

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended November 30, 2000  
Commission file number 000-25349

HOOKER FURNITURE CORPORATION

(Exact name of registrant as specified in its charter)

Virginia

54-0251350

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

440 East Commonwealth Boulevard Martinsville, VA 24112

(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: (540) 632-2133

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

Common Stock, no par value

(Title of Class)

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

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

Aggregate market value of common equity held by non-affiliates of the registrant: \$26.9 million (based on the closing price as of February 14, 2001 as reported to the NASD by its member firms); there is no established public trading market for the Company's common stock.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of February 14, 2001:

Common Stock, no par value

7,617,298

(Class of Common Stock)

(Number of Shares)

Documents incorporated by reference: Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders scheduled to be held March 29, 2001 are incorporated by reference into Part III.

HOOKER FURNITURE CORPORATION  
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Hooker Furniture Corporation  
Part I

ITEM 1. BUSINESS.

General

Incorporated in Virginia in 1924, Hooker Furniture Corporation (the "Company") has become a leading manufacturer and importer of residential furniture, primarily targeted at the upper-medium price range. The Company offers diversified products, consisting primarily of home office, entertainment centers, imported occasional, bedroom and wall systems, across many style categories within this price range. Its product depth and extensive style selections make the Company an important furniture resource for retailers in its price range and allow the Company to respond more quickly to shifting consumer preferences. The Company has established a broad distribution network that includes independent furniture stores, department stores, specialty retailers, catalog merchandisers and national and regional furniture chains. The Company 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. The Company operates facilities in Martinsville and Roanoke, Virginia and Kernersville, Maiden, and Pleasant Garden, North Carolina.

Products and Styles

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

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

	Number of Patterns
Home office.....	46
Wall systems.....	26
Entertainment centers.....	39
Imported lines.....	89
Bedroom.....	14

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

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

#### Distribution

The Company has developed a broad domestic customer base and also sells to a limited international market. The Company sells its furniture through approximately 85 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 Haverty's. The Company believes this broad network reduces its exposure to regional recessions, and allows it to capitalize on emerging channels of distribution. The Company offers tailored merchandising programs to address each channel of distribution.

The general marketing practice followed in the furniture industry is to exhibit products at international and regional furniture markets. In the spring and fall of each year, a nine-day furniture market is held in High Point, North Carolina, which is attended by most buyers and is regarded by the industry as the international market. The Company utilizes approximately 46,000 square feet of showroom space at the High Point market to introduce new products, increase sales of its existing products, and test ideas for future products.

The Company has sold to over 3,800 customers during the past fiscal year, and approximately 2.3% of the Company's sales in 2000 were to international customers. No single customer accounted for more than five percent of the Company's sales in 2000. No material part of the Company's business is dependent upon a single customer, the loss of which would have a material effect on the business of the Company. The loss of several of the Company's major customers could have a material impact on the business of the Company.

#### Manufacturing

The Company's manufacturing strategy is to produce products, 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. The Company stresses strong customer relationships in developing new products as well as improving existing ones. The Company believes strongly in employee involvement with employee and management teams working and communicating in all areas of manufacturing to improve production and quality related issues, stressing quality improvement not quality control. To meet customer expectations of just-in-time inventory delivery, the Company's strategy has been to strike a balance between minimizing cutting size together with increasing the frequency of cuttings on the one hand, and the efficiencies gained from longer production runs on the other. In recent years, cutting sizes have been reduced, frequencies of cuttings increased, and finished goods inventory levels increased. The Company 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. The Company is in constant contact with key suppliers in forming partnerships which communicate both quality and delivery issues which are imperative for both the Company and supplier to adjust to ever changing customer requirements.

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

The Company schedules production of its various styles based upon actual and anticipated orders. The Company's backlog of unshipped orders was \$23.3 million at November 30, 2000 and \$33.6 million at November 30, 1999. 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 the Company's policy and industry practice to allow order cancellation up to time of shipment, therefore customer orders are not firm until shipped. For these reasons, management does not consider order backlogs to be an accurate indicator of expected business. Historically, however, 91% of all orders booked are ultimately shipped. Backlogs are normally shipped within six months. During late January through early February 2000, the Company made the conversion to a new order processing system. With the new system in place, the Company is processing

orders faster with less human intervention. As a result, the backlog of unfilled orders that the Company carries at any point in time has been significantly reduced. With the new system in place, the Company is achieving a significant reduction in the amount of time required to process a customer's order, from receipt of the order until ultimate shipment from inventory.

#### Imported Lines

The Company imports finished furniture in a variety of styles and materials, and markets the products under the Company name through its normal distribution channels. Product lines include occasional tables, consoles, chests, casual dining pieces, bedroom pieces and accent items. The Company imports products from China, the Philippines, Mexico, and Indonesia from approximately 14 agents representing 32 factories. All transactions are in U.S. dollars. Because of the large number and diverse nature of foreign factories, the Company has flexibility in the placement of product in any particular country or factory. Factories located in China have become an important resource for the Company. The sudden disruption in the Company's supply chain from China could significantly impact the Company's ability to fill customer orders for products manufactured in that country for a three to six month period. However, the Company believes that such a disruption in supply would not have a material adverse effect on the Company's financial condition or results of operations.

#### Raw Materials

The principal materials used by the Company in manufacturing its products include lumber, veneers, plywood, particleboard, hardware, glue, finishing materials, glass products and fasteners. The Company uses a variety of species of lumber, including cherry, oak, poplar, pine and maple. The Company's five largest suppliers accounted for approximately 14.8% of its purchases in 2000.

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

#### Competition

The Company is the 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 the Company competes include a large number of relatively small manufacturers; however, certain competitors of the Company have substantially greater sales volumes and financial resources than the Company. Competitive factors in the upper-medium price range include style, price, quality, delivery, design, service and durability. The Company believes that its long-standing customer relationships, customer responsiveness, consistent support of existing diverse product lines that are high quality and good value and experienced management are competitive advantages.

#### Employees

At November 30, 2000, the Company had approximately 2,030 employees. None of the Company's employees are represented by a labor union. The Company considers its relations with its employees to be good.

The Corporation sponsors the Hooker Furniture Corporation Employee Stock Ownership Plan (the "ESOP") to provide ownership and retirement benefits for eligible employees. The ESOP covers substantially all the Company employees. The ESOP enables employees to share in the growth of the Company and to accumulate a beneficial ownership interest in the Company's Common Stock.

#### Patents and Trademarks

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

#### Governmental Regulations

The Company is subject to federal, state and local laws and regulations in the areas of safety, health and environmental pollution controls. Compliance with these laws and regulations has not in the past had any material effect on the Company's earnings, capital expenditures, or competitive position; however, the effect of such compliance in the future cannot be predicted. Management believes that the Company is in material compliance with applicable federal, state and local safety, health, and environmental regulations. See "Item 8. Legal Proceedings" for information concerning certain environmental matters.

#### Forward-Looking Statements

Certain statements made in this report are not based on historical facts, but are forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. These statements reflect the Company's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include the cyclical nature of the furniture industry, fluctuations in the price of lumber, which is the most significant raw material used by the Company, competition in the furniture industry, capital costs and general economic or business conditions, either nationally or internationally.

ITEM 2. PROPERTIES.

Set forth below is certain information with respect to the Company's principal properties. The Company believes that all these properties are well maintained and in good condition. The Company believes its manufacturing facilities are being efficiently utilized. The Company estimates that its facilities are currently being operated at approximately 92% capacity, on a one-shift basis. Each manufacturing facility is flexible in regard to product lines manufactured, allowing the Company to shift products between plants according to customer sales and delivery demands. All Company plants are equipped with automatic sprinkler systems and modern fire and spark detection systems, which the Company believes are adequate. All facilities set forth below are active and operational.

Location	Primary Use	Approximate Facility Size (Square Feet)	Owned or Leased
Martinsville, VA	Corporate Headquarters	32,000	Owned
Martinsville, VA	Manufacturing	760,000	Owned
Martinsville, VA	Distribution/Imports	580,000	Owned
Martinsville, VA	Distribution	189,000	Owned (1)
Martinsville, VA	Plywood Production	146,000	Owned
Martinsville, VA	Distribution/Manufacturing	190,000	Owned (1)
Kernersville, NC	Manufacturing	115,000	Owned
Roanoke, VA	Manufacturing	265,000	Owned
Pleasant Garden, NC	Manufacturing	300,000	Owned
Maiden, NC	Manufacturing	200,000	Owned
High Point, NC	Showroom	46,000	Leased (2)

(1) The Company is presently leasing this facility to a third party.

