the minor;

(iv) By payment of the amount to a custodian selected by the Trustee under the appropriate Uniform Gifts to Minors Act.

(b) If a person who is entitled to receive payment under the Plan is physically or mentally incapable of personally receiving and giving a valid receipt for any payment due (unless a previous claim has been made by a duly qualified committee or other legal representative), the payment may be made to the person's spouse, son, daughter, parent, brother, sister or other person deemed by the Committee to have incurred expense for the person otherwise entitled to payment.

(c) The selection of a method of distribution under this Section shall be in the discretion of the Committee, and the Committee may not be compelled to select any method that it does not deem to be in the best interest of the distributee.

#### 6.10 Eligible Rollover Distributions:

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(i) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities); and any hardship distribution described in Code Section 401(k)(2)(B)(i)(IV).

(ii) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b); an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a), that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(iii) Distributee: A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p), are distributees with regard to the interest of the spouse or former spouse.

(iv) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

## SECTION VII

### DISTRIBUTION IN COMPANY STOCK

#### 7.1 Put Option:

(a) If Company Stock is distributed from the Plan at a time when the Company Stock is not readily tradable on an established securities market, then the Participant or Beneficiary receiving the Company Stock shall have the right to require that the Company repurchase the Company Stock. The Participant or Beneficiary may exercise this put option for a period of 60 days following the date on which the Company Stock is distributed and, if the Participant or Beneficiary does not exercise the put option at that time, for an additional period of 60 days during the next following Plan Year. The period during which the put option is exercisable shall not include any period during which the Participant or Beneficiary is unable to exercise the put option because the Company is prohibited from honoring it by federal or state law. In order to exercise the put option, the Participant or Beneficiary must notify the Company in writing, during the exercise period, that the put option is being exercised. As of the Effective Date, the Company Stock is not readily tradable on an established securities market.

(b) If a Participant or Beneficiary exercises a put option, the Company (or, if the Trustee deems it appropriate and the Company consents, the Trustee) shall purchase the Company Stock that was distributed to the Participant or Beneficiary at a purchase price equal to the fair market value of the Company Stock as of the most recent Adjustment Date; provided that, if the Participant or Beneficiary exercising the put option is a "disqualified person", as defined in Code Section 4975, the purchase price shall equal the fair market value of the Company Stock as of the date of the purchase. If the Company repurchases Company Stock that was distributed to the Participant as part of a total distribution (defined below), the purchase price shall be paid in substantially equal annual installments over a five-year period (or over a shorter period, if the Company or Trustee deems it appropriate), with interest payable at a reasonable interest rate and with adequate security. The Company or Trustee shall determine what constitutes a reasonable interest rate and adequate security, based on interest terms in effect in the community at the time of the purchase. A total distribution is a distribution within one taxable year of the balance to the credit of the Participant's vested Account.

(c) Notwithstanding any provision of subsection (b) to the contrary, the Company (but not the Trustee) may elect to purchase Company Stock from Participants and Beneficiaries who exercise their put option during a Price Stabilization Period at a price equal to the Pre-Loan Value. The Company may make purchases pursuant to this subsection (c) only if the following conditions are met:

(i) The purchase by the Company is made in connection with the Participant's or Beneficiary's exercise of his or her put right under this Section 7.1 during the Price Stabilization Period;

(ii) The Company's election to make purchases pursuant to this subsection (c) is communicated to Participants and Beneficiaries prior to commencement of the Price Stabilization Period; and

(iii) All purchases are made at the Pre-Loan Value during the Price Stabilization Period, except to the extent the Pre-Loan Value is less than the fair market value of Company Stock as of the most recent Adjustment Date or the date of purchase (as applicable).

## 7.2 Right of First Refusal:

(a) All Company Stock distributed from the Plan shall be subject to a right of first refusal in favor of the Company and the Trustee. A Participant or Beneficiary who receives Company Stock under this Plan may not dispose of the Company Stock under any circumstances without first offering it to the Company and the Trustee as described in subparagraph (b).

(b) If a Participant or Beneficiary receives a good faith offer to purchase Company Stock that the Participant or Beneficiary received from the Plan, the Participant or Beneficiary must offer to sell the Company Stock to the Company and the Trustee. The Company and the Trustee shall have the right to purchase the Company Stock at a purchase price equal to the higher of (i) the fair market value of the Company Stock as of the most recent Adjustment Date (or, if the Participant or Beneficiary is a "disqualified person," as defined in Code Section 4975, the fair market value as of the date of the purchase), or (ii) the purchase price offered by a buyer who is making a good faith offer to purchase the Company Stock. The Company or Trustee (in that order of priority) may exercise the right within 14 days after the Participant gives written notice to the Company and the Trustee that an offer to purchase the Company Stock has been made by a third party.

(c) If neither the Company nor the Trustee exercises its right of first refusal, the Participant or Beneficiary may sell the Company Stock to the third party on the terms that were described to the Company and the Trustee. If the Participant or Beneficiary does not sell the Company Stock to the third party on such terms within 14 days after the right of first refusal lapses, then the Company Stock shall again become subject to the right of first refusal.

(d) If the Company or the Trustee exercises the right of first refusal, the purchase price shall be paid in substantially equal annual installments over a five-year period (or over a shorter period, if the Company or Trustee deems it appropriate), with interest payable at a reasonable interest rate and with adequate security. The Company or Trustee shall determine what constitutes a reasonable interest rate and adequate security, based on interest terms in effect in the community at the time of the purchase.

7.3 Fair Market Value of Company Stock: The fair market value of the Company Stock must be determined by a disinterested independent appraiser chosen by the Trustee. An independent appraiser is an appraiser meeting requirements similar to the requirements of regulations prescribed under Code Section 170(a)(1).

7.4 Legends: The Committee shall direct the Trustee to cause shares of Company Stock that are distributed to bear a legend setting forth such representations as the Committee deems appropriate, which may include, without being limited to, representations that (a) the shares are subject to the right of first refusal described in Section 7.2, (b) the shares have not been

registered under federal or state securities law, and (c) under the law, the transferability of the shares is restricted. In addition, the Committee may require the recipient of a distribution of Company Stock to sign a letter agreeing that the Company Stock received shall not be transferred except in compliance with federal and state securities law and making such other agreements and representations as the Committee deems appropriate.

7.5 Basis of Company Stock: The basis of Company Stock held in the Trust Fund shall be determined as follows:

(a) The basis of Company Stock purchased by the Trustee shall be the actual cost of the Company Stock to the Trustee. The basis of all other Company Stock acquired by the Trustee (including Company Stock contributed by the Company to the Trust Fund) shall be the fair market value of the Company Stock on the date of the acquisition.

(b) Any shares of Company Stock that are held unallocated in a suspense account pursuant to Section 4.1 or 4.6 shall retain their original basis, without regard to when the shares are released and allocated to Participants' Accounts.

(c) As of each Adjustment Date, the basis of all Company Stock that is made available for allocation shall be calculated as of that date, as determined pursuant to subsections (a) and (b).

(d) The basis of all Company Stock allocated to a Participant's Account for a Plan Year shall be averaged with the basis of all Company Stock previously allocated to the Participant's Account, and the resulting average, as adjusted annually, shall be the Participant's basis with respect to distributions of Company Stock from the Participant's Account.

## SECTION VIII

### ADMINISTRATION BY THE COMMITTEE

8.1 Appointment of the Committee: The members of the Committee shall consist of one or more persons appointed from time to time by the Company to serve until their death, resignation or removal by the Company. A person shall not be ineligible to be a member of the Committee because he is or may be Participant in the Plan. The Company from time to time may increase or decrease the number of members of the Committee. The Committee and each of its members shall be named fiduciaries with respect to the Plan, and shall be indemnified by the Employer against any and all liabilities incurred by reason of any action taken in good faith pursuant to the provisions of the Plan.

#### 8.2 Powers of the Committee:

(a) The Committee shall be responsible for the general administration and interpretation of the Plan and for carrying out its provisions and shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties:

(i) To construe and interpret the Plan, to decide all questions of eligibility and to determine the amount, manner and time of payment of any benefits hereunder;

(ii) To prescribe procedures to be followed by Employees in filing applications for benefits;

(iii) To make a determination as to the right of any person to a benefit and to afford any person dissatisfied with such determination the right to a hearing;

(iv) To request and receive from the Employer, and from Employees, such information as shall be necessary for the proper administration of the Plan, including but not limited to, such information as the Committee may reasonably require to determine each Participant's eligibility to participate in the Plan and the benefits payable to each Participant upon his death, retirement or termination of employment;

(v) To prepare and distribute, in such manner as it determines to be appropriate, information explaining the Plan;

(vi) To furnish the Employer, upon request, with such annual reports with respect to the administration of the Plan as are reasonable and appropriate;

(vii) To direct the Trustee as to the method in which and persons to whom Plan assets will be distributed; and

(viii) To receive and review reports on the financial condition of the Trust Fund and statements of the receipts and disbursements of the Trust Fund from the Trustee.

The Committee shall not have the power to add to, subtract from or modify any of the terms of the Plan, nor to change or add to any benefits provided by the Plan, nor to waive or fail to apply any requirement for eligibility for the receipt of benefits under the Plan.

(b) Notwithstanding anything to the contrary, the Committee may adopt such rules, regulations and bylaws and may make such decisions as it deems necessary or desirable for the proper administration of the Plan, and all rules and decisions of the Committee shall be uniformly and consistently applied to all Participants in similar circumstances. The Committee shall have the express discretionary authority to determine eligibility for benefits and to interpret the provisions of this Plan. Any rule or decision that is not inconsistent with the provisions of the Plan shall be conclusive and binding upon all persons affected by it, and there shall be no appeal from any ruling by the Committee that is within its authority, except as otherwise provided herein. When making a determination or calculation, the Committee shall be entitled to rely upon information furnished by an Employer or anyone acting on behalf of an Employer.

(c) The Committee shall have the power to (i) establish a funding policy for the Trust Fund and (ii) receive and review reports on the financial condition of the Trust Fund and statements of the receipts and disbursements of the Trust Fund from the Trustee.

8.3 Operation: The members of the Committee shall elect a Chairman. They shall also elect a Secretary who may, but need not, be a member of the Committee. The Committee shall have the power to (a) appoint from its membership such sub-committees with such powers as the Committee shall determine, (b) authorize one or more of its members or any agent to execute or deliver any instrument or to make any payment on behalf of the Committee, and (c) employ counsel and agents and such clerical and other services as the Committee shall deem requisite or desirable in carrying out the provisions of the Plan. The Committee shall be fully protected in relying on data, information or statistics furnished it by persons performing ministerial and limited discretionary functions as long as the Committee has had no reason to doubt the competence, integrity or responsibility of any such person.

