UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 1, 2009

Commission File No. 0-12781

CULP, INC.
(Exact name of registrant as specified in its charter)

NORTH CAROLINA (State or other jurisdiction of incorporation or other organization)	**56-1001967** (I.R.S. Employer Identification No.)
1823 Eastchester Drive High Point, North Carolina (Address of principal executive offices)	**27265-1402** (zip code)

(336) 889-5161
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer, large accelerated filer, and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one);

Large accelerated filer o **Accelerated filer x** **Non-accelerated filer o**

Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o YES x NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common shares outstanding at February 1, 2009: 12,767,527
Par Value: $0.05 per share

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Item 1. Financial Statements

CULP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED FEBRUARY 1, 2009 AND JANUARY 27, 2008
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	February 1, 2009	January 27, 2008	% Over (Under)	**February 1, 2009**	January 27, 2008
Net sales	**$ 44,592**	$ 60,482	(26.3)%	**100.0%**	100.0%
Cost of sales	**38,843**	53,706	(27.7)%	**87.1%**	88.8%
Gross profit	**5,749**	6,776	(15.2)%	**12.9%**	11.2%
Selling, general and administrative expenses	**4,676**	5,117	(8.6)%	**10.5%**	8.5%
Restructuring expense	**402**	412	(2.4)%	**0.9%**	0.7%
Income from operations	**671**	1,247	(46.2)%	**1.5%**	2.1%
Interest expense	**646**	753	(14.2)%	**1.4%**	1.2%
Interest income	**(20)**	(77)	(74.0)%	**(0.0)%**	(0.1)%
Other expense (income)	**28**	(72)	138.9%	**0.1%**	(0.1)%
Income before income taxes	**17**	643	(97.4)%	**0.0%**	1.1%
Income taxes *	**467**	(260)	N.M.	**N.M.**	(40.4)%
Net (loss) income	**$ (450)**	$ 903	N.M.	**(1.0)%**	1.5%
Net (loss) income per share, basic	**$ (0.04)**	$ 0.07	N.M.		
Net (loss) income per share, diluted	**(0.04)**	0.07	N.M.		
Average shares outstanding, basic	**12,653**	12,635	0.1%		
Average shares outstanding, diluted	**12,653**	12,738	(0.7)%		

	NINE MONTHS ENDED				
	Amounts			Percent of Sales	
	February 1, 2009	January 27, 2008	% Over (Under)	**February 1, 2009**	January 27, 2008
Net sales	**$ 156,176**	$ 190,048	(17.8)%	**100.0%**	100.0%
Cost of sales	**139,879**	165,794	(15.6)%	**89.6%**	87.2%
Gross profit	**16,297**	24,254	(32.8)%	**10.4%**	12.8%
Selling, general and administrative expenses	**14,498**	17,275	(16.1)%	**9.3%**	9.1%
Restructuring expense	**9,438**	759	N.M.	**6.0%**	0.4%
(Loss) income from operations	**(7,639)**	6,220	N.M.	**(4.9)%**	3.3%
Interest expense	**1,739**	2,380	(26.9)%	**1.1%**	1.3%
Interest income	**(75)**	(197)	(61.9)%	**(0.0)%**	(0.1)%
Other (income) expense	**(207)**	625	N.M.	**(0.1)%**	0.3%
(Loss) income before income taxes	**(9,096)**	3,412	N.M.	**(5.8)%**	1.8%
Income taxes *	**31,442**	105	N.M.	**N.M.**	3.1%
Net (loss) income	**$ (40,538)**	$ 3,307	N.M.	**(26.0)%**	1.7%
Net (loss) income per share, basic	**$ (3.20)**	$ 0.26	N.M.		
Net (loss) income per share, diluted	**(3.20)**	0.26	N.M.		
Average shares outstanding, basic	**12,650**	12,617	0.3%		
Average shares outstanding, diluted	**12,650**	12,770	(0.9)%		

*Percent of sales column for income taxes is calculated as a % of (loss) income before income taxes.

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED BALANCE SHEETS
FEBRUARY 1, 2009, JANUARY 27, 2008 AND APRIL 27, 2008
(UNAUDITED)
(Amounts in Thousands)