(2) Lease expires October 31, 2005.

ITEM 3. LEGAL PROCEEDINGS.

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

Based upon performance tests conducted in November 1998, the EPA issued the Company a Notice of Violation in March 1999 for the failure of two boilers at the Company's Martinsville facility to meet particulate emission limitations under the Clean Air Act. The Company 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 Company has forwarded those results to the EPA. The Company is currently implementing a plan to bring the second non-compliant 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 Company. Company management anticipates that costs incurred by the Company in connection with bringing both boilers into compliance, including any fines that might be levied by the EPA, will not have a material adverse affect on the Company's financial condition or results of operations.

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

None.

HOOKER FURNITURE CORPORATION  
Executive Officers of the Registrant

The Company's executive officers and their ages as of February 14, 2001 and the year each joined the Company or its Board are as follows:

Name	Age	Position	Year Joined Company
Paul B. Toms, Jr.	46	Chairman and Chief Executive Officer	1983
Douglas C. Williams	53	President and Chief Operating Officer	1971
E. Larry Ryder	53	Executive Vice President - Finance and Administration, Assistant Secretary, and Assistant Treasurer	1977
Raymond T. Harm	51	Senior Vice President - Sales	1999
Henry P. Long, Jr.	49	Senior Vice President - Merchandising and Design	1983

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

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

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

Raymond T. Harm has been Senior Vice President - Sales since joining the Company in 1999. Prior to joining the Company, he served as Vice President - Sales for The Barcalounger Company from 1992 to 1999. Prior to 1992, Mr. Harm served in various sales management positions with The Barcalounger Company.

Henry P. Long, Jr. has been Senior Vice President - Merchandising and Design since 1994. He was Vice President - Sales from 1987 to 1994. Mr. Long joined the Company in 1983 and has been a Director since 1993.

Hooker Furniture Corporation  
Part II

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

The table below sets forth the high and low sales prices per share for the Company'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. The Company's Common Stock is not listed for trading on any securities exchange or on Nasdaq or any other inter-dealer quotation system of a registered national securities association. There is no established public trading market for the Company's Common Stock. The stock price information reported in the tables below represents a limited number of transactions in the Company's Common Stock in the "over-the-counter" market during the periods indicated.

	2000		1999	
	High	Low	High	Low
First Quarter.....	\$13.50	\$11.00	\$15.75	\$13.00
Second Quarter.....	12.50	8.00	15.13	12.00
Third Quarter.....	11.50	8.00	15.00	11.00
Fourth Quarter.....	12.50	8.00	14.50	9.00

As of February 1, 2001, the Company had approximately 865 beneficial stockholders and 1,946 current and former employees participating in the Company's ESOP. The Company 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 stockholders of record approximately two weeks earlier. Although the Company presently intends to declare cash dividends at historical levels on a quarterly basis for the foreseeable future, the determination as to the payment and the amount of any future dividends will be made by the Board of Directors from time to time and will depend on the Company's then current financial condition, capital requirements, results of operations and any other factors then deemed relevant by the Board of Directors. The following table sets forth the dividends per share paid by the Company with respect to its Common Stock during the Company's two most recent fiscal years:

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

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.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of the last five fiscal years ended November 30, 2000 has been derived from the Company's audited financial statements. The selected financial data should be read in conjunction with the Financial Statements, including the related Notes, and "Management's Discussion and Analysis" included elsewhere in this Annual Report.

For The Year Ended November 30,  
(In thousands, except per share data)

	2000	1999	1998	1997	1996
Income Statement Data (1):					
Net sales.....	\$250,828	\$228,803	\$206,084	\$176,050	\$161,861
Cost of goods sold.....	188,143	171,175	158,137	134,579	120,286
Selling and administrative expenses...	39,738	34,094	31,034	25,863	24,220
Income from operations.....	22,947	23,534	16,913	15,608	17,355
Other income (expense), net.....	(38)	(358)	114	(31)	148
Income before income taxes.....	22,909	23,176	17,027	15,577	17,503
Income taxes.....	7,995	8,881	6,241	5,530	6,715
Net income.....	14,914	14,295	10,786	10,047	10,788
Per Share Data (2):					
Basic and diluted earnings per share..	2.06	1.87	1.40	1.30	1.39
Cash dividends per share.....	0.34	0.30	0.28	0.26	0.22
Net book value per share (3).....	14.68	12.52	10.97	9.86	8.85
Weighted number of shares outstanding.....	7,257	7,636	7,692	7,734	7,750
Balance Sheet Data:					
Cash.....	1,243	157	3,625	827	1,997
Inventories.....	42,785	37,051	35,812	33,475	26,013
Working capital.....	60,669	54,557	51,793	47,153	37,555
Total assets.....	133,531	116,423	111,233	98,290	87,370
Long-term debt (including current maturities).....	29,500	7,000	12,062	9,985	7,228
Common stock held by ESOP.....	10,412	10,129	10,213	10,044	9,230
Stockholders' equity.....	75,559	85,234	73,900	66,210	59,326

- (1) Certain items in the financial statements for periods prior to 2000 have been reclassified to conform to the 2000 method of presentation.
- (2) 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.
- (3) Net book value per share is derived by the sum of (i) "common stock held by ESOP" and (ii) "total stockholders' equity" over the number of common shares issued and outstanding excluding unearned ESOP common shares issued.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

Results of Operations

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

	For the Year Ended November 30,		
	2000	1999	1998
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	75.0%	74.8	76.7
	-----	-----	-----
Gross profit.....	25.0	25.2	23.3
Selling & administrative expenses...	15.9	14.9	15.1
	-----	-----	-----
Operating income.....	9.1	10.3	8.2
Other income (expense), net.....		(0.2)	0.1
	-----	-----	-----
Income before income taxes.....	9.1	10.1	8.3
Income taxes.....	3.2	3.9	3.1
	-----	-----	-----
Net income.....	5.9%	6.2%	5.2%
	=====	=====	=====

2000 Compared to 1999

Net sales increased \$22.0 million or 9.6% in 2000 to \$250.8 million compared to \$228.8 million in 1999. The increase was due principally to higher unit volume in imported and home office furniture partially offset by lower unit volume in bedroom furniture and entertainment centers. Average selling prices were slightly lower during the 2000 period, principally due to the mix of products shipped (primarily increased imported furniture shipments).

Gross profit margin for 2000 decreased to 25.0% from 25.2% in the prior year. Higher employee benefits cost for manufacturing employees (primarily medical claims and retirement cost for the Company's ESOP), and higher raw material costs (primarily lumber and wood products) as a percent of sales, were partially offset by the lower delivered cost of imported furniture as a percent of net sales.

Selling and administrative expenses rose \$5.6 million to 15.9% of net sales in 2000 compared to 14.9% in 1999. The increase in expenses was due principally to higher selling costs to support increased sales, higher warehousing and shipping costs resulting from the interim operation of dual warehousing facilities during the first half of the year, increased depreciation expense related to certain operating systems placed in service in the first quarter of 2000, and fees incurred in connection with the tender offer by the Company's ESOP to purchase 1.8 million shares of the Company's stock from existing stockholders in September 2000 (the "Tender Offer").

In 1999, the Company began a 180,000 square foot addition to its central distribution center (the "CDC") in Martinsville, Virginia. The Company substantially completed the consolidation of finished inventory formerly kept in three separate warehouses into the CDC in 1999, but continued to operate dual facilities through March 2000. The Company opened the 180,000 square foot addition to its central distribution center in February 2000 and closed the one remaining dual facility in early April 2000. The closed facility is presently leased.

As a result of the above, operating income decreased to 9.1% of net sales in 2000 from 10.1% in 1999.

The Company's effective tax rate decreased from 38.3% in 1999 to 34.9% in 2000.

On June 30, 2000, the Company purchased the remaining 50% interest in Triwood, Inc. ("Triwood"), the Company's former particleboard facility that ceased operations in November 1998. On July 1, 2000, the Company restructured its Import Division operations into Triwood, which is being accounted for as a wholly owned subsidiary.

#### 1999 Compared to 1998

Net sales increased \$22.7 million or 11.0% in 1999 to \$228.8 million compared to \$206.1 million in 1998. The increase was due principally to continued increased unit volume in two major product lines: imported furniture and home office furniture.

Gross profit margin for 1999 increased to 25.2% compared to 23.3% for 1998. The increase was due primarily to improved operating efficiencies, lower raw material costs offset partially by the higher delivered cost of imported furniture, and higher average unit selling prices.