8.4 Meetings and Quorum: The Committee shall hold meetings upon such notice, at such places, and at such intervals as it may from time to time determine. A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee at any meeting shall be by the vote of a majority of those present at any such meeting. Action may be taken by the Committee without a meeting by a written consent signed by a majority of the members of the Committee.

8.5 Compensation: The members of the Committee shall not be entitled to any compensation for their services with respect to the Plan, but the Committee members shall be entitled to reimbursement for any and all necessary expenses that each member may incur. The expenses shall be paid by the Employer or from the Trust Fund. Any such payments from the Trust Fund shall be deemed to be for the exclusive benefit of Participants.

8.6 Qualified Domestic Relations Orders:  
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(a) If the Trustee or the Committee receives a domestic relations order that purports to require the payment of a Participant's benefits to a person other than the Participant, the Committee shall take the following steps:

(i) If benefits are in pay status, the Committee shall direct the Trustee to account separately for the amounts that will be payable to the Alternate Payees (defined below) if the order is a Qualified Domestic Relations Order (defined below).

(ii) The Committee shall promptly notify the named Participant and any Alternate Payees of the receipt of the domestic relations order and of the Committee's procedures for determining if the order is a Qualified Domestic Relations Order.

(iii) The Committee shall determine whether the order is a Qualified Domestic Relations Order under the provisions of Code Section 414(p).

(iv) The Committee shall notify the named Participant and any Alternate Payees of its determination as to whether the order meets the requirements of a Qualified Domestic Relations Order.

(b) If, within the 18 months beginning on the date the first payment would be made under the domestic relations order (the "18-Month Period"), the order is determined to be a Qualified Domestic Relations Order, the Committee shall direct the Trustee to pay the specified amounts to the persons entitled to receive the amounts pursuant to the order.

(c) If, within the 18-Month Period (i) the order is determined not to be a Qualified Domestic Relations Order or (ii) the issue as to whether the order is a Qualified Domestic Relations Order has not been resolved, the Committee shall direct the Trustee to pay the amounts (and any interest thereon) to the Participant or other person who would have been entitled to such amounts if there had been no order.

(d) If an order is determined to be a Qualified Domestic Relations Order after the end of the 18-Month Period, the determination shall be applied prospectively only.

(e) For the purposes of this Section, the following terms shall have the following definitions:

Alternate Payee - Any spouse, former spouse, child or other dependent of a Participant who is recognized by a domestic relations order as having a right to all or a portion of the benefits payable under the Plan to the Participant.

Qualified Domestic Relations Order - Any domestic relations order or judgment that meets the requirements set forth in Code Section 414(p).

8.7 Expenses of Plan Administration: All reasonable expenses that shall arise in connection with the administration of the Plan shall be charged to the Trust and paid by the Trustee, unless otherwise paid by the Company.

Participants' Accounts may be charged for all or part of the reasonable expenses of administration of the Plan, consistent with applicable law.

SECTION IX  
DUTIES AND POWERS OF THE TRUSTEE

9.1 General: The Trustee shall receive, hold, manage, convert, sell, exchange, invest, disburse and otherwise deal with such contributions as may from time to time be made to the Trust Fund and the income and profits therefrom, in the manner and for the uses and purposes of the Plan as provided in the Plan and in the trust agreement described in Section 9.2.

9.2 Trust Agreement: The Company has entered into a trust agreement with the Trustee under which the Trustee will receive, invest and administer the Trust fund. The trust agreement is incorporated by reference as a part of the Plan, and the rights of all persons under the Plan are subject to the terms of the trust agreement. The trust agreement provides for the investment and reinvestment of the Trust Fund, the management of the Trust Fund, the responsibilities and immunities of the Trustee, the removal of the Trustee and appointment of a successor, the accounting by the Trustee and the disbursement of the Trust Fund.

9.3 Limitation of Liability: The Trustee shall hold in trust and administer the Trust Fund subject to all the terms and conditions of the Plan and of the trust agreement described in Section 9.2. The Trustee shall not be responsible for the administration of this Plan unless employed by the Company to serve in such capacity. The Trustee's responsibility shall be limited to holding, investing and reinvesting the assets of the Trust Fund from time to time in its possession or under its control as Trustee and to disbursing funds as shall be directed by the Committee. The Trustee shall not be responsible for the correctness of any payment or disbursement or action if made in accordance with the instruction of the Committee.

9.4 Power of Trustee to Carry Out the Plan: If, at any time, the Company or the Committee shall be incapable, for any reason, of giving direction, instructions or authorizations to the Trustee, as herein provided, the Trustee may act, without such directions, instructions or authorizations, as it, in its discretion, shall deem appropriate and advisable under the circumstances for carrying out the provisions of the Plan.

9.5 Investment Directions:

(a) During the period described in subsection (c), each Participant who has completed at least 10 years of participation in the Plan and has attained age 55 shall have the right to direct the Plan as to the investment of 25% of the portion of his Account attributable to Company Stock in the manner described in subsection (b) below. In the Plan Year in which such a Participant is entitled to make his last investment direction, he may direct the Plan as to the investment of 50% of the portion of his Account attributable to Company Stock.

(b) The Committee shall offer each Participant described in subsection (a) the opportunity to either (i) direct the investment of the applicable portion of his Account among three investment options under the Plan other than Company Stock, (ii) transfer the applicable portion of his Account to another tax-qualified defined contribution plan of the Employer that provides at least three investment options other than Company Stock, or (iii) permit the

Participant to elect to receive an immediate distribution of the amount for which the Participant may direct investments.

(c) Each Participant described in subsection (a) may make an election under subsection (b) within 90 days after the close of each Plan Year during the six-year period beginning with the Plan Year in which the Participant attains age 55 and completes 10 years of participation in the Plan. For purposes of this Section 9.5, a "year of participation" shall mean a Plan Year in which the Participant was eligible to receive an allocation of Employer contributions under the Plan pursuant to Section 4.2, and without regard to whether the Employer actually made a contribution to the Plan for that Plan Year or whether the Participant was prohibited from receiving an allocation pursuant to Section 4.3.

(d) The provisions of this Section 9.5 shall be administered in accordance with applicable Treasury Regulations and Internal Revenue Service rulings and other releases.

## SECTION X

### AMENDMENT AND TERMINATION

10.1 Amendment: This Plan shall be irrevocable and binding as to all contributions made by an Employer to the Trust, but this Plan may be amended from time to time by the Company. No amendment shall be made to the Plan that (a) would have the effect of diverting any of the Trust from Participants or their Beneficiaries as provided in the Plan, (b) would prevent the allowance as a deduction for federal income tax purposes, and particularly under Code Section 404, of any contribution made by an Employer to the Trust, (c) would take the Plan and Trust out of the scope of Code Sections 401, 402 and 501(a), (d) would increase the duties of the Trustee without its consent, (e) would decrease a Participant's vested interest in his Account in the Trust Fund, or (f) would eliminate and optional form of benefit in violation of Code Section 411(d)(6).

10.2 Termination: This Plan may be terminated at any time by the Company. If the Plan is terminated, or if a partial termination occurs (through a complete discontinuance of contributions or otherwise), each affected Participant shall have a 100% vested interest in his Account, and his Account shall be paid to him (or to his Beneficiary, in the event of his death) in a lump sum as soon as is practicable after the termination.

10.3 Merger: In the event of merger or consolidation with, or transfer of assets or liabilities to, any other plan, each Participant shall be entitled to a benefit under such other plan immediately after the merger, consolidation, or transfer that is equal to or greater than his Account balance determined under this Plan immediately before the merger, consolidation or transfer.

## SECTION XI

### CLAIMS PROCEDURE

11.1 Right to File Claim: Every Participant, former Participant, retired Participant, or Beneficiary of a Participant or former Participant shall be entitled to file with any member of the Committee a claim for benefits under the Plan. The claim is required to be in writing.

11.2 Denial of Claim: If the claim is denied by the Committee member, in whole or in part, the claimant shall be furnished within 90 days after the Committee member's receipt of the claim (or within 180 days after such receipt if special circumstances require an extension of time) a written notice of denial of the claim containing the following:

- (a) Specific reason or reasons for denial,
- (b) Specific reference to pertinent Plan provisions on which the denial is based,
- (c) A description of any additional material or information necessary for the claimant to perfect the claim, and an explanation of why the material or information is necessary, and
- (d) An explanation of the claims review procedure.

#### 11.3 Claims Review Procedure:

(a) Review may be requested any time within 60 days following the date the claimant received written notice of the denial of his claim. For purposes of this Section, any action required or authorized to be taken by the claimant may be taken by a representative authorized to be taken by the claimant may be taken by a representative authorized in writing by the claimant to represent him. The Committee shall afford the claimant a full and fair review of the decision denying the claim and, if so requested shall:

- (i) Permit the claimant to review any documents that are pertinent to the claim;
- (ii) Permit the claimant to submit to the Committee issues and comments in writing; and
- (iii) Afford the claimant an opportunity to meet with a quorum of the Committee as a part of the review procedure.

(b) The decision on review by the Committee shall be in writing and shall be issued within 60 days following receipt of the request for review. The period for decision may be extended to a date not later than 120 days after such receipt if the Committee determines that special circumstances require extension. The decision on review shall include specific reasons for the decision and specific reference

to the pertinent Plan provisions on which the decision of the Committee is based.

## SECTION XII

### ADOPTION OF PLAN BY RELATED COMPANIES AND TRANSFERRED ASSETS

12.1 Adoption of the Plan: A Related Company may become an Employer, with the approval of the Company, by adopting the Plan for its Employees. A Related Company that becomes a party to the Plan shall promptly deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan. Notwithstanding anything in the Plan to the contrary, a Related Company adopting the Plan may determine whether and to what extent periods of employment with the Related Company before the Related Company adopted the Plan shall be included as service under the Plan.

12.2 Withdrawal: A Related Company may withdraw from the Plan at any time by giving advance notice in writing of its intention to withdraw to the Company and to the Committee. Upon the receipt of notice of a withdrawal, the Committee shall certify to the Trustee the equitable share of the Related Company in the Trust Fund, and the Trustee shall thereupon set aside from the Trust Fund such securities and other property as it shall, in its sole discretion, deem to be equal in value to the Related Company's equitable share. If the Plan is to be terminated with respect to the Related Company, the amount set aside shall be administered according to Section 10.2. If the Plan is not to be terminated with respect to the Related Company, the Trustee shall turn over the Related Company's equitable share to a trustee designated by the Related Company, and the securities and other property shall thereafter be held and invested as a separate trust of the Related Company.

12.3 Sale of Employer's Assets: If all or any portion of the Employer's assets are sold to another corporation that adopts a defined contribution plan as a continuation of this Plan, then the Committee shall certify to the Trustee the equitable share in the Trust Fund of the Participants who become participants in the other plan immediately following the transfer. The Trustee shall transfer that share of the Trust Fund to the trustee of the other plan, to be held in accordance with the terms of the other plan.

SECTION XIII

MISCELLANEOUS

13.1 Indemnification: The Employer shall indemnify each Committee member and each other Employee who is involved in the administration of the Plan against all costs, expenses and liabilities, including attorney's fees, incurred in connection with any action, suit or proceeding instituted against any of them alleging any act of omission or commission performed while acting in good faith in discharging their duties with respect to the Plan. Promptly after receipt by an indemnified party of notice of the commencement of any action, the indemnified party shall notify the Employer of the action. The Employer shall be entitled to participate at its own expense in the defense or to assume the defense of any action brought against any indemnified party. If the Employer elects to assume the defense of any such suit, the defense shall be conducted by counsel chosen by the Employer, and the indemnified party shall bear the fees and expenses of any additional counsel retained by him.

13.2 Exclusive Benefit Rule: The Plan shall be administered for the exclusive benefit of the Employees of an Employer and for the payment to Participants out of the income and principal of the Trust Fund of the benefits provided under the Plan. No part of the income or principal of the Trust Fund shall be used for or diverted to purposes other than the exclusive benefit of the Participants or their Beneficiaries, as provided in the Plan.

13.3 No Right to the Fund: No person shall have any interest in, or right to, any part of the assets of the Trust Fund or any rights under the Plan, except as to the extent expressly provided in the Plan.

13.4 Rights of Employer: The establishment of this Plan shall not be construed as conferring any legal or other rights upon any Employee or any other person for continuation of employment, nor shall it interfere with the right of the Employer to discharge any Employee or to deal with him without regard to the effect thereof under the Plan.

13.5 Non-Alienation of Benefits: No amount payable to or held under the Plan for the account of any Participant, former Participant, retired Participant, or Beneficiary of a Participant or former Participant shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void. No amount payable to or held under the Plan for the account of any Participant, former Participant, retired Participant, or Beneficiary may be in any manner liable for his debts, contracts, liabilities, engagements or torts, or be subject to any legal process, levy or attachment. The provisions of this Section shall not preclude distributions made by the Trustee in accordance with a Qualified Domestic Relations Order, or pursuant to any judgment, decree, order, or settlement as permitted under Code Section 401(a)(13)(C).

13.6 Construction and Severability: Except as otherwise provided by federal law, the provisions of this Plan shall be construed and enforced according to Virginia laws, and all of the provisions of the plan shall be administered in

accordance with the laws of the Commonwealth of Virginia. For simplicity of expression, pronouns and other terms are sometimes expressed in a particular number and gender; however, where appropriate to the context, such terms shall be deemed to include each of the other numbers and the other gender. Each provision of this Plan shall be considered to be severable from all other provisions so that if any provision or any part of a provision shall be declared void, then the remaining provisions of the Plan that are not declared void shall continue to be effective.

13.7 Delegation of Authority: Whenever the Employer, under the terms of this Plan, is permitted or required to do or perform any act, the act may be done or performed by any officer of the Employer, and such officer shall be presumed to be duly authorized by the Board.

13.8 Request for Tax Ruling: This Plan is based upon the condition precedent that it shall meet the requirements of the Code with respect to qualified employees' trusts so as to permit the Employer to deduct for federal income tax purposes the amounts of its contributions and so that its contributions will not be taxable to the Participants as income in the year in which the contributions are made. The Employer shall apply for a determination by the Internal Revenue Service that this plan is so qualified. If the Internal Revenue Service rules that this Plan is not so qualified, the then current value of all contributions made by the Employer before the initial determination as to qualification shall be returned to the Employer, and this Plan shall be of no further force or effect.

13.9 Amendment of Vesting Schedule: If the Employer adopts an amendment to the Plan that directly or indirectly affects the computation of a Participant's vested interest in his Account, any Participant with three or more Years of Service shall have a right to have his vested interest in his Account continue to be determined under the vesting provisions in effect prior to the amendment rather than under the new vesting provisions, unless the vested interest of the Participant in his Account under the Plan as amended is not at any time less than such vested interest determined without regard to the amendment. A Participant shall exercise his right under this Section 13.9 by giving written notice of his exercise thereof to the Employer within 60 days after the latest of (i) the date he receives notice of the amendment from the Employer, (ii) the effective date of the amendment, or (iii) the date the amendment is adopted.

\* \* \* \* \*

IN WITNESS WHEREOF the Company has caused this Plan to be executed as of the 3rd day of July, 2000.

HOOKER FURNITURE CORPORATION

By: /s/ Edwin L. Ryder

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Title: Senior Vice President - Finance and Administration

APPENDIX A

EFFECTIVE DATES FOR CERTAIN PROVISIONS

This Appendix A sets forth certain provisions of the Plan that are effective for specified periods prior to the Effective Date:

1. The definition of "Highly Compensated Employee" contained in Section 1.19 shall apply for Plan Years beginning on or after January 1, 1997.

2. The provisions of Section 1.20(e) (regarding special rules that relate to military service) shall apply for Plan Years beginning on or after December 12, 1994.

3. The definition of "Section 415 Compensation" contained in Section 1.32 shall apply for Limitation Years beginning on or after January 1, 1998.

4. The provisions of Section 4.6(a) (regarding the limit on Annual Additions) shall apply for Plan Years beginning on or after January 1, 1995.

5. The last sentence of Section 4.6(c) shall apply to qualified gratuitous transfers to the Plan after August 5, 1997.

6. The provisions of Sections 5.3(d) and 6.6(e) (regarding the \$5,000 limit for distributions without the consent of the Participant) shall be effective as of November 1, 1999.

7. For Plan Years beginning on or after January 1, 1997 but before January 1, 2001, the following provision shall apply in addition to the provisions contained in Section 6.6(c):

Notwithstanding the provisions of subsection (i) to the contrary, any Participant who is not a 5% Owner and attains age 70 1/2 on or after January 1, 1996 but prior to January 1, 2001 shall begin to receive distribution of his or her vested Account no later than April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2, unless the Participant elects to defer distribution of his or her Account until no later than April 1 of the calendar year following the calendar year in which the Participant retires. The provisions of this Section 6.6 shall be administered in accordance with applicable Treasury Regulations and Internal Revenue Service rulings and other releases.

TRUST AGREEMENT

FOR THE

HOOKER FURNITURE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN

Effective as of August 1, 2000

## ESOP TRUST AGREEMENT

### PREAMBLE

Hooker Furniture Corporation, a Virginia corporation, as plan sponsor, and U.S. Trust Company, N.A., as Trustee, by execution of this Trust Agreement, hereby establish effective as of August 1, 2000 the Hooker Furniture Corporation Employee Stock Ownership Plan Trust for the purpose of holding and investing assets of and funding benefits under the Hooker Furniture Corporation Employee Stock Ownership Plan (the "Plan"). The Plan is intended to qualify as an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended. The Trustee is a successor to Branch Banking & Trust Company, which had previously served as trustee of the Plan. The Plan and this Trust Agreement shall be deemed to be, and shall be construed as, a single document.

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ARTICLE 1 Definitions

1.1 Incorporation of Definitions Used in Plan

The definitions stated in Section I of the Plan are hereby incorporated by reference into this Trust Agreement.

1.2 Definitions of Terms Used Exclusively in Trust Agreement

(a) "Bank" means (1) a banking institution organized under the laws of the United States; (2) a member bank of the Federal Reserve System; or (3) any other banking institution, whether or not incorporated, doing business under the laws of any state or the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under the authority of the Comptroller of the Currency, and which is supervised and examined by state or federal authority having supervision over banks.

(b) "Company Stock Loan" means a loan to the Plan for the purpose of enabling the Plan to acquire shares of Company Stock.

(c) "Fiduciary" means a person or organization that is a fiduciary with respect to the Plan or the Trust Fund within the meaning of ERISA section 3(21), including the Trustee.

1.3 Named Fiduciaries

The members of the Committee, collectively and individually, shall be the named fiduciaries of the Plan for purposes of section 402 of ERISA, except that, to the extent, if any, permitted by ERISA, each Participant and Beneficiary also shall be a named fiduciary with respect to the exercise of voting and tender or exchange offer rights for Company Stock held in such Participant's Account or in the Suspense Account.

ARTICLE 2 Establishment of Trust and Certain Primary Conditions of its Operation

2.1 Establishment of Trust

This Trust Agreement establishes an employees' trust pursuant to the Plan that is intended to be a tax-exempt organization under Code section 501(a).

The Company and the Trustee hereby agree that the Trust Fund shall be held in trust and administered, invested and distributed for the benefit of Participants and their Beneficiaries under the terms and conditions of this Trust Agreement and the Plan.

## 2.2 Designation of Trust

The trust established hereunder shall be known as the Hooker Furniture Corporation Employee Stock Ownership Plan Trust.

## 2.3 Trust Fund

The Trust Fund shall consist of the cash, Company Stock and other property, if any, held by the Trustee which shall represent at any time the total of the Company Stock acquired by the Trustee and the contributions made by the Company to the Trust Fund under the provisions of the Plan, plus the earnings and less the losses thereupon, without distinction which at the time of reference have been made by the Trustee as authorized herein. Unless otherwise directed by the Committee, the Trustee shall hold, invest, and administer the Trust assets as a single fund without identification of any part of the Trust assets to the Company or to any Participant or group of Participants or their Beneficiaries. The Trustee need not inquire into the source of any money or property transferred to it nor into the authority or right to transfer such money or property to the Trustee.

## 2.4 Exclusive Benefit Rule

The trust established by this Trust Agreement is expressly declared to be irrevocable, subject to the provisions of Article 8. It shall be impossible, at any time prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the principal or income of the Trust Fund to be used for, or diverted to, any purpose which is not for the exclusive benefit of Participants and their Beneficiaries. The preceding sentence shall not be construed in such a way as to prohibit the use of assets of the Trust Fund to pay fees and other expenses and obligations (including without limitation obligations of the Trustee under a Company Stock Loan) incurred in the maintenance, administration and investment of the Trust Fund in accordance with the provisions of this Trust Agreement and the Plan.