Selling and administrative expenses increased \$3.1 million to \$34.1 million in 1999 compared to 1998. As a percentage of net sales, selling and administrative expenses declined to 14.9% in 1999 from 15.1% in 1998. The increase in expenses was principally due to increased costs of warehouse and shipping and higher salaries and benefits. During 1999, the Company moved to centralized finished goods warehousing, requiring a duplicity of facilities during much of the year.

As a result of the above, operating income increased from 8.2% of net sales in 1998 to 10.3% of net sales in 1999.

The Company's effective tax rate increased from 36.6% in 1998 to 38.3% in 1999.

#### Financial Condition, Liquidity and Capital Resources

As of November 30, 2000, assets totaled \$133.5 million, up from \$116.4 million at November 30, 1999. Stockholders' equity at November 30, 2000, decreased to \$75.6 million, from \$85.2 million at November 30, 1999. The decrease reflects the effect of the purchase of 1.8 million shares of the Company's stock by the ESOP. The Company's long-term debt including current maturities increased \$22.5 million to finance the ESOP Tender Offer. Working capital increased to \$60.7 million as of November 30, 2000 from \$54.6 million at the end of the 1999 period, reflecting the Company's increased investment in receivables and inventory to support the higher sales levels experienced during 2000. The incoming order rate has declined since year-end, apparently reflecting the effect of the softening economy. The Company has reduced operating schedules at its factories in response and expects shipments during the fiscal first quarter of 2001 to approximate or reflect a slight decline from the first quarter of 2000.

During 2000, cash generated from operations of \$16.3 million and net borrowings of \$22.5 million funded a \$22.5 million loan to the ESOP for purposes of completing the ESOP Tender Offer, capital expenditures amounting to \$12.0 million, the acquisition of Triwood for \$801,000, dividend payments totaling \$2.5 million, and an increase in available cash of \$1.1 million. During 1999, cash generated from operations of \$13.3 million and available cash of \$3.5 million funded \$8.6 million in capital expenditures, net debt repayments of \$5.1 million, dividend payments of \$2.3 million and purchases of the Company's common stock totaling \$755,000. In 1998, cash from operations of \$15.1 million and net borrowings of \$2.1 million funded capital expenditures of \$11.5 million, an increase in available cash of \$2.8 million, dividend payments of \$2.2 million and purchases of the Company's common stock totaling \$775,000.

Cash generated from operating activities in 2000 totaled \$16.3 million compared to \$13.3 million and \$15.1 million in 1999 and 1998, respectively. During the 2000 period, higher cash received from customers, resulting from increased sales, and lower tax payments were partially offset by higher payments to suppliers and employees, as compared with the 1999 period. In 1999, higher payments to suppliers, employees and for income taxes were partially offset by higher cash received from customers.

Investing activities consumed \$12.8 million during the 2000 period compared to \$8.6 million in 1999 and \$11.5 million in 1998. Capital expenditures in all three years reflect the Company's investment in property, plant and equipment for expanded furniture manufacturing capacity, distribution, and the maintenance of its facilities in good operating condition. Capital expenditures were higher in the 2000 period as the Company completed the addition to the CDC, completed its construction of raw lumber grading, storage and drying facilities at the Maiden, North Carolina plant, which were placed in service in April 2000, and acquired Triwood. During 1998, the Company purchased the CDC.

The Company used cash for financing activities of \$2.4 million in 2000, compared to \$8.1 million in 1999 and \$850,000 in 1998. During 2000 dividend payments of \$2.4 million were funded from operations. In 1999, cash from operations and available cash funded net debt repayments of \$5.1 million, dividend payments of \$2.3 million and purchases of 54,160 shares of the Company's common stock at an average price of \$13.94 per share (\$755,000 aggregate). During 1998, dividend payments of \$2.2 million and the purchase of 58,702 shares of the Company's common stock at an average price of \$13.20 per share (\$775,000 aggregate), were funded from operations and net borrowings of \$2.1 million.

On November 30, 2000, the Company had \$10.0 million available under its revolving line of credit and \$9.0 million available under additional lines of credit to fund working capital needs. The Company believes it has the financial resources needed to meet business requirements for the foreseeable future.

In September 2000, the Company's ESOP completed the Tender Offer at a price of \$12.50 per common share purchased. In order to finance the ESOP Tender Offer, the Company borrowed \$22.5 million under a 10-year term loan, at an effective interest rate of approximately 7.4% per annum, and loaned the proceeds to the ESOP. The ESOP will repay the loan to the Company over a 25-year period with interest at 8.0% from dividends and employer contributions to the Plan. In the fourth quarter of 2000, the Company recognized \$678,000 in ESOP cost for compensation and dividends as it committed to release 39,313 shares of stock acquired in the Tender Offer to participants.

#### Environmental Matters

Hooker Furniture Corporation is committed to protecting the environment as evidenced by its products and its manufacturing operations. The Company's manufacturing sites generate both hazardous and non-hazardous wastes, the treatment, storage, transportation and disposal of which are subject to various local, state and national laws relating to protecting the environment. The Company is in various stages of investigation or remediation of alleged or acknowledged contamination at current manufacturing sites, and at Triwood. The Company's policy is to record environmental liabilities when loss amounts are probable and can be reasonably estimated. The costs associated with the Company's environmental responsibilities, compliance with federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and in the opinion of management, will not have a material effect on the Company's financial position, results of operations, capital expenditures or competitive position.

#### Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statements of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 2000, the FASB issued SFAS No. 138 Accounting for Derivative Instruments and Hedging Activities ("SFAS 138"), an amendment of SFAS 133, addressing a number of issues contained therein. SFAS 133 and SFAS 138 are effective for all fiscal quarters of fiscal years beginning after June 15, 2000, and require application prospectively. Management believes that the adoption of SFAS 133 and SFAS 138 will not have a material impact on the Company's financial statements.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's obligations under its lines of credit, industrial revenue bonds, and term loan bear interest at variable rates. The Company has entered into interest rate swap agreements that, in effect, fix the rate of interest on the industrial revenue bonds at 4.71% through 2006 and on the term loan at 7.4% through 2010. At November 30, 2000 the Company had no debt outstanding under its lines of credit. A 10% fluctuation in market interest rates would not have a material impact on the Company's results of operations or financial condition.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and schedule listed in Items 14(a)(1) and 14(a)(2) of this report are incorporated herein by reference and are filed as a part of this report.

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

None.

Hooker Furniture Corporation  
Part III

In accordance with General Instruction G(3) of Form 10-K, the information called for by Items 10, 11, 12 and 13 of Part III is incorporated by reference to the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders scheduled to be held March 29, 2001, except for information concerning the executive officers of the registrant which is included in Part I of this report under the caption "Executive Officers of the Registrant."

Part IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

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

Report of Independent Certified Public Accountants.

Consolidated Balance Sheets as of November 30, 2000 and 1999.

Consolidated Statements of Income for each of the three fiscal years ended November 30, 2000.

Consolidated Statements of Cash Flows for each of the three fiscal years ended November 30, 2000.

Consolidated Statements of Stockholders' Equity for each of the three fiscal years ended November 30, 2000.

Summary of Significant Accounting Policies.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules:

Report on Financial Statement Schedule.

Schedule II - Valuation and Qualifying Accounts for each of the three fiscal years ended November 30, 2000.

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

None.

(c) Exhibits:

3.1 Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)).

- 3.2 Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)).
- 3.3 Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)).
- 4.1 Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.1).
- 4.2 Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.2).
- 4.3 Bylaws of the Company (See Exhibit 3.3).
- 4.4 Term Loan Agreement, dated September 18, 2000, between the Company and Suntrust Bank (including related Term Note and Negative Pledge Agreement). \*
- Pursuant to Regulation S-K, Item 601(b)(4)(iii), instruments evidencing long-term debt less than 10% of the Company's total assets have been omitted and will be furnished to the Securities and Exchange Commission upon request.
- 10.1 Lease dated August 3, 2000, between International Home Furnishings Center and the Company. \*
- 10.2 Form of Salary Continuation Agreement (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)). \*\*
- 10.3 Form of Split Dollar Agreement (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)). \*\*
- 10.4 Commitment Letter for line of credit ("BB&T Line of Credit") and related Promissory Note dated June 5, 1998 between Branch Banking & Trust Company and the Company (incorporated by reference to Exhibit 10.4 of the Company's Form 10-K (Commission File No. 000-25349) for the fiscal year ended November 30, 1999).
- 10.5 Commitment Letter dated March 23, 1999 between Branch Banking & Trust Company and the Company renewing the BB&T Line of Credit (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K (Commission File No. 000-25349) for the fiscal year ended November 30, 1999).
- 10.6 Term Loan Agreement, dated September 18, 2000, between the Company and Suntrust Bank (including related Term Note and Negative Pledge Agreement) (See Exhibit 4.4).
- 10.7 Credit Agreement, dated as of September 18, 2000, between the Company and the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (including related Non-Recourse Promissory Note and Stock Pledge Agreement). \*
- 21 List of Subsidiaries  
Triwood, Inc., a Virginia Corporation.