## 2.5 Reversion Prohibited

Except as permitted in the Plan, it shall be impossible for any part of the Trust Fund to revert to the Employer.

## 2.6 Spendthrift Clause

Except as otherwise provided by federal law, the rights of any Participant or Beneficiary to and in any benefits under the Plan shall not be subject to assignment or alienation, and no Participant or Beneficiary shall

have the power to assign, transfer or dispose of such rights, nor shall any such rights to benefits be subject to attachment, execution, garnishment, sequestration, the laws of bankruptcy or any other legal or equitable process. This Section shall not apply with respect to qualified domestic relations orders as defined in Code section 414(p) and ERISA section 206(d)(3).

## 2.7 Claims against the Trust Fund

Subject to the claims procedure provided under the Plan, the Committee shall have complete control and authority to determine the existence, nonexistence, nature and amount of the rights and interests of all persons in or to the Trust Fund or under the Plan. Except as otherwise required by ERISA, the Trustee shall have no duty to question or to examine any determination made by the Committee or direction given by the Committee to the Trustee in respect of such matters.

## 2.8 Employer Contributions

Employer contributions to the Trust Fund shall consist only of cash, Company Stock or other property acceptable to the Trustee. The Trustee shall have no duty to administer the Plan nor to determine that the contributions received from the Company comply with the provisions of the Plan or any Company Stock Loan, or that the assets of the Trust are adequate to provide any benefit payable pursuant to the Plan or are adequate to make the payments under any Company Stock Loan. The Trustee shall not be obligated to collect any contributions from the Company, nor be obligated to see that funds deposited with it are deposited according to the provisions of the Plan.

## 2.9 Distributions

Payments shall be made from the Trust Fund by the Trustee to such persons, in such manner, at such times, and in such amounts as the Committee shall from time to time direct in writing; provided, however, that the Trustee may withhold compliance with the Committee's direction to the extent that, and so long as, the Trustee shall deem such withholding necessary to insure payment of the Trustee's fees and expenses or to protect the Trustee against liability for taxes or any other liability. The Trustee shall promptly notify the Committee in writing of any intent not to comply with a direction of the Committee, and shall set forth specific reasons for such noncompliance. The Trustee shall not be liable for any distribution made or acts done by it pursuant to, and in accordance with the specified terms of, written directions of the Committee. Neither shall the Trustee be obligated to inquire as to whether any payee or distributee is entitled to any payment or distribution. Rather, any payment or distribution made by the Trustee on the order or direction of the Committee shall operate as a complete discharge of all obligations of the Trustee with respect thereto.

ARTICLE 3 Investment of the Trust Fund

3.1 General Responsibility and Authority for Investment of Trust Fund Assets

The assets of the Trust Fund shall be invested and reinvested by the Trustee, subject to and in accordance with ERISA, the Plan and the provisions of this Trust Agreement.

3.2 ERISA Requirements

(a) In investing and managing the assets of the Trust Fund, the Fiduciary who has investment responsibility and authority shall exercise the care, skill, prudence and diligence, under the circumstances then prevailing, which prudent men, acting in like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims.

(b) Except as authorized by regulations promulgated by the Department of Labor, no Fiduciary may maintain the indicia of ownership of any assets of the Trust Fund outside the jurisdiction of the district courts of the United States.

(c) In investing and managing the assets of the Trust Fund, the Fiduciary shall take into consideration the funding policy of the Plan.

(d) Notwithstanding any other provision of the Trust Agreement, the Trustee shall not be required to comply with any provisions of the Trust Agreement that is not consistent with the requirements of Title I of ERISA. In the event a court of competent jurisdiction shall issue an opinion or order to the Plan, the Company or the Trustee, which shall, in the opinion of counsel to the Company or the Trustee, invalidate under ERISA, in all circumstances or in any particular circumstances, any provision or provisions of this Trust Agreement, then, upon notice thereof to the Company or to the Trustee, as the case may be, such invalid or conflicting provisions of this Trust Agreement shall be given no further force or effect.

3.3 Investment in Company Stock

The primary purpose of the Plan is to acquire an ownership interest in the Company either from the Company or its shareholders and to provide deferred compensation benefits to Participants and Beneficiaries in the form of shares of Company Stock. Accordingly, the Plan has been established to provide for investment primarily in shares of Company Stock. In furtherance of the purpose for which the Plan has been established and designed, the Trustee shall, in accordance with the terms of the Plan, (a) acquire shares of Company Stock with assets of the Trust Fund or with the proceeds of a Company Stock Loan, (b) hold unallocated shares of Company Stock which have been acquired with the proceeds of a Company Stock Loan in a Suspense Account for release and allocation to the

Accounts of Participants, (c) hold shares of Company Stock which have been contributed by the Company and (d) distribute to Participants or their Beneficiaries under the terms of the Plan all shares of Company Stock and other assets which have been allocated to the Accounts of such Participants pursuant to the terms of the Plan in accordance with the terms of the Plan, notwithstanding any otherwise applicable fiduciary standard relating to (i) diversification of Trust Fund assets, (ii) the speculative character of Trust Fund investments, (iii) the lack or inadequacy of income provided by Trust Fund assets, or (iv) the probable continual fluctuation in the fair market value of Trust Fund assets. Subject to the provisions of the Plan, the Trustee is expressly authorized to hold up to 100% of the assets of the Trust Fund in shares of Company Stock.

The Trustee may purchase Company Stock for the Trust Fund either (a) directly or indirectly from the Company or any shareholder of the Company, including any person deemed to be a "party in interest" within the meaning of ERISA section 3(14) or a "disqualified person" within the meaning of Code section 4975 or (b) through "blind" transactions on a national securities exchange in which neither the purchaser nor the seller knows the identity of the other party to the transaction, if applicable. In purchasing any securities on a national securities exchange, the Trustee shall give due regard to the trading volume, if any, of Company Stock at the time of each purchase and accordingly regulate the amount and timing of such purchases so as to minimize the effect on market price fluctuations which may be caused by such purchases. The Trustee shall comply with all federal and state securities laws and with all applicable provisions of ERISA when purchasing Company Stock, including, if required, the condition that no more than adequate consideration (as defined in Section 3(18) of ERISA) be paid for such Company Stock, and no commission be charged when a purchase of Company Stock is made from a "party in interest" or a "disqualified person."

In the event that the Trustee purchases or sells shares of Company Stock from or to a "party in interest" or a "disqualified person," and unless prohibited under applicable federal or state securities laws, the terms of such purchase or sale may provide that in the event that there is a final determination by the Internal Revenue Service, Department of Labor or court of competent jurisdiction that the Trustee paid more than "adequate consideration" (as defined in ERISA section 3(18)) to the seller or received less than adequate consideration from the purchaser for such shares of Company Stock as of the date of purchase or sale, the seller or purchaser, as the case may be, shall be required to pay to the Trustee an amount in cash equal to the difference between the purchase or sale price and the amount determined to be adequate consideration plus interest at a reasonable rate from the date of purchase or sale to the date of payment.

The Trustee may enter into a Company Stock Loan, the proceeds of which must be used within a reasonable time after their receipt by the Trustee to acquire shares of Company Stock and/or repay a prior Company Stock Loan; provided, however, that the terms and conditions of the Company Stock Loan together with any other documents executed by the Trustee in connection therewith (including without limitation any security or guarantee agreements) shall be subject to the following provisions:

- (a) The Company Stock Loan must be primarily for the benefit of the

Plan Participants and their Beneficiaries. The terms of the Company Stock Loan, whether or not between independent parties, must, at the time the loan is made, be at least as favorable to the Plan as the terms of a comparable loan resulting from arms'-length negotiations between independent parties. The loan must be for a specific term and must not be payable at the demand of any person, except in the case of default.

(b) The Company Stock Loan shall bear no more than a reasonable rate of interest.

(c) Any collateral pledged to the creditor shall consist only of the shares of Company Stock acquired with the proceeds of such Company Stock Loan or shares of Company Stock that were pledged as collateral in connection with a prior Company Stock Loan that was repaid with the proceeds of the current Company Stock Loan, provided, however, that the Company may guarantee repayment of the Company Stock Loan.

(d) Under the terms of the Company Stock Loan or other documents executed by the Trustee in connection therewith, the creditor shall not have recourse against the assets of the Trust Fund except that a Company Stock Loan may permit recourse with respect to (1) the collateral pledged as security for the Company Stock Loan, (2) contributions (other than contributions of Company Stock) that are made to meet the Trustee's obligations under the Company Stock Loan, and (3) earnings attributable to such collateral and the investment of such contributions.

(e) The Company Stock Loan or any security agreements executed by the Trustee in connection therewith shall provide for the release of shares of Company Stock from encumbrance in a manner permitted by Treasury Regulations under Code section 4975(e)(7).

(f) The Company Stock Loan or any security agreements executed by the Trustee in connection therewith shall provide that in the event of default under such Company Stock Loan, the value of the Plan's assets, if any, transferred in satisfaction of such obligation must not exceed the amount of such default, and if the lender is a "disqualified person," the Company Stock Loan must provide for the transfer of Plan assets only upon and to the extent of the failure of the Trustee to meet the payment schedule of the Company Stock Loan. For purposes of this paragraph (f), the preceding sentence shall not apply solely because a guarantor is a disqualified person.

(g) Payments made by the Trustee from the Trust Fund with respect to a Company Stock Loan during a Plan Year shall not exceed the sum of (1) contributions (other than contributions of shares of Company Stock) made to the Trust Fund for the Plan Year and each prior Plan Year to meet its obligations under such Company Stock Loan and the earnings attributable to the investment of such contributions and (2) earnings attributable to allocated and unallocated shares of Company Stock purchased with such Company Stock Loan, reduced by (3) payments made under such Company Stock Loan in prior Plan Years, and increased by (4) the proceeds of any sale of Company Stock held in the Suspense Account.

Such contributions and earnings must be accounted for separately in the books of account of the Trustee until the Company Stock Loan is repaid. Notwithstanding the foregoing, if at the date of termination of the Plan, the Trustee remains indebted under any Company Stock Loan, the Committee may instruct the Trustee, prior to making the final Plan allocations, to pay accrued interest and principal and to prepay the remaining principal balance of the Company Stock Loan with shares of Company Stock held in the Suspense Account or with the proceeds of a sale or other disposition of such Company Stock. If any assets remain in the Suspense Account after all Company Stock Loans have been fully discharged, such assets will be allocated as income of the Trust Fund for the Plan Year in which the Plan terminates.