\*Filed herewith.

\*\*Management contract or compensatory plan.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

## HOOKER FURNITURE CORPORATION

February 21, 2001

/s/ Paul B. Toms, Jr.

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

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

Signature	Title	Date
/s/ Paul B. Toms, Jr. ----- Paul B. Toms, Jr.	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2001
/s/ Douglas C. Williams ----- Douglas C. Williams	President, Chief Operating Officer and Director	February 21, 2001
/s/ E. Larry Ryder ----- E. Larry Ryder	Executive Vice President - Finance and Administration and Director (Principal Financial and Accounting Officer)	February 21, 2001
/s/ Henry P. Long, Jr. ----- Henry P. Long, Jr.	Senior Vice President - Merchandising and and Design and Director	February 21, 2001
/s/ J. Clyde Hooker, Jr. ----- J. Clyde Hooker, Jr.	Director and Chairman Emeritus	February 21, 2001
/s/ W. Christopher Beeler, Jr. ----- W. Christopher Beeler, Jr.	Director	February 21, 2001
/s/ John L. Gregory III ----- John L. Gregory III	Director	February 21, 2001
/s/ Irving M. Groves, Jr. ----- Irving M. Groves, Jr.	Director	February 21, 2001
/s/ A. Frank Hooker, Jr. ----- A. Frank Hooker, Jr.	Director	February 21, 2001
/s/ L. Dudley Walker ----- L. Dudley Walker	Director	February 21, 2001

HOOKER FURNITURE CORPORATION AND SUBSIDIARY  
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Hooker Furniture Corporation and subsidiary as of November 30, 2000 and 1999 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended November 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hooker Furniture Corporation and subsidiary at November 30, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2000 in conformity with generally accepted accounting principles.

/S/BDO Seidman, LLP  
-----

Richmond, Virginia  
December 15, 2000

Consolidated  
Balance Sheets (In thousands, including share data)      Hooker Furniture  
-----  
Corporation and Subsidiary  
-----

As of November 30,	2000	1999
-----		
Assets		
-----		
Current assets		
Cash, primarily interest-bearing deposits.....	\$ 1,243	\$ 157
Trade receivables, less allowance of \$610 and \$525.....	31,019	26,599
Inventories.....	42,785	37,051
Prepaid expenses and other.....	1,963	2,408
	-----	-----
Total current assets.....	77,010	66,215
Property, plant and equipment, net.....	48,767	45,138
Other assets.....	7,754	5,070
	-----	-----
Total assets.....	\$ 133,531	\$ 116,423
	=====	=====
-----		
Liabilities and Stockholders' Equity		
-----		
Current liabilities		
Trade accounts payable.....	\$ 5,406	\$ 3,776
Accrued salaries, wages and benefits.....	6,470	5,387
Other accrued expenses.....	2,884	2,495
Current maturities of long-term debt.....	1,581	
	-----	-----
Total current liabilities.....	16,341	11,658
Long-term debt.....	27,919	7,000
Deferred liabilities.....	3,300	2,402
	-----	-----
Total liabilities.....	47,560	21,060
	-----	-----
Common stock held by ESOP.....	10,412	10,129
Stockholders' equity		
Common stock, no par value, 10,000 shares authorized, 7,617 shares issued and outstanding.....	2,605	2,418
Unearned ESOP shares (1,761 shares).....	(22,009)	
Retained earnings.....	94,963	82,816
	-----	-----
Total stockholders' equity.....	75,559	85,234
	-----	-----
Total liabilities and stockholders' equity.....	\$ 133,531	\$ 116,423
	=====	=====

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

Consolidated  
 Statements of Income (In thousands, except per share data) Hooker Furniture  
 Corporation and Subsidiary

For The Year Ended November 30,	2000	1999	1998
Net sales.....	\$250,828	\$228,803	\$206,084
Cost of sales.....	188,143	171,175	158,137
Gross profit.....	62,685	57,628	47,947
Selling and administrative expenses.....	39,738	34,094	31,034
Operating income.....	22,947	23,534	16,913
Other income (expense), net.....	(38)	(358)	114
Income before taxes.....	22,909	23,176	17,027
Income taxes.....	7,995	8,881	6,241
Net income.....	\$ 14,914	\$ 14,295	\$ 10,786
Earnings per share: Basic and diluted.....	\$ 2.06	\$ 1.87	\$ 1.40
Weighted average shares outstanding.....	7,257	7,636	7,692

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

Consolidated		Hooker Furniture Corporation and Subsidiary		
Statements of Cash Flows (In thousands)				
For The Year Ended November 30,	2000	1999	1998	
<b>Cash flows from operating activities:</b>				
Cash received from customers.....	\$ 247,236	\$ 226,185	\$ 206,152	
Cash paid to suppliers and employees.....	(222,339)	(203,062)	(184,521)	
Income taxes paid, net.....	(8,028)	(9,288)	(6,038)	
Interest paid, net.....	(490)	(570)	(459)	
Net cash provided by operating activities.....	16,379	13,265	15,134	
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment, net.....	(12,008)	(8,626)	(11,486)	
Acquisition of joint venture, net.....	(801)			
Net cash absorbed by investing activities.....	(12,809)	(8,626)	(11,486)	
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt.....	41,000	4,738	6,877	
Payments on long-term debt.....	(18,500)	(9,800)	(4,800)	
Cash dividends paid.....	(2,484)	(2,290)	(2,152)	
Purchase and retirement of common stock.....		(755)	(775)	
Loan to ESOP for purchase of common stock.....	(22,500)			
Net cash absorbed by financing activities.....	(2,484)	(8,107)	(850)	
Net increase (decrease) in cash.....	1,086	(3,468)	2,798	
Cash at beginning of year.....	157	3,625	827	
Cash at end of year.....	\$ 1,243	\$ 157	\$ 3,625	
<b>Reconciliation of net income to net cash provided by operating activities:</b>				
Net income.....	\$ 14,914	\$ 14,295	\$ 10,786	
Depreciation and amortization.....	6,689	4,988	4,900	
Non-cash ESOP cost.....	678			
Loss on disposal of equipment.....	111			
Changes in assets and liabilities, net of effects from acquisition:				
Trade receivables.....	(4,420)	(3,253)	(369)	
Inventories.....	(5,734)	(1,239)	(2,337)	
Prepaid expenses and other assets.....	(18)	(528)	(853)	
Trade accounts payable.....	1,630	(981)	582	
Other accrued expenses.....	1,319	12	2,192	
Deferred liabilities.....	1,210	(29)	233	
Net cash provided by operating activities.....	\$ 16,379	\$ 13,265	\$ 15,134	

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

Consolidated Statements  
 Of Stockholders' Equity (In thousands, except per share data) Hooker Furniture Corporation and Subsidiary

	Common Shares	Stock Amount	Unearned ESOP Shares	Retained Earnings
Balance at November 30, 1997.....	7,730	\$2,454		\$63,756
Net income.....				10,786
Cash dividends on common stock (\$0.28 per share)..				(2,152)
Increase in fair value of shares held by ESOP.....				(169)
Purchase and retirement of common stock.....	(59)	(19)		(756)
Balance at November 30, 1998.....	7,671	2,435		71,465
Net income.....				14,295
Cash dividends on common stock (\$0.30 per share)..				(2,290)
Decrease in fair value of shares held by ESOP.....				84
Purchase and retirement of common stock.....	(54)	(17)		(738)
Balance at November 30, 1999.....	7,617	2,418		82,816
Net income.....				14,914
Cash dividends on common stock (\$0.34 per share)..				(2,484)
Purchase of shares by ESOP.....			\$(22,500)	
ESOP cost.....		187	491	
Increase in fair value of shares held by ESOP.....				(283)
Balance at November 30, 2000.....	7,617	\$2,605	\$(22,009)	\$94,963

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

#### Nature of Business

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

Certain items in the financial statements for periods prior to 2000 have been reclassified to conform to the 2000 method of presentation.

#### Consolidation

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

#### Inventories

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

#### Property, Plant and Equipment

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

#### Income Taxes

Deferred income taxes reflect the future tax consequences of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end.