(h) Except as provided in the Plan or as otherwise required by applicable law, no shares of Company Stock acquired with the proceeds of a Company Stock Loan shall be subject to a put, call, right of first refusal or other option or buy-sell or similar arrangement, while such Company Stock is held by or when distributed from the Plan, whether or not the Company Stock Loan is repaid or the Plan is then an employee stock ownership plan (as defined by section 4975(e)(7) of the Code). To the extent required by Treasury Regulation Section 54.4975-11(a)(3)(ii) (or any successor or replacement regulation thereto), the restrictions of this paragraph (h) shall be nonterminable.

### 3.4 Other Trust Fund Investments; Asset Transfers

(a) The Trustee may deposit or invest any assets of the Trust Fund other than shares of Company Stock, (a) in short-term cash-equivalent investments, such as Treasury Notes, Treasury Bills or other similar short-term obligations of the United States Government or any instrumentality thereof, savings accounts, bankers' acceptances, certificates of deposit, commercial paper or other interest bearing accounts in a Bank (including those of the Trustee, if the Trustee is a Bank and such instruments or accounts bear a reasonable rate of interest), or in a non-interest bearing checking account for the purpose of meeting contemplated payments under the Plan, (b) in other securities or investments, including mutual funds, or (c) in any common or collective trust fund or pooled investment fund maintained by the Trustee. The instrument establishing any such common or collective trust fund or pooled investment fund, including all amendments thereto, shall be deemed to have been adopted and made a part of this Trust Agreement.

(b) To the extent authorized under the Plan and Code section 401(a)(28)(B), the Trustee shall, in accordance with the directions of eligible Participants and Beneficiaries received by the Trustee from the Committee, transfer amounts from their Accounts in the Trust Fund to a trust fund established under another defined contribution plan of the Employer that is intended to be qualified under Code section 401(a).

ARTICLE 4 Powers of the Trustee

4.1 Scope of Powers

The Trustee has whatever powers are required to discharge its obligations and exercise its rights under this Trust Agreement, without being limited by any state statute or rule of law regarding investments by trustees, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Trustee under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Trustee.

4.2 Powers Exercised by the Trustee

In furtherance of the purposes of the Plan and the Trust, the Trustee is authorized and empowered to exercise the following powers in its sole discretion:

(a) Except as provided in Section 4.3, to sell, mortgage, pledge, lease or otherwise dispose of any securities or other property in the Trust at public or private sale.

(b) To register any investment held in the Trust Fund in its own name or in the name of a nominee, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and to hold any investment in bearer form, and to deposit any investment in a depository or clearing corporation, but the books and records of the Trustee shall show that all such investments are part of the Trust Fund.

(c) Notwithstanding any other provisions of this Agreement, to enter into a Company Stock Loan and use the proceeds of such loan to purchase Company Stock.

(d) To determine, for all purposes of the Plan, the market value of any securities or other property held by the Trustee in the Trust and, where any securities or other property are determined by the Trustee not to be publicly traded, to determine their value in accordance with sound practice and standards for evaluating such property; subject, however, in the case of Company Stock held in the Trust that is not publicly traded within the meaning of Code section 401(a)(28), to any valuation of such Company Stock rendered by an independent appraiser meeting requirements similar to the requirements of Code section 170(a)(1), as selected by the Trustee.

(e) To employ suitable agents, including such public accountants, brokers, custodians, ancillary trustees, and appraisers as shall be necessary and appropriate, and to employ counsel (which may be counsel for the Committee or the Company), and to pay their reasonable expenses and compensation. To the extent permitted under applicable law, the written opinion of such counsel shall be full and complete protection of the Trustee in respect to any action taken or suffered by the Trustee hereunder in good faith reliance on said opinion.

(f) Other than with respect to payments required under a Company Stock Loan and except as otherwise provided in Section 4.4, to sell, exchange, convey, transfer or otherwise dispose of shares of Company Stock.

(g) To make commitments either alone or in concert with others to purchase at any future date any property, investments or securities authorized by this Agreement.

(h) Except as provided in Section 4.2(c), to borrow funds from any lender other than the Trustee (including the Company) to finance the acquisition of Company Stock, provided however, that any evidence of indebtedness to any "party in interest" or "disqualified person" or to any other lender which is guaranteed by a "party in interest" or "disqualified person" shall be a Company Stock Loan subject to the provisions of Section 3.3.

(i) To accept, compromise or otherwise settle any obligations or liability due to or from it as Trustee hereunder, including any claim that may be asserted for taxes under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

(j) Except as otherwise provided in Section 4.3, to vote Company Stock held in the Trust Fund and to exercise any other rights or privileges associated with such Company Stock in accordance with the terms of the Plan.

#### 4.3 Voting Company Stock

All voting rights on shares of Company Stock held by the Trust shall be exercised by the Trustee in accordance with the following provisions of this Section 4.3:

(a) If the Company has a registration-type class of securities (as defined in Section 409(e)(4) of the Code), then all shares of Company Stock allocated to Accounts or the Suspense Account and entitled to vote shall be voted in accordance with the following provisions of this Section 4.3. If the Company does not have a registration-type class of securities, then, only with respect to any corporate matter which involves the voting of Company Stock with respect to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business or such other similar transaction that the Treasury Regulations require, all shares of such Company Stock shall be voted in accordance with the following provisions of this Section 4.3. If the Company does not have a registration-type class of securities, then, with respect to any matter that is not listed in the previous sentence, the Trustee shall vote all allocated and unallocated shares in its own discretion, unless otherwise provided in the Plan.

(b) To the extent required under the foregoing paragraph, as soon as practicable before each annual or special shareholders' meeting of the Company, or as required by applicable Treasury Regulations, the Trustee shall furnish to each Participant a copy of the proxy solicitation material sent generally to

shareholders, together with a form requesting confidential instructions on how the shares allocated to such Participant's Account (including fractional shares of 1/1000th of a share) are to be voted. The Committee and the Trustee may also provide Participants with such other material concerning the matters to be voted as the Trustee or the Committee in its discretion determine to be appropriate, provided, however, that prior to any distribution of materials by the Committee, the Trustee shall be furnished with complete copies of all such materials. The Company and the Committee shall cooperate with the Trustee to ensure that Participants receive the requisite information in a timely manner. All shares of Company Stock not allocated to Participants' and Beneficiaries' Accounts (unallocated shares) shall be voted by the Trustee in its own discretion. By returning the proxy solicitation and pursuant thereto specifically directing the Trustee how the shares are to be voted, such Participant is consenting to his appointment as Named Fiduciary hereunder with respect to allocated shares for which he is entitled to provide the Trustee with voting directions. If voting instructions for shares of Company Stock are not timely received from a Participant by the Trustee for a particular shareholders' meeting, the Trustee will treat the non-receipt as a refusal by the Participant to be appointed as Named Fiduciary with respect to that proxy solicitation. Thereafter, in connection with such proxy solicitation, the Trustee shall treat the allocated shares for which such Participant refused appointment as Named Fiduciary as additional unallocated shares. Such additional shares shall be voted by the Trustee in its own discretion. A Participant's consent to appointment as a Named Fiduciary or failure to consent to such appointment shall be binding only with respect to the specific proxy solicitation. The instructions received by the Trustee from Participants or Beneficiaries shall be held by the Trustee in strict confidence and shall not be divulged or released to any person including directors, officers or employees of the Company, or of any other company, except as otherwise required by law.

(c) With respect to shares of Company Stock allocated to the Account of a deceased Participant, such Participant's Beneficiary, as Named Fiduciary, shall be entitled to direct the voting with respect to such allocated shares as if such Beneficiary were the Participant.

#### 4.4 Tender Offer for Company Stock

(a) If the Company has a registration-type class of securities (as defined in Section 409(e)(4) of the Code), then all tender or exchange decisions with respect to Company Stock held by the Trust shall be made in accordance with the following provisions of this Section 4.4(a).

(i) In the event an offer shall be received by the Trustee (including a tender offer for shares of Company Stock subject to Section 14(d)(1) of the Securities Exchange Act of 1934 or subject to Rule 13e-4 promulgated under that Act, as those provisions may from time to time be amended) to purchase or exchange any shares of Company Stock held by the Trust, the Trustee will advise each Participant who has shares of Company Stock credited to such Participant's Account in writing of the terms of the offer as soon as practicable after its commencement and will furnish each Participant with a form by which he may

instruct the Trustee confidentially whether or not to tender or exchange shares allocated to such Participant's Account (including fractional shares of 1/1000th of a share). All shares of Company Stock subject to the offer shall be tendered or exchanged or shall not be tendered or exchanged by the Trustee only in accordance with directions made by Participants acting in their capacity as Named Fiduciaries with respect to allocated shares. All shares of Company Stock not allocated to Participants' or Beneficiaries' Accounts (unallocated shares) shall be tendered or exchanged, or not tendered or exchanged, by the Trustee in its own discretion. By timely returning the form and pursuant thereto specifically directing that the shares subject to the decision of the Participant either be tendered or exchanged or not tendered or exchanged, such Participant is consenting to his appointment as Named Fiduciary hereunder with respect to allocated shares for which he is entitled to provide the Trustee with directions. If proper tender or exchange instructions for shares of Company Stock allocated to the Account of any Participant are not timely received by the Trustee, the Trustee will treat the non-receipt as a refusal by the Participant or Beneficiary to be appointed as Named Fiduciary with respect to that tender or exchange offer, and the Trustee shall treat the allocated shares for which such Participant or Beneficiary refused appointment as Named Fiduciary as additional unallocated shares. Such additional shares shall be tendered or exchanged, or not tendered or exchanged, by the Trustee in its own discretion. A Participant's consent to appointment as a Named Fiduciary or failure to consent to such appointment shall be binding only with respect to the specific tender or exchange offer described in the materials sent to the Participant by the Trustee. The Committee and the Trustee may also provide Participants with such other material concerning the tender or exchange offer as the Trustee or the Committee in its discretion determine to be appropriate, provided, however, that prior to any distribution of materials by the Committee, the Trustee shall be furnished with complete copies of all such materials. The Company and the Committee will cooperate with the Trustee to ensure that Participants receive the requisite information in a timely manner. The instructions received by the Trustee from Participants or Beneficiaries shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including directors, officers or employees of the Company, or of any other company, except as otherwise required by law.