#### Fair Value of Financial Instruments

The carrying value for each of the Company's financial instruments (consisting of cash, accounts receivable, accounts payable and accrued salaries) approximates fair value because of the short-term nature of those instruments. The fair value of the Company's industrial development revenue bonds and term loan is estimated based on the quoted market rates for similar debt with remaining maturity. At November 30, 2000, the carrying value of the industrial revenue bonds and term loan approximated fair value.

#### Use of Estimates

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

#### Revenue Recognition

Sales are recognized when products are shipped to customers. Substantially all of the Company's trade accounts receivable are from customers in the retail furniture industry. Management periodically performs credit evaluations of its customers and generally does not require collateral. The Company uses credit insurance to minimize the risk on certain accounts.

Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable through the estimated undiscounted future cash flows from the use of those assets. When any such impairment exists, the related assets will be written down to fair value. No impairment losses have been recorded through November 30, 2000.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilutive effect of securities that could share in earnings of the Company. Unallocated ESOP shares are not considered outstanding for purposes of calculating basic and diluted earnings per share. At November 30, 2000, there were no securities that had a dilutive effect. Earnings per share has been computed based upon the weighted average number of common shares outstanding during the year.

Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statements of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 2000, the FASB issued SFAS No. 138 Accounting for Derivative Instruments and Hedging Activities ("SFAS 138"), an amendment of SFAS 133, addressing a number of issues contained therein. SFAS 133 and SFAS 138 are effective for all fiscal quarters of fiscal years beginning after June 15, 2000, and require application prospectively. Management believes that the adoption of SFAS 133 and SFAS 138 will not have a material impact on the Company's financial statements.

Notes To Consolidated Financial Statements

(Dollar amounts except per share amounts in tables or text, in thousands unless

otherwise indicated)

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NOTE 1 - INVENTORIES

	November 30,	
	2000	1999
Finished furniture.....	\$38,408	\$31,673
Furniture in process.....	2,647	1,665
Materials and supplies.....	12,883	13,244
	-----	-----
Inventories at FIFO.....	53,938	46,582
Reduction to LIFO basis.....	11,153	9,531
	-----	-----
Inventories.....	\$42,785	\$37,051
	=====	=====

If the first-in, first-out (FIFO) method had been used in valuing all inventories, net income would have been \$15,970, \$14,459 and \$11,357 for the years ended November 30, 2000, 1999 and 1998, respectively.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

	Depreciable Lives (In years)	November 30, 2000	November 30, 1999
Buildings.....	15 - 40	\$ 43,285	\$ 40,047
Machinery and equipment.....	8 - 20	43,032	40,888
Furniture and fixtures.....	5 - 10	13,495	6,323
Other.....	3 - 30	2,927	5,894
		-----	-----
Total depreciable property at cost.....		102,739	93,152
Accumulated depreciation.....		(55,258)	(49,385)
		-----	-----
Total depreciable property, net.....		47,481	43,767
Land.....		1,286	1,371
		-----	-----
Property, plant and equipment, net.....		\$ 48,767	\$ 45,138
		=====	=====

NOTE 3 - LONG-TERM DEBT

	November 30, 2000	November 30, 1999
Term loan, variable rate (7.0% at November 30, 2000) unsecured, interest and principal payable quarterly.....	\$ 22,500	
Industrial development revenue bonds issued in 1996, secured by a \$7 million letter of credit, maturing annually from 2004 through 2006 with a variable interest rate (4.4% at November 30, 2000).....	7,000	\$ 7,000
	-----	-----
	29,500	7,000
Less current maturities.....	1,581	
	-----	-----
Long-term debt.....	\$ 27,919	\$ 7,000
	=====	=====

The Company has entered into interest rate swap agreements effectively providing a fixed interest rate of 4.71% on the industrial development revenue bonds through 2006, and 7.4% on the term loan through 2010. The notional principal values of the agreements are equal to the outstanding long-term debt balances. Differences between amounts paid and amounts received under the contracts are recognized in interest expense.

Annual debt service requirements are \$1.6 million in 2001, \$1.7 million in 2002, \$1.8 million in 2003, \$4.4 million in 2004, and \$4.5 million in 2005.

The debt instruments contain, among other things, certain restrictions as to minimum tangible net worth, net equity ratio, current ratio, and debt coverage ratio. The Company was in compliance with these restrictions as of November 30, 2000.

The Company has aggregate available lines of credit of \$25.0 million to fund its working capital needs as necessary, including an unsecured revolving line of credit that provides for borrowings of up to \$10 million, at a variable interest rate (7.1% at November 30, 2000). The Company utilizes letters of credit issued against its lines of credit to collateralize imported inventory purchases. Outstanding letters of credit at November 30, 2000 were \$6.0 million. As of November 30, 2000, \$19.0 million of additional borrowings were available under these lines of credit.

NOTE 4 - EMPLOYEE BENEFIT PLANS

Salary Continuation Agreements

The Company maintains a salary continuation plan for certain management employees. These are un-funded agreements with all benefits paid out of the general assets of the Company when the employee retires. The amount of benefits to be paid is specified in each individual agreement. The accrued liabilities relating to this plan of \$2.4 million and \$2.3 million at November 30, 2000 and 1999, respectively, are included in "accrued salaries, wages and benefits" and "deferred liabilities." The cost of the plan recognized in the statements of income was \$302 in 2000, \$406 in 1999 and \$218 in 1998.

Employee Stock Ownership Plan

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

Shares contributed to the ESOP are valued at fair market value as determined by an independent appraisal. Dividends paid on allocated shares held by the ESOP are charged to retained earnings. The Company is obligated under certain circumstances to repurchase shares held by the ESOP. Therefore the estimated value of the allocated ESOP shares is classified as "common stock held by ESOP" outside of stockholders' equity.

In September 2000, the ESOP completed a tender offer for 1.8 million shares of the Company's common stock at a price of \$12.50 per share. In connection with the tender offer, the Company borrowed \$22.5 million under a 10-year term loan, at an effective interest rate of approximately 7.4% per annum, and loaned the proceeds to the ESOP. The ESOP will repay the loan (the "ESOP loan") to the Company over a 25-year period with interest at 8.0% from dividends and employer contributions to the ESOP. The unamortized cost of the ESOP is reported in the balance sheet as "unearned ESOP shares". The Company will release shares to eligible employees over the 25-year period based on the annual principal and interest payments made by the ESOP on the ESOP Loan. Compensation expense is recorded for shares "committed to be released" to employees based on fair market value. The fair market value of unallocated shares at November 30, 2000 was \$30.4 million. Through November 30, 2000, 603,583 shares were allocated to participants. The cost of the ESOP, including cash contributions and the fair market value of shares released, amounted to \$1,187 in 2000, \$798 in 1999, and \$725 in 1998.

Employee Savings Plan

The Company sponsors the Employee's Savings Plan (the "Plan") covering substantially all employees. The Plan is a qualified 401(k) savings plan that is designed to permit employees of the Company to meet their savings goals and provide them with funds for retirement. A participant in the Plan may contribute an amount not less than 1%, nor more than 16% of their compensation. The Company will contribute 50% of the amount contributed by the participant, up to 6% of their compensation, as a matching contribution. Contributions to the Plan by the Company amounted to \$675 in 2000, \$667 in 1999 and \$571 in 1998.

NOTE 5 - INCOME TAXES

The provision for income taxes:	For The Years Ended November 30,		
	2000	1999	1998
Federal.....	\$7,085	\$ 7,917	\$ 5,483
State.....	910	964	758
Total.....	\$7,995	\$ 8,881	\$ 6,241
	=====	=====	=====

Deferred income tax assets (liabilities):	November 30,	
	2000	1999
<b>Assets</b>		
Deferred compensation.....	\$ 929	\$ 869
Inventory.....	103	90
Investment in 50% owned subsidiary....		217
Allowance for bad debts.....	115	
Employee benefits.....	143	
Other.....	150	109
Total deferred tax assets.....	1,440	1,285
<b>Liabilities</b>		
Property.....	(2,342)	(1,445)
Allowance for bad debts.....		(35)
Other.....	(75)	
Total deferred tax liabilities....	(2,417)	(1,480)
Net deferred tax liability.....	\$ (977)	\$ (195)
	=====	=====

The net deferred tax liability is included in the balance sheets under "deferred liabilities."