(ii) With respect to shares of Company Stock allocated to the Account of a deceased Participant, such Participant's Beneficiary, as a Named Fiduciary, shall be entitled to direct the Trustee whether or not to tender or exchange such shares as if such Beneficiary were the Participant.

(iii) In the event, under the terms of a tender offer or otherwise, any allocated shares of Company Stock tendered for sale, exchange or transfer pursuant to such offer may be withdrawn from such offer, the Trustee shall follow such instructions respecting the withdrawal of such securities from such offer as shall be timely received by the Trustee from the Participants, as Named Fiduciaries, entitled under this Section 4.4 to give instructions as to the sale, exchange or transfer of securities pursuant to such offer.

(iv) In the event that an offer for fewer than all of the shares of Company Stock held by the Trustee shall be received by the Trustee, each Participant who has been allocated any Company Stock subject to such offer shall

be entitled to direct the Trustee as to the acceptance or rejection of such offer (as provided by subsections (i)-(iii) of this Section 4.4(a)) with respect to the largest portion of such allocated Company Stock as may be possible given the total number or amount of shares of Company Stock the Plan may sell, exchange or transfer pursuant to the offer based upon the instructions received by the Trustee from all other Participants who shall timely instruct the Trustee pursuant to this Section 4.4 to sell, exchange or transfer such allocated shares pursuant to such offer, each on a pro rata basis in accordance with the number or amount of such shares allocated to his Account.

(v) In the event an offer shall be received by the Trustee and instructions shall be solicited from Participants pursuant to subsections (i)-(iii) of this Section 4.4(a) regarding such offer, and prior to the termination of such offer, another offer is received by the Trustee for the securities subject to the first offer, the Trustee shall treat the offer as a new offer for purposes of apprising Participants of their rights to direct the Trustee and for purposes of providing Participants with the opportunity to accept or to reject their appointment as Named Fiduciaries and shall use its best efforts under the circumstances to solicit instructions from the Participants to the Trustee (x) with respect to securities tendered for sale, exchange or transfer pursuant to the first offer, whether to withdraw such tender, if possible, and, if withdrawn, whether to tender any securities so withdrawn for sale, exchange or transfer pursuant to the second offer and (y) with respect to securities not tendered for sale, exchange or transfer pursuant to the first offer, whether to tender or not to tender such securities for sale, exchange or transfer pursuant to the second offer. The Trustee shall follow all such instructions received in a timely manner from Participants in the same manner as provided in subsections (i)-(iii) of this Section 4.4(a). In the event a Participant who failed to consent to his appointment as a Named Fiduciary so consents in response to a subsequent offer, the Trustee will be subject to that consenting Participant's direction with respect to the instructions given pursuant to (x) and (y) above. In the event a Participant who directed the Trustee with respect to an earlier offer fails to direct the Trustee in response to a subsequent offer, the Participant and the shares for which he would have been entitled to provide the Trustee with directions will thereafter be subject to the directions of Participants who have consented to their appointment as Named Fiduciaries with respect to the latest tender or exchange offer. With respect to any further offer for any Company Stock received by the Trustee and subject to any earlier offer (including successive offers from one or more existing offerors), the Trustee shall act in the same manner as described above.

(vi) A Participant's instructions to the Trustee to tender or exchange shares of Company Stock will not be deemed a withdrawal or suspension from the Plan or a forfeiture of any portion of the Participant's interest in the Plan. Funds received in exchange for tendered shares will be credited to the Account of the Participant whose shares were tendered or the Suspense Account from which such shares were tendered.

(vii) The Trustee shall take all steps necessary, including appointment of a corporate trustee and/or an outside independent administrator to the extent such action, after consultation with the Company and the Committee, is found necessary to maintain confidentiality of Participant responses and/or to adequately discharge their obligations as Named Fiduciary.

(viii) In the event the Company initiates a tender or exchange offer, the Trustee may, in its sole discretion, enter into an agreement with the Company not to tender or exchange any shares of Company Stock in such offer, in which event, the foregoing provisions of this section 4.4 shall have no effect with respect to such offer and the Trustee shall not tender or exchange any shares of Company Stock (allocated or unallocated) in such offer.

(b) If the Company does not have a registration-type class of securities, then the Trustee shall tender or exchange, or not tender or exchange, all allocated and unallocated shares in its own discretion.

#### 4.5 Documents, Instruments and Facilities

(a) In order to effectuate the specific powers and authority herein granted to the Trustee, the Trustee may make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate.

(b) The Trustee may use its own facilities in effecting any transaction involving assets of the Trust Fund, unless such use is prohibited by ERISA section 406 or Code section 4975.

### ARTICLE 5 Duties and Obligations of the Trustee

#### 5.1 Scope of Duties and Obligations

The Trustee agrees to perform the duties and obligations imposed by this Trust Agreement and the Plan. No duties or obligations shall be imposed upon the Trustee with respect to the Trust Fund unless undertaken by the Trustee under the express terms of this Trust Agreement or the Plan, or unless imposed upon the Trustee by statute or at common law. The Trustee shall have no duty or obligation to advise Participants or Beneficiaries as to the effect of federal or state securities laws on the Plan, the Trust Fund or any distributions therefrom.

#### 5.2 General Duties and Obligations

(a) The Trustee shall hold all property received by it and any income and gains thereupon. The Trustee shall manage, invest and reinvest the Trust Fund, shall collect the income therefrom, and shall make payments as provided in the Plan and in this Trust Agreement. The Trustee may utilize depositories to hold assets of the Trust Fund, provided however that the Trustee shall not be relieved of any fiduciary responsibility with respect to the assets so held.

(b) The Trustee is responsible only for money or assets that it actually receives. The Trustee has no duty to compute amounts to be paid to it by the Company or to enforce collection of any contribution due from the

Company. The Trustee is not responsible for the correctness of the computation of the amount of any contribution made or to be made by the Company.

(c) The Trustee shall make payments and disbursements from the Trust Fund in accordance with Section 2.9 of the Trust Agreement.

(d) Subject to the provisions of Section 8.2(c), the Trustee shall comply with any directive issued by the Company's Board of Directors or the Committee to withdraw and transfer all or any part of the Trust Fund to another trustee or another successor funding agent.

### 5.3 Valuation

(a) The Trustee shall determine, and report to the Committee, the current fair market value of the assets and liabilities of the Trust Fund, and Participants' and Beneficiaries' interests therein, as of the regular Valuation Date and as of any interim Valuation Date that may be fixed by the Committee.

(b) The fair market value of assets of the Trust Fund shall be determined by the Trustee. In valuing the assets, the Trustee may rely on information from the Company, the Committee, appraiser or other sources, and will not be liable for an inaccurate valuation based in good faith on such information. Notwithstanding the foregoing, the fair market value of shares of Company Stock shall be (i) if the Stock is readily tradeable on an established securities market, the fair market value of such stock on such market on the Valuation Date or (ii) if the Stock is not readily tradeable on an established securities market, the fair market value determined in good faith by the Trustee based upon an appraisal by an independent appraiser meeting requirements similar to the requirements of Code section 170(a)(1).

(c) Reasonable costs incurred in valuing the Trust Fund that are not paid by the Company may, at the direction of the Company, be charged against the Trust Fund.

### 5.4 Records

The Trustee shall keep complete accounts of all investments, receipts and disbursements, other transactions hereunder, and gains and losses resulting from same. Such accounts shall be sufficiently detailed to meet the Trustee's duties of reporting and disclosure required under applicable federal or state law as shall exist from time to time, and records of such accounts shall be retained by the Trustee for a period of no less than six years following the filing date of documents based on information contained in such accounts. All accounts, books, contracts and records relating to the Trust Fund shall be open to inspection and audit at all reasonable times by any person designated by the Committee. For a period of six years following the resignation or removal of the Trustee, the Trustee shall retain copies of such accounts, books, contracts and records. At the end of such six-year period, the Trustee shall offer possession of such copies to the Company

## 5.5 Reports

(a) Within 90 days following the close of each Plan Year, and within 90 days following the Trustee's resignation or removal under Article 7 of this Trust Agreement, the Trustee shall furnish the Committee with a written report setting forth the transactions effected by the Trustee during the period since it last furnished such a report and any gains or losses resulting from same, any payments or disbursements made by the Trustee during such period, the assets of the Trust Fund as of the last day of such period (at cost and at fair market value), and any other information about the Trust Fund that the Committee may reasonably request. The Trustee shall certify the accuracy of the report.

(b) Each report submitted pursuant to subsection (a) shall be promptly examined by the Committee. If the Committee approves of such report, the Trustee shall be forever released from any liability of accountability with respect to the propriety of any of its accounts or transactions so reported, as if such account had been settled by judgment or decree of a court of competent jurisdiction in which the Trustee, the Committee, the Company, and all persons having or claiming any interest in the Trust Fund were made parties. The foregoing, however, is not to be construed to deprive the Trustee of the right to have its account judicially settled if it so desires.

(c) The Committee may approve of any report furnished by the Trustee under subsection (a) either by written statement of approval furnished to the Trustee or shall be deemed to have approved of any such report by failure to file a written objection to the report with the Trustee within 90 days of the date on which the Committee receives such report. The Committee shall not be liable to any person for its approval, disapproval or failure to approve any such report rendered by the Trustee.

## 5.6 Instructions

All communications required hereunder from the Company or the Committee to the Trustee shall be in writing signed by an officer of the Company or by a member of the Committee authorized to sign on its behalf. The Committee may authorize one or more of its members to sign on its behalf all communications required hereunder between the Committee and the Trustee. At all times during which communications between the Committee and the Trustee are required hereunder, the Company and the Committee shall keep the Trustee advised of the names and specimen signatures of all members of the Committee and the individuals authorized to sign on behalf of the Committee. In the absence of any notification of changes, the Trustee may assume that the members of the Committee are the same as last reported by the Company to the Trustee.

## 5.7 Hiring of Agents and Related Expenses

The Trustee may employ suitable agents and counsel who may be agents or counsel for the Company. The reasonable expenses incurred by the Trustee and

the Committee in hiring such agents or counsel or otherwise in the performance of their duties hereunder and all other charges, expenses, disbursements and compensation of the Trustee or the Committee shall be paid by the Company, or, if authorized by the Company, may be paid from the Trust Fund. If any charges, expenses, disbursements or compensation shall remain unpaid by the Company for a period of more than 90 days following a written request by the Trustee to the Company for payment, the Trustee may pay such amount from the Trust Fund.