The effective tax rate on income before taxes differed from the federal statutory tax rate. The following table reconciles the federal statutory rate with the effective rate:

	For The Years Ended November 30,		
	2000	1999	1998
Income taxes at statutory rate.....	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
State taxes, net of federal benefit.....	2.6	2.7	2.5
Federal tax rate differential due to lower tax brackets..			(0.2)
Other.....	(2.7)	0.6	(0.7)
Effective income tax rate.....	34.9%	38.3%	36.6%
	====	====	====

NOTE 6 - INVESTMENT IN SUBSIDIARY

On June 30, 2000, the Company acquired all of the outstanding shares of Triwood, Inc. ("Triwood"), a joint venture in which the Company had been a 50% shareholder, for an aggregate consideration of \$1.9 million. Triwood formerly produced particleboard for furniture manufacturing. During 1998, the joint venture was cited by the Environmental Protection Agency ("EPA") for a violation of certain regulations under the Clean Air Act Amendments of 1990. The joint

venture members determined that the cost of modification to the plant to come into compliance, together with other needed capital improvements, would be prohibitive and the joint venture elected to cease operations in November 1998. The purchase price includes the assumption of the first \$100,000 of liability, if any, related to the 1998 EPA citation. Pursuant to an indemnification agreement, the two joint venture members will share equally, any liability in excess of \$100,000. Based upon its most recent information, management does not believe the liability, if any, will be material to the consolidated financial statements.

The acquisition has been accounted for using the purchase method of accounting, and, accordingly, the purchase price, which approximated the fair values of net assets acquired, has been allocated to the assets purchased (primarily land, building, and deferred tax assets) and the liabilities assumed based upon their fair values at the date of acquisition. Prior to the acquisition, the joint venture had been accounted for by the equity method. At November 30, 1999 the Company's net realizable value of its investment in the joint venture of \$2.1 million was included on "other assets". Subsequent to the acquisition the Company has operated its import furniture business as a wholly-owned subsidiary through Triwood.

Effective June 1, 1999, the joint venture entered into a lease for the land and building owned by the joint venture with a third party lessee. The lease term is for two years with an option to purchase for \$2.7 million. The option was exercised on November 30, 2000 and the sale is scheduled to close prior to May 31, 2001.

NOTE 7 - COMMON STOCK

Subsequent to November 30, 1999, the Board of Directors approved a two-for-one stock split, effected in the form of a 100% stock dividend. The record date for the split was January 10, 2000, and the dividend was distributed to stockholders on January 31, 2000. All share and per share data in the financial statements has been adjusted to reflect the split.

NOTE 8 - QUARTERLY DATA (Unaudited)

	Fiscal Quarter			
	First	Second	Third	Fourth
2000				
Net sales.....	\$ 56,624	\$ 66,399	\$ 61,576	\$ 66,229
Gross profit.....	14,115	17,203	16,237	15,130
Net income.....	3,169	4,434	4,129	3,182
Basic and diluted earnings per share..	0.42	0.58	0.54	0.52
1999				
Net sales.....	\$ 52,789	\$ 59,589	\$ 54,577	\$ 61,848
Gross profit.....	13,390	15,297	13,255	15,686
Net income.....	3,386	4,080	3,082	3,747
Basic and diluted earnings per share..	0.44	0.53	0.40	0.49

The quarterly data reflects the effect of certain reclassification adjustments made between "net sales", "cost of sales", and "selling and administrative expenses" to conform with the current method of presentation.

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

REPORT ON FINANCIAL STATEMENT SCHEDULE

The audits referred to in our report dated December 15, 2000, relating to the consolidated financial statements of Hooker Furniture Corporation and Subsidiary, which are contained in Item 8 of this Form 10-K included the audits of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

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

/S/BDO Seidman, LLP

Richmond, Virginia  
December 15, 2000

HOOKER FURNITURE CORPORATION AND SUBSIDIARY  
 SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS (In thousands)  
 For Each of the Three Fiscal Years Ended November 30, 2000

Year	Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
2000	Allowance for doubtful accounts.....	\$525	\$736	\$651	\$610
1999	Allowance for doubtful accounts.....	500	387	362	525
1998	Allowance for doubtful accounts.....	500	353	353	500

(1) Uncollectible receivables written off, net of recoveries.

## EXHIBIT INDEX

Exhibit	Description
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)).
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)).
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)).
4.1	Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.1).
4.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (See Exhibit 3.2).
4.3	Bylaws of the Company (See Exhibit 3.3).
4.4	Term Loan Agreement, dated September 18, 2000, between the Company and Suntrust Bank (including related Term Note and Negative Pledge Agreement). *
	Pursuant to Regulation S-K, Item 601(b)(4)(iii), instruments evidencing long-term debt less than 10% of the Company's total assets have been omitted and will be furnished to the Securities and Exchange Commission upon request.
10.1	Lease dated August 3, 2000, between International Home Furnishings Center and the Company. *
10.2	Form of Salary Continuation Agreement (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)). **
10.3	Form of Split Dollar Agreement (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form 10 (Commission File No. 000-25349)). **
10.4	Commitment Letter for line of credit ("BB&T Line of Credit") and related Promissory Note dated June 5, 1998 between Branch Banking & Trust Company and the Company (incorporated by reference to Exhibit 10.4 of the Company's Form 10-K (Commission File No. 000-25349) for the fiscal year ended November 30, 1999).
10.5	Commitment Letter dated March 23, 1999 between Branch Banking & Trust Company and the Company renewing the BB&T Line of Credit (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K (Commission File No. 000-25349) for the fiscal year ended November 30, 1999).
10.6	Term Loan Agreement, dated September 18, 2000, between the Company and Suntrust Bank (including related Term Note and Negative Pledge Agreement) (See Exhibit 4.4).
10.7	Credit Agreement, dated as of September 18, 2000, between the Company and the Hooker Furniture Corporation Employee Stock Ownership Plan Trust (including related Non-Recourse Promissory Note and Stock Pledge Agreement). *
21	List of Subsidiaries Triwood, Inc., a Virginia Corporation.

\*Filed herewith.

\*\*Management contract or compensatory plan.

TERM LOAN AGREEMENT

BETWEEN

HOOKER FURNITURE CORPORATION

AND

SUNTRUST BANK

CLOSING DATE: September 18, 2000

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EXHIBIT G Negative Pledge

Supplement A Financial Covenants

LOAN AGREEMENT  
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THIS AGREEMENT, made, entered into and effective as of September 18, 2000, by and between HOOKER FURNITURE CORPORATION, a Virginia Corporation ("Borrower"); and SUNTRUST BANK, a Georgia Banking Company ("Lender");  
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W I T N E S S E T H:  
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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 with -----  
GAAP, should be capitalized on the balance sheet of a Person.

"Closing Date" shall mean the date of this Agreement.  
-----

"Consolidated Subsidiaries" shall mean those Subsidiaries of Borrower (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 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 -----  
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) 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 -----  
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 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 -----  
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, 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  
-----  
calculated in accordance with GAAP.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, 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  
-----  
the ESOP with the proceeds of the Note.

"ESOP Note" shall mean the promissory note in the original principal  
-----  
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 ESOP  
-----  
with the proceeds of the ESOP Note.

"Event of Default" shall mean any of the events or conditions described 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 such on  
-----  
Exhibit "A".  
-----

"Fiscal Year", in respect of a Person, shall mean the fiscal year of 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  
-----  
accordingly thereto.

"GAAP" shall mean generally accepted accounting principles consistently  
-----  
applied for the period or periods in question.

"Interest Payment Date" means the first day of December, 2000 and the first  
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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 this  
-----  
Agreement.

"LIBOR Rate" shall mean the one month LIBOR established by the British  
-----  
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  
-----  
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 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 the International Swap Dealers Association

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dated August 30, 2000 between the Lender and Borrower and any other interest rate swap transaction, 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,

-----  
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.

"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".

"Obligations" Any Debt of Borrower to Lender arising hereunder or as a

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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

-----  
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 Lender

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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 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 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

-----  
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 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 defined

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herein shall have the meanings generally attributed to such terms under GAAP.

1.4. Terminology. All personal pronouns used in this Agreement,

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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 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 December, March, June and September, commencing on December 1, 2000, in the amount of \$800,850.00 each, based upon an assumed interest rate of 7.3950% per annum and a ten (10) year principal amortization, provided that, the last such installment shall be in an amount sufficient to  
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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 amount of  
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\$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, the Borrower  
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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 law, rule or  
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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 (S) 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 hereof, the

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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 further

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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 Lender to

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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. Borrower has

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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 undersigned

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officers of Borrower hold the offices specified herein below 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 Exhibit

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"A", there are no legal proceedings pending (or, so far as Borrower or 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 returns

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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 (S)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 one

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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".

3.15. Federal Taxpayer Identification Number. Borrower's federal

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taxpayer identification number is as indicated on Exhibit "A".

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".

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 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

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 (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,

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

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

maintain its property in good working condition less ordinary wear and tear.