## ARTICLE 6 Compensation, Rights and Indemnities of the Trustee

### 6.1 Compensation and Reimbursement

(a) The Trustee shall receive for its services reasonable compensation as agreed upon in writing from time to time between the Company and the Trustee, unless the Trustee is an Employee, in which case the Trustee shall serve without compensation.

(b) The Trustee shall be reimbursed for all reasonable expenses it incurs in the performance of its duties arising under the Plan, this Trust Agreement and ERISA. In this regard, reasonable expenses include (but are not limited to) accounting, consulting, appraisal, brokerage, custodial and actuarial fees related to the administration of the Plan and this Trust Agreement, as well as legal fees incurred in connection with any legal action taken in respect of the Trustee's duties.

(c) Compensation and expenses payable under this Section 6.1 shall be paid directly by the Company, unless the Company specifically authorizes such compensation and expenses to be paid from the Trust Fund (and may be charged, if applicable, to an appropriate subaccount or subtrust).

### 6.2 Rights of the Trustee

(a) Whenever in the administration of the Plan a certification or direction is required to be given to the Trustee, or the Trustee deems it necessary that a matter be proved prior to taking, suffering or omitting any action hereunder, such certification or direction shall be fully made, or such matter may be deemed to be conclusively proved, by delivery to the Trustee of an instrument signed either:

(1) in the name of the Company by an officer of the Company; or

(2) unless the matter concerns the authority of the Committee, in the name of the Committee by any member of the Committee;

and the Trustee may fully rely upon such instrument to the extent permitted by law. Notwithstanding the foregoing, the Trustee may in its sole discretion accept such other evidence of a matter or require such further evidence as may seem reasonable to it, in lieu of such instrument. Generally, the Trustee shall

be protected in acting upon any notice, resolution, order, certificate, opinion, telegram, letter or other document believed by the Trustee to be genuine and to have been signed by the proper party or parties, and may act thereon without notice to a Participant or Beneficiary and without considering the rights of any Participant or Beneficiary.

(b) The Trustee may make any payment which it is required to make hereunder by mailing a check for the amount of such payment and any other necessary papers by first class mail in a sealed envelope addressed to the person to whom such payment is to be made, according to the certification of the Committee. In this respect, the Trustee shall recognize only instructions given to it by the Committee and has the right to act thereon without notice to any person and without considering the rights of any Participant or Beneficiary. The Trustee is not required to determine or to make any investigation to determine, the identity or mailing address of any person entitled to benefits under the Plan, and is entitled to withhold payment of benefits or directions to issuing companies with respect to such payment until the identity and mailing address of the Participant or Beneficiary entitled to receive such benefits is certified by the Committee. Except as provided in Section 5.3, the Trustee shall not be responsible for the determination or computation of any benefit due to a Participant or Beneficiary.

(c) In the event that any dispute arises as to the identity or rights of any person or persons to whom the Trustee is to make payment or delivery of any funds or property, the Trustee may withhold payment or delivery of such funds or property without liability until the dispute is resolved by arbitration, adjudicated by a court of competent jurisdiction, or settled by written stipulation of the parties concerned. The Trustee shall not be liable for the payment of and interest or income on the cash or other property held by it under such circumstances. The Trustee, at its discretion, may bring any action in the nature of an interpleader, but shall not be obligated to do so.

(d) The Trustee may consult with legal counsel (who may be counsel for the Committee or the Company) with respect to the construction of the Plan or this Trust Agreement or its duties thereunder, or with respect to any legal proceeding or any question of law, and shall be fully protected (to the extent permitted by law) with respect to any action it takes or omits in good faith upon the advice of such counsel.

(e) The Trustee shall be provided with specimen signatures of the current members of the Committee. The Trustee shall be entitled to rely in good faith upon any directions signed by a majority of the members of the Committee or their appointed delegate, and shall incur no liability for following such directions.

(f) The Trustee may accept communications by photostatic teletransmissions with duplicate or facsimile signatures as a delivery of such communications in writing until notified in writing by the Committee that the use of such devices is not longer authorized.

(g) Until advised to the contrary by the Company, the Trustee shall assume that the Trust is exempt from all federal, state, and local income taxes,

and may act in accordance with that assumption. If the whole or any part of the Trust Fund, or the proceeds thereof, becomes liable for the payment of any estate, inheritance, income or other tax, charge or assessment which the Trustee is required to pay, the Trustee shall have full power and authority to pay such tax, charge or assessment out of any money or other property in its hand for the account of the person whose interests hereunder are so liable, but at least 10 days prior to the making of any such payment the Trustee must mail notice to the Committee of its intention to make such payment. Prior to making any transfers or distributions of any of the proceeds of the Trust Fund, the Trustee may require such releases or other documents from any lawful taxing authority and may require such indemnity from any payee or distributee, as it deems necessary.

### 6.3 Indemnification

(a) The Company and its successors shall indemnify and hold harmless the Trustee from all loss or liability (including expenses and reasonable attorneys' fees) to which the Trustee may be subject by reason of its execution of its duties under this Trust Agreement, or by reason of any acts taken in good faith in accordance with directions, or acts omitted in good faith due to absence of directions, from the Committee unless such loss or liability is due to the Trustee's negligence, bad faith or willful misconduct. The Trustee is entitled to collect on the indemnity provided by this Section 6.3 only from the Company, and is not entitled to any direct or indirect indemnity payment from assets of the Trust Fund. For purposes of this Section 6.3, negligence shall be defined as acts or omissions that constitute a material departure from standards of ordinary care.

(b) In the event that the Trustee is named as a defendant in a lawsuit or proceeding involving the Plan or the Trust Fund, the Trustee shall be entitled to receive on a current basis the indemnity payments provided for in this Section 6.3. If, however, the final judgment entered in the lawsuit or proceeding holds that the Trustee is guilty of negligence, bad faith or willful misconduct with respect to one or more counts alleged against it, the Trustee shall promptly reimburse all indemnity payments made pursuant to this Section 6.3

### 6.4 Limitation of Liability of Trustee

(a) If the Trustee makes a written request for directions from the Committee, the Trustee may await such directions without incurring liability. The Trustee has no duty to act in the absence of such requested directions, but may in its discretion take such action as it deems appropriate to carry out the purposes of this Trust Agreement, without liability therefore.

(b) The Trustee is not responsible for determining the adequacy of the Trust Fund to meet liabilities under the Plan, and is not liable for any obligations of the Plan or the Trust Fund in excess of the assets of the Trust Fund.

(c) The Trustee shall not be liable for the acts or omissions of any other fiduciary or person with respect to the Plan or the Trust Fund, except as otherwise provided under applicable law, including ERISA.

(d) The Trustee is not responsible for any matter affecting the administration of the Plan by the Company, the Committee, or any other person or persons to whom responsibility for administration of the Plan is delegated by the Company or the Committee pursuant to the terms of the Plan.

#### 6.5 Court Proceedings and Necessary Parties to Legal Actions

The Trustee may institute, maintain or defend any litigation necessary in connection with the administration of the Trust Fund, provided, the Trustee shall be under no duty or obligation to do so unless it shall have been indemnified to its satisfaction against all expenses and liabilities which it may sustain or reasonably anticipate by reason thereof. All costs and expenses of litigation for which the Trustee would be liable shall be paid by the Company, or, if authorized by the Company, from the Trust Fund. Except as required by ERISA section 502(h), only the Employer, the Committee and the Trustee shall be considered necessary parties in any legal action or proceeding with respect to the Trust Fund, and no Participant, Beneficiary or other person having an interest in the Trust Fund shall be entitled to notice. Any judgment entered on any such action or proceeding shall be binding on the Employer, Committee, Trustee and all persons claiming under the Trust. Nothing in this Section 6.5 is intended to preclude a Participant or Beneficiary from enforcing his legal rights.

#### 6.6 Bonding of Trustee

The Trustee shall not be required to furnish any bond or security for the performance of its powers and duties hereunder, unless irrespective of this provision, the Trustee is required to do by State or Federal statute or regulation.

#### 6.7 Third Party

No person dealing with the Trustee shall be obligated to see to the proper application of any money paid or property delivered to the Trustee, or to inquire whether the Trustee has acted pursuant to any of the terms of the Plan or Trust. Each person dealing with the Trustee may act upon any notice, request, or representation in writing by the Trustee, or by the Trustee's duly authorized agent, and shall not be liable to any person whomsoever in so doing. The certificate of the Trustee that it is acting in accordance with the Plan or Trust shall be conclusive in favor of any person relying on the certificate.

#### 6.8 Tax and Information Returns

The Company shall be responsible for timely filing all tax and information returns, as well as all required descriptions, reports, and disclosures, relating to the Plan and Trust. The Trustee shall be responsible for promptly providing to the Company such information as the Company may reasonably request to prepare or complete such returns, reports descriptions and disclosures.

ARTICLE 7        Resignation or Removal of the Trustee

7.1 Resignation

The Trustee may resign at any time by delivering to the Company's Board of Directors or the Committee a written notice of resignation, to take effect not less than 60 days after receipt by the Board of Directors or the Committee of such notice.

7.2 Removal

The Company's Board of Directors or the Committee may remove the Trustee at any time by delivering to the Trustee, not less than 60 days before it is to take effect, a written notice of removal (unless such notice is waived by the Trustee).

7.3 Successor Trustee

Upon the resignation or removal of the Trustee, the Company's Board of Directors or the Committee shall appoint a successor Trustee, which may accept such appointment by execution of this Trust Agreement or a successor trust agreement.

7.4 Settlement

The Trustee shall have the right to have a final settlement of the accounts of the Trust by judicial settlement in an action instituted by the Trustee in a court of competent jurisdiction.

7.5 Transfer to Successor Trustee

Upon settlement of the Trustee's account, the Trustee shall transfer to the successor Trustee the Trust Fund as it is then constituted and true copies of its records relating to the Trust Fund. Upon the completion of this transfer, the Trustee's responsibilities under this Trust Agreement shall cease and the Trustee shall be discharged from further accountability for all matters embraced in its settlement; provided, however, that the Trustee executes and delivers all documents and written instruments which are necessary to transfer and convey the right, title and interest in the Trust Fund assets, and all rights and privileges with respect to such assets, to the successor Trustee. If authorized by the Company, the Trustee may reserve such amount as it may deem advisable for payment of its fees and expenses in connection with the settlement of its account. Any balance of such reserve remaining after the payment of such fees and expenses shall be paid over to the successor Trustee. Notwithstanding any provision of the Trust Agreement to the contrary, the Trustee may invest and reinvest such reserves in any investment or investment vehicle appropriate for the temporary investment of cash reserves of trust.