4.8. Certificate of Compliance and No Default. Borrower shall, on 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 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

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 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

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

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

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 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 its

property, except for Permitted Encumbrances.

5.2. Debt. Incur, assume, or suffer to exist any Debt, except for:

(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)

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trade payables and 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 with  
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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 any  
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of its shares of any class of capital stock, except: (i) with the proceeds of  
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the ESOP Loan; (ii) when no Default Condition or Event of Default shall have occurred and be continuing or would result therefrom, (iii) when no Default Condition or Event of Default shall have occurred and be continuing or would result therefrom, pursuant to the Hooker Furniture Corporation Employee Stock Ownership Plan, amended and restated effective as of January 1, 2000, or as such Plan may be amended, supplemented or modified from time to time (the "Plan"), the Trust Agreement for the 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 or (iv) when a Default Condition or Event of Default shall have occurred and be continuing, or would result therefrom, pursuant to the exercise by a participant in the Plan of a put option on shares distributed from the Plan, to the extent required to meet the requirements of Internal Revenue Code Section 409(h)(1)(B) or any successor section.

5.6. Mergers. Dissolve, liquidate, merge, lease, transfer or otherwise  
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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 permit  
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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 to  
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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 money

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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 pleading

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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 Event

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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  
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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  
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owed by Lender to Borrower.

9. MISCELLANEOUS.  
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9.1. Waiver. Each and every right granted to Lender under this  
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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  
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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  
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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  
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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  
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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  
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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 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 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 -----  
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 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 -----  
the other Loan Documents.

9.12. Interpretation. No provision of this Agreement or any Loan -----  
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 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 -----  
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

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

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

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 incorporated

by reference into this Agreement and made part thereof.

9.19. Attorney-in-Fact. Borrower hereby designates, appoints and

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

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

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 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, TO  
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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 provisions,  
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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 the  
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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 to  
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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 from  
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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".  
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10.2. Good Standing Certificates. Receipt by Lender of a certificate  
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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 counsel  
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from independent legal counsel to Borrower in substantially the form of Exhibit  
-----  
"F".  
- - -

10.5. No Default. No Default Condition or Event of Default shall exist  
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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 hereto.  
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10.6. Approval of ESOP Loan. Receipt by Lender of the form of the 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 ESOP  
-----  
Stock.

10.7. Master Agreement. The Borrower shall have entered into a Master  
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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, certificates,  
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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 18th day of September,  
2000.

"LENDER"

SUNTRUST BANK

By: /s/ Ellen L. Wood (SEAL)

-----  
Ellen L. Wood  
Senior Vice President

"BORROWER"

HOOKER FURNITURE CORPORATION

By: /s/ Paul B. Toms, Jr. (SEAL)

-----  
Paul B. Toms, Jr.  
President

and By: /s/ Edwin L. Ryder (SEAL)

-----  
Edwin L. Ryder  
Senior Vice President  
Finance & Administration

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:

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

Borrowed Debt Divided by Borrowed Debt + Equity (in each case, as defined  
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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.

City of Richmond

September 18, 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 Eight Hundred Thousand Eight Hundred Fifty Dollars (\$800,850.00) 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 December 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: /s/ Paul B. Toms (SEAL)

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Paul B. Toms, Jr.  
President

and By: /s/ Edwin L. Ryder (SEAL)

-----

Edwin L. Ryder  
Senior Vice President Finance &  
Administration

NEGATIVE PLEDGE AND AGREEMENT

This Negative Pledge and Agreement (this "Agreement") is made and delivered as of the 18th day of September, 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: /s/ Edwin L. Ryder

-----

Edwin L. Ryder  
Senior Vice President Finance &  
Administration

STATE OF VIRGINIA                    )  
  ), to wit  
CITY/COUNTY OF MARTINSVILLE )  
-----

The foregoing instrument was acknowledged before me this 18th day of  
September, 2000, in my jurisdiction aforesaid by Edwin L. Ryder, the Senior Vice  
President Finance & Administration of Hooker Furniture Corporation on behalf of  
the Corporation.

Lyndall R. Howell

-----

Notary Public

My Commission Expires: 9-30-2003  
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LEASE OF SPACE IN INTERNATIONAL HOME FURNISHINGS CENTER(R)

IHFC(R): International Home Furnishings Center(R), Inc.  
Post Office Box 828  
High Point, North Carolina 27261

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

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

TERM: 5 Years

COMMENCEMENT DATE: November 1, 2000  
EXPIRATION DATE: October 31, 2005

ANNUAL RENTAL: 46,330.00 sq. ft. @ \$10.25 per sq. ft. per year \$ 474,882.50

ADDITIONAL OR SUPPLEMENTAL TERMS AND PROVISIONS

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

This lease supersedes the present lease between the Lessor and Lessee for Space  
#W1047, dated August 11, 1999, and such prior lease shall be deemed cancelled.

IHFC(R), by this Agreement, leases to Lessee and Lessee leases from IHFC(R), the  
Premises described above, at the rental, for the term and upon the other terms  
and conditions contained on this page and in IHFC's(R) Standard Terms and  
Conditions of Lease (IHFC(R) Form No. 900103) which are incorporated by  
reference in and made a part of this lease.

IHFC(R) and Lessee have caused this Lease to be executed by their duly  
authorized officers, this the 3rd day of August, 2000.

IHFC(R):  
International Home Furnishings Center, Inc.

By: /s/ William S. DiPaolo  
-----  
VICE PRESIDENT

Attest: /s/ Jane S. Lain  
-----  
SECRETARY

CORPORATE SEAL

EXHIBITOR:

Hooker Furniture Corporation  
-----  
Complete Formal Business Name

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

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

Attest: /s/ Edwin L. Ryder CORPORATE SEAL  
-----  
ASST. SECRETARY IF LESSEE IS A CORPORATION

1.0

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

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

2.0

TERM

(S)2.1. Commencement and Expiration Date. The Commencement Date and Expiration Date of the Lease term are the dates set forth on the first page of this Lease.

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

3.0

RENT

(S)3.1. Annual Rental. Lessee shall pay to IHFC(R) without offset or deduction the Annual Rental for the Premises set forth on the first page of this Lease, in semiannual installments, each such semiannual installment being due and payable in advance on or before the first day of November and on or before the first day of May (the "Rental Payment Dates") of each calendar year during the Lease term, except as provided in (S)3.2.

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

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

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

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

(c) The cumulative percentage increase in the CPI shall be the

percentage increase, if any, in the CPI for the sixth month prior to the Lease Year in question over the CPI for the same month next preceding the Commencement Date;

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

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

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

4.0  
USE AND  
OCCUPANCY  
BY LESSEE

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

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

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

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

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

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

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

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

5.0  
ASSIGNMENT  
AND  
SUBLETTING

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

(S)5.2. Subleasing Policy. All proposed subleases which IHFC(R) is requested to approve pursuant to (S)5.1 must conform to subleasing policies established by IHFC(R) from time to time, and Lessee acknowledges and agrees that IHFC's(R) subleasing policies, among other things, may provide for selection of sublessees from a priority waiting list, the use of standard forms, direct billing by IHFC(R), the imposition of subleasing fees by IHFC(R), and the retention by IHFC(R) of the excess of any amounts payable under the sublease over the rent and other charges payable under this Lease.

Nothing in this section may be construed to create any inference that IHFC(R) is obligated to approve any sublease which complies with the provisions of this section.

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

6.0 REPAIRS AND MAINTENANCE (S)6.1. Acceptance. Lessee has examined the Premises and accepts them in their present conditions, without any representation on the part of IHFC(R) as to the present or future condition of the Premises except as otherwise specifically provided in this Lease.

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

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

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

7.0.  
LESSEE'S  
PROPERTY;  
ALTERATIONS  
AND  
IMPROVEMENTS

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

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

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

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

8.0  
TAXES

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

9.0  
UTILITIES

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

10.0  
INSURANCE;  
INDEMNITY

(S)10.1. Insurance. Lessee agrees to keep its property located in the Premises, including all alterations, additions and improvements made by it, insured against loss or damage by fire or other casualty, under an "all risks" policy in an amount equal to full replacement cost value thereof. Lessee agrees to maintain in force comprehensive general liability insurance coverage on the Premises, with a minimum combined single limit of \$500,000 for death, personal injury or property damage, naming IHFC(R) as an additional insured. This general liability coverage may be either on an "occurrence" or a "claims made" basis. If on a "claims made" basis, Lessee must either:

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

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

All policies shall provide that unless IHFC(R) is given ten (10) days written notice of any cancellation, failure to renew, or material change, the insurance shall remain in full force and effect, without change. On or before the Commencement Date, Lessee agrees to provide IHFC(R) with satisfactory evidence that

all required insurance is in force. Lessee may provide any insurance required under this Article through its corporate or blanket policies.