#### 7.6 Duties of the Trustee Prior to Transfer to Successor Trustee

The Trustee's powers, duties, rights and responsibilities under this Trust Agreement shall continue until the date on which the transfer of the Trust Fund assets and delivery of the related documents to the successor Trustee under Section 7.5 is completed. Nothing contained herein shall relieve the Trustee of its duties under Section 5.5. The Trustee shall neither be liable or responsible for any act or omission to act with respect to the operation or administration of the Trust Fund under this Trust Agreement prior to its acceptance of its appointment as Trustee, nor be under any duty or obligation to audit or otherwise inquire into or take any action concerning the acts or omissions of any predecessor Trustee.

#### 7.7 Powers, Duties and Rights of the Successor Trustee

Upon its receipt of all the assets of the Trust Fund and all of the documents related thereto, the successor Trustee shall become vested with all the estate, powers, duties, rights and discretion of the Trustee under this Trust Agreement with the same effect as though the successor Trustee were originally named as Trustee hereunder.

#### 7.8 Merger or Consolidation Involving Corporate Trustee

Any corporation into which a corporation acting as Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which such Trustee may be a party, shall be the successor of the Trustee hereunder without the necessity of any appointment or other action, provided it does not resign and is not removed.

### ARTICLE 8 Amendment of the Trust Agreement or Termination of the Plan

#### 8.1 Amendment of the Trust Agreement

(a) The Company reserves the right to amend this Trust Agreement in the manner set forth in subsection (b) at any time and to any extent that it may deem advisable or appropriate, provided, however, that:

(1) No amendment may affect the duties, rights, responsibilities or liabilities of the Trustee without its written consent;

(2) No amendment may have the effect of vesting in Employer any interest in or control over any property subject to the terms of this Trust Agreement; and

(3) No amendment may contravene the provisions of Section 2.4.

(b) Any amendment to this Trust Agreement shall be made only pursuant to action of the Company's Board of Directors. A certified copy of the resolution adopting any amendment and a copy of the adopted amendment as executed by the Company shall be delivered to the Trustee. Upon such action by the Company, the Trustee Agreement shall be deemed amended as of the date specified as the effective date by such action or in the instrument of the amendment. The effective date of any amendment may be before, on or after the date of such action.

(c) Unless an amendment expressly provides otherwise, the Employer shall be bound by any amendment adopted pursuant to this Article 8.

## 8.2 Termination of the Plan

(a) In the event that the Plan is terminated, the Committee shall notify the Trustee as to whether the Trust Fund is to be distributed or is to be maintained by the Trustee in accordance with the provisions of the Plan and this Trust Agreement. If the Committee directs that the Trust Fund is to be distributed, the Trustee shall establish the fair market value of the Trust Fund as of such interim Valuation Date as is designated by the Committee, and, after paying the reasonable expenses involved in the termination of the Plan, shall distribute all or a part of the assets of the Trust Fund (converting such assets into cash, as necessary) in accordance with the written directions of the Committee.

(b) If, at the date of termination of the Plan, the Plan remains indebted with respect to a Company Stock Loan, the Committee shall instruct the Trustee, prior to making the final Plan allocations, to pay the accrued principal and interest and to prepay the remaining principal balance of the Company Stock Loan with the shares of Company Stock held in the Suspense Account or with the proceeds of a sale or other disposition of such Company Stock. If any assets remain in the Suspense Account after all Company Stock loans have been fully discharged, such assets shall be allocated as income of the Trust Fund for the Plan Year in which the Plan terminates.

(c) In the event of the withdrawal of any Related Company from the Plan, the Trustee shall distribute the assets of the Trust Fund attributable to the Participants employed by the Related Company, and their Beneficiaries, in accordance with the written directions of the Committee.

(d) Notwithstanding the provisions of subsections (a), (b) and (c):

(i) To the extent permitted by the United States Department of Labor, and as directed by the Committee, the Trustee may pay from the assets of the Trust Fund the reasonable expenses involved in the termination of the Trust Fund prior to distributing the assets of the Trust Fund;

(ii) Except as provided in Section 3.4(b), the Trustee shall not comply with any instruction to transfer assets of the Trust Fund to the funding agent of any other employee benefit plan unless the Trustee determines that such transfer of assets will comply with the requirements of the Code, and that any required actuarial statement of valuation has been properly filed (if applicable); and

(iii) The Trustee may condition the delivery, transfer or distribution of any or all assets of the Trust Fund upon its receipt of assurance satisfactory to it that the approval of appropriate governmental or other authorities has been secured (including, if the Trustee so requests, a favorable determination letter issued by the Internal Revenue Service to the effect that the termination of the Plan will not adversely affect the Plan's qualified status) and that there has been proper compliance with all notices and other procedures required by applicable law.

## ARTICLE 9        Communications

### 9.1    Company's and Committee's Address

Communications to the Company shall be addressed to it at Hooker Furniture Corporation, P.O. Box 4708, 440 E. Commonwealth Boulevard, Martinsville, VA 24112 Attention: E. Larry Ryder. Communications to the Committee shall be addressed to it in care of the Company, at the address above, provided, however, that upon the Company's or the Committee's written request, such communications shall be sent to such other address as the Company or the Committee, as the case may be, may specify.

### 9.2    Trustee's Address

Communications to the Trustee shall be addressed to the attention of Otis Sinnott, Senior Vice President or his successor at 114 West 47th Street, New York, NY 10036-1532 provided, however, that upon the written request of the Trustee, such communications shall be sent to such other address or addresses as the Trustee may specify.

### 9.3    Binding Upon Receipt

No communication shall be binding on the Trustee, Company or Committee until it is received by such party.

### 9.4    Communication in Writing

Any action of the Company or the Committee pursuant to this Trust Agreement, including all orders, requests, directions, instructions, approvals and objections of the Company or the Committee to the Trustee, shall be in writing signed on behalf of the Company or the Committee by any duly authorized

officer of the Company or member of the Committee, respectively. The Trustee shall be governed by such action and, to the maximum extent permitted by ERISA, be fully protected, and indemnified in accordance with and subject to the conditions of Section 6.3 hereof, in relying thereon.

## ARTICLE 10 Miscellaneous

### 10.1 Gender, Tense and Headings

Whenever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would so apply. Whenever any words used herein are in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply.

Headings of Articles, Sections and subsections as used herein are inserted solely for convenience and reference and constitute no part of this Trust Agreement.

### 10.2 Governing Law

This Trust Agreement shall be construed and governed in all respects in accordance with applicable federal law, and, to the extent not preempted by such federal law, in accordance with the laws of the State of California.

### 10.3 Mistake of Fact

Notwithstanding any other provisions herein contained, if any contribution is made due to a mistake of fact, such contribution shall, upon the direction of the Committee, which shall be given in conformity with the provisions of ERISA, be returned to the Company or the party who made it, as directed by the Company, without liability to any person (including, but not limited to, Participants and Beneficiaries).

### 10.4 Qualification of Plan

Notwithstanding any other provisions herein contained, the Trust Agreement is entered into on the condition that the Plan and the Trust Agreement shall be approved by the Internal Revenue Service as a qualified and exempt plan and trust under the provisions of the Code and the Treasury Regulations. If such approval should be denied for any reason (including failure to comply with any conditions for such approval imposed by the Internal Revenue Service), contributions made after the execution of the Trust Agreement and prior to such denial shall, upon the direction of the Committee, which shall be given in conformity with the provisions of ERISA, be returned to the Company or the party who made it, as directed by the Company, without any liability to any person, within one year after the date of denial of such approval. All remaining assets in the Trust shall be returned to the Company.

#### 10.5 Deductibility of Contributions

Notwithstanding any other provisions herein contained, all contributions made under the Plan are hereby expressly conditioned upon their deductibility under Section 404 of the Code and the Treasury Regulations thereunder, as amended from time to time, and if the deduction for any contribution is disallowed in whole or in part, then such contribution (to the extent the deduction is disallowed) shall, upon the direction of the Committee, which shall be given in conformity with the provisions of ERISA, be returned to the Company or the party who made it without liability to any person.

#### 10.6 Receipt or Release

Any payment to any Participant or Beneficiary in accordance with the provisions of this Trust shall, to the extent thereof, be in full satisfaction of all claims against the Trustee, and the Trustee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

#### 10.7 Alienation

Except in the case of a Qualified Domestic Relations Order, (a) the benefits, proceeds, payments, or claims of any Participant or Beneficiary payable from the Trust assets shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary including any such liability which is for alimony or other payments for support of a spouse or former spouse, (b) any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, garnish, levy or otherwise dispose of or execute upon any right or benefit payable hereunder shall be void, and (c) the Trust assets shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Participant entitled to benefits hereunder and such benefits shall not be considered an asset of the Participant in the event of his insolvency or bankruptcy.

#### 10.8 Accounting Period

This Trust shall adopt as its fiscal year the Plan Year.

#### 10.9 Title of Trust Assets

The legal and equitable title and ownership of all assets at any time constituting a part of the Trust Fund shall be and remain with the Trustee and neither the Company nor any Participant shall ever have any legal or equitable estate therein, save and except that a Participant shall be entitled to receive distributions as and when lawfully made under the terms hereof, and the Company may receive a distribution to the extent permitted by Section 8.2(a), 10.3, 10.4, or 10.5.

10.10 Titles for Convenience Only

Titles to the Section of the Trust Agreement are included for convenience only and shall not control the meaning of interpretation of any provision of the Trust Agreement.

10.11 Entire Agreement; Parties Bound

The Trust Agreement and the Plan contain the entire agreement and understanding of the Company and the Trustee with respect to the subject matter hereof and supersede all prior agreements and understandings related to such subject matter. This Agreement shall be binding upon the parties hereto and their successors and assigns.

10.12 Executed Counterparts

The Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

\* \* \* \* \*

IN WITNESS WHEREOF, the Company and the Trustee have executed this Trust Agreement as of the date or dates indicated below.

<p>"Company"</p> <p>Hooker Furniture Corporation, a Virginia corporation</p> <p>By: /s/ E. Larry Ryder ----- E. Larry Ryder Senior Vice President</p> <p>Date: 8/2/00 -----</p>	<p>"Trustee"</p> <p>U.S. Trust Company, National Association</p> <p>By: /s/ Michael E. Shea ----- Michael E. Shea Senior Vice President</p> <p>Date: 8/1/00 -----</p>
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