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

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

- (a) Damage to property of Lessee, or its agents, employees or subtenants occurring in or about the Home Furnishings Center;
- (b) Damage to property of anyone occurring in or about the Premises;
- (c) Any injury to or interruption of business or loss of profits attributable to or connected with any damage to property referred to in subparagraphs (a) or (b), above.

(d) Death or personal injury occurring in or about the Premises (unless resulting from the negligence of IHFC(R) or its employees); or (e) Any other risks with respect to which Lessee is required to insure by the terms of this Lease (whether or not such insurance is actually in force).

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

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

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

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

12.0 (S)12.1. Events of Default. Lessee shall be in default under this Lease if any one of the following Events of Default occurs:

- DEFAULT
- (a) Lessee fails to pay when due any installment of rent or other amount due under the terms of this Lease;
  - (b) Lessee fails to pay when due any other amount owed to IHFC(R); or
  - (c) Lessee repudiates or fails to perform any obligation under (S)1.2 (Relocation), (S)4.0 (Use), (S)5.0 (Assignment and Subletting), (S)7.3 (Alterations), (S)13.0 (Subordination) or (S)14.0 (Estoppel Certificates).
  - (d) Lessee vacates or abandons the Premises;
  - (e) Lessee becomes insolvent, executes an assignment for the benefit of creditors, is adjudicated a bankrupt, files for relief under the reorganization provisions of any Federal bankruptcy law or state insolvency law, or a permanent receiver of the property of Lessee is appointed by any court of competent jurisdiction.
  - (f) Lessee repudiates or, within ten (10) days after notice of nonperformance by IHFC(R), fails to perform any other obligation which it is required to perform under the terms of this Lease or, if performance cannot reasonably be had within ten (10) days after notice from IHFC(R), Lessee fails to commence performance within that period and diligently proceed to completion of performance.

(S)12.2. Remedies. If an Event of Default occurs, IHFC(R), at its option and without further notice to Lessee, may pursue any remedy now or hereafter available to IHFC(R) under the laws of the State of North Carolina. Without limiting the generality of the foregoing, IHFC(R) shall be entitled to reenter the Premises by force, summary proceedings or otherwise, expelling Lessee and

removing all property from the Premises, all without liability to Lessee or anyone else and either:

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

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

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

(S)12.4. Security Interest. As security for performance and payment of all present and future rents and other obligations required to be paid or performed by Lessee under the terms of this Lease, and for any other amounts owed IHFC(R) by Lessee, Lessee hereby grants unto IHFC(R) a security interest in all installations, samples, goods, merchandise, furniture, fixtures, and other property of Lessee, now owned or hereafter acquired, located in the Premises or the Home Furnishings Center. If an Event of Default occurs, IHFC(R) at any time thereafter may exercise, in addition to its other remedies, the rights of a secured party under Chapter 25 of the North Carolina General Statutes. The proceeds from any sale of the collateral pursuant to such remedies shall be applied in the following order: (a) the expense of taking, removing, holding for sale, and preparing for sale, specifically including IHFC's(R) reasonable attorney's fees; (b) the expense of liquidating any liens, security interests or other encumbrances superior to this security interest; and (c) amounts owed by Lessee to IHFC(R) under the terms of this Lease or otherwise, in the order herein provided for. Lessee agrees to execute such financing statements and other documents as may be required to perfect the security interest granted to IHFC(R) under this Section.

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

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

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

14.0 ESTOPPEL CERTIFICATES Upon ten (10) days prior written notice from IHFC(R), Lessee agrees to execute, acknowledge and deliver to IHFC(R), Lessee's certificate: (a) stating whether this Lease is in full force and effect; (b) stating whether this Lease has been modified, and if so, the nature of such modification; (c) stating the date through which rent and other charges are paid in advance; (d) stating whether, to Lessee's knowledge, there are any uncured defaults of IHFC(R) under this Lease, specifying the nature of any claimed default; and (e) providing such other information as IHFC(R) may reasonably request with respect to the status of the Lease. Any such certificate may be conclusively relied upon by IHFC(R) or any prospective purchaser or mortgagee of the Home Furnishings Center.

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

16.0 MISCELLANEOUS (a) This Lease shall be governed, construed, and enforced under the laws of North Carolina and the parties submit to the jurisdiction of the courts of North Carolina and stipulate that Guilford County, North Carolina, is proper venue for the purpose

of all controversies which may arise under this Lease;

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

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

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

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

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

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

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

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

=====  
ADDENDUM A  
=====

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

1. SIGNAGE

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

2. DESIGN STATEMENT

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

3. WINDOWS

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

[Graphic of Tenth Floor Plan - Wrenn, Green, Commerce and Hamilton Wings  
Space No. W1047 plus bays W1041, C1003, G1062, G1067, G1077, H1042, H1043,  
H1045 - 46,300 Sq. Ft. appears here.]

\$22,500,000

CREDIT AGREEMENT

dated as of September 18, 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 18, 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 18, 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  
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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  
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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  
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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  
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evidence of the accuracy of the information so recorded.

Section 2.3. Optional Prepayments. The Borrower may prepay the ESOP  
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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,  
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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  
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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  
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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  
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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  
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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 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 interests of, and is being made for the exclusive purpose of providing benefits to 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 the Trustee's 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 intended to be a qualified

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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

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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 ERISA or the Code (or any regulations or rulings thereunder), 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

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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. The Borrower is not aware of any action,

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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.

Section 4.5. Filings. All actions by or in respect of, and all

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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

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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

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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  
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delivered to the Lender copies of (i) the Trustee's annual return (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  
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a Default or an Event of Default shall occur.

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

Section 5.5. Compliance with Laws. The Borrower will comply in all  
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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  
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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  
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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  
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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  
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5500 Series) for the Plan.

Section 6.3. Compliance with Laws. In connection with the Plan, the  
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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

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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

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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

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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 after amounts have been contributed to the Borrower by the Lender pursuant to the Plan or dividends have been paid on common stock of the Lender held by the Borrower that are eligible under the Plan for payment 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 (collectively, the "Documents") shall prove to have been incorrect in any material respect at the time such documents were delivered;

(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

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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) (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

(vi) 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

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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

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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

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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

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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

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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

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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

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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  
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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: /s/ Michael E. Shea  
-----  
Name: Michael E. Shea  
Title: Sr. Vice President

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

HOOKER FURNITURE CORPORATION

By: /S/ Paul B. Toms, Jr.  
-----  
Paul B. Toms, Jr.  
President

440 East Commonwealth Boulevard  
Martinsville, Virginia 24112

NON-RECOURSE PROMISSORY NOTE

September 18, 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,

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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

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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

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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 18, 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: /s/ Michael E. Shea  
-----  
Name: Michael E. Shea  
Title: Sr. Vice President

[EXECUTION COPY]

STOCK PLEDGE AGREEMENT

dated as of September 18, 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 18, 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 18, 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  
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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  
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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  
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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 Code 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 quarter, 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 quarter shall equal: (i) the number of Pledged Shares held at the end of such Plan Year quarter (immediately before the release of Pledged Shares for such Plan Year quarter) multiplied by (ii) the amount of principal and interest paid by the Pledgor on the ESOP Note during such Plan Year quarter divided by (iii) the sum of the principal and interest to be paid by the Pledgor on the ESOP Note for all future Plan Year quarters 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,  
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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  
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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  
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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  
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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  
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Interests. Upon delivery to the Lender of all certificates or instruments  
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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  
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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  
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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  
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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;  
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Voting.  
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(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,

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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

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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

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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

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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,

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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.

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(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.

(c) Notwithstanding anything in this Section 6.3 to the contrary, 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.

Section 6.4. Rights of Purchasers. Upon any sale of the Pledged

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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

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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.  
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(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.  
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(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  
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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,  
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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  
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third, any surplus then remaining shall be paid to the Pledgor, or its  
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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  
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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  
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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.  
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(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

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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: /s/ Michael E. Shea

-----  
Name: Michael E. Shea  
Title: Sr. Vice President

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

HOOKER FURNITURE CORPORATION

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

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Paul B. Toms, Jr.  
President

440 East Commonwealth Boulevard  
Martinsville, Virginia 24112

Schedule 1  
List of Pledged Shares  
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Name of Issuer -----	Class of Stock -----	Certificate # -----	# of Shares -----
Hooker Furniture Corporation	Common Stock	HFC 2117	1,799,894
Hooker Furniture Corporation	Common Stock	HFC 2134	106