	Amounts		Increase (Decrease)		
	February 1, 2009	January 27, 2008	Dollars	Percent	* April 27, 2008
Current assets:					
Cash and cash equivalents	**$ 15,809**	$ 15,500	309	2.0%	$ 4,914
Accounts receivable, net	**14,219**	23,370	(9,151)	(39.2)%	27,073
Inventories	**25,376**	37,923	(12,547)	(33.1)%	35,394
Deferred income taxes	**-**	5,376	(5,376)	(100.0)%	4,380
Assets held for sale	**1,681**	4,972	(3,291)	(66.2)%	5,610
Income taxes receivable	**-**	423	(423)	(100.0)%	438
Other current assets	**1,493**	995	498	50.1%	1,328
Total current assets	**58,578**	88,559	(29,981)	(33.9)%	79,137
Property, plant and equipment, net	**24,763**	32,218	(7,455)	(23.1)%	32,939
Goodwill	**11,593**	4,114	7,479	181.8%	4,114
Deferred income taxes	**-**	25,993	(25,993)	(100.0)%	29,430
Other assets	**2,922**	2,442	480	19.7%	2,409
Total assets	**$ 97,856**	$ 153,326	(55,470)	(36.2)%	$ 148,029
Current liabilities:					
Current maturities of long-term debt	**$ 7,180**	$ 8,569	(1,389)	(16.2)%	$ 7,375
Current portion of obligation under a capital lease	**692**	-	692	100.0%	-
Lines of credit	**-**	2,783	(2,783)	(100.0)%	-
Accounts payable - trade	**10,947**	18,312	(7,365)	(40.2)%	21,103
Accounts payable - capital expenditures	**725**	724	1	0.1%	1,547
Accrued expenses	**5,592**	10,422	(4,830)	(46.3)%	8,300
Accrued restructuring	**1,215**	1,875	(660)	(35.2)%	1,432
Income taxes payable - current	**1,469**	-	1,469	100.0%	150
Total current liabilities	**27,820**	42,685	(14,865)	(34.8)%	39,907
Accounts payable - capital expenditures	**912**	-	912	100.0%	1,449
Income taxes payable - long-term	**747**	4,497	(3,750)	(83.4)%	4,802
Deferred income taxes	**1,213**	-	1,213	100.0%	1,464
Obligation under capital lease	**107**	-	107	100.0%	-
Long-term debt, less current maturities	**20,933**	22,026	(1,093)	(5.0)%	14,048
Total liabilities	**51,732**	69,208	(17,476)	(25.3)%	61,670
Commitments and Contingencies (Notes 8,11,12,13 and 22)					
Shareholders' equity	**46,124**	84,118	(37,994)	(45.2)%	86,359
Total liabilities and shareholders' equity	**$ 97,856**	$ 153,326	(55,470)	(36.2)%	$ 148,029
Shares outstanding	**12,768**	12,635	133	1.1%	12,648

* Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 1, 2009 AND JANUARY 27, 2008
(UNAUDITED)
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	February 1, 2009	January 27, 2008
Cash flows from operating activities:		
Net (loss) income	$ **(40,538)**	3,307
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	**5,756**	4,264
Amortization of other assets	**350**	280
Stock-based compensation	**306**	520
Excess tax benefit related to stock options exercised	**-**	(21)
Deferred income taxes	**33,573**	73
(Gain) loss on sale of equipment	**(51)**	256
Restructuring expenses, net of gain on sale of related assets	**7,960**	123
Changes in assets and liabilities:		
Accounts receivable	**12,854**	6,140
Inventories	**11,457**	2,707
Other current assets	**(183)**	829
Other assets	**26**	(128)
Accounts payable	**(11,448)**	(3,716)
Accrued expenses	**(2,746)**	1,651
Accrued restructuring	**(217)**	(1,483)
Income taxes	**(2,298)**	16
Net cash provided by operating activities	**14,801**	14,818
Cash flows from investing activities:		
Capital expenditures	**(1,719)**	(4,303)
Net cash paid for acquisition of business	**(11,365)**	-
Proceeds from the sale of buildings and equipment	**4,148**	2,336
Net cash used in investing activities	**(8,936)**	(1,967)
Cash flows from financing activities:		
Proceeds from lines of credit	**-**	1,339
Payments on lines of credits	**-**	(1,149)
Proceeds from the issuance of long-term debt	**11,000**	-
Payments on vendor-financed capital expenditures	**(962)**	(571)
Payments on capital lease obligation	**(586)**	-
Payments on long-term debt	**(4,310)**	(7,565)
Debt issuance costs	**(133)**	-
Proceeds from common stock issued	**21**	405
Excess tax benefit related to stock options exercised	**-**	21
Net cash provided by (used in) financing activities	**5,030**	(7,520)
Increase in cash and cash equivalents	**10,895**	5,331
Cash and cash equivalents at beginning of period	**4,914**	10,169
Cash and cash equivalents at end of period	$ **15,809**	15,500

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
UNAUDITED
(Dollars in thousands, except share data)

	Common Stock		Capital Contributed in Excess of Par Value	Unearned Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount					
Balance, April 29, 2007	12,569,291	$ 629	46,197	-	32,255	(4)	$ 79,077
Cumulative effect of adopting FASB Interpretation No. 48	-	-	-	-	847	-	847
Net income	-	-	-	-	5,385	-	5,385
Stock-based compensation	-	-	618	-	-	-	618
Loss on cash flow hedge, net of taxes	-	-	-	-	-	(44)	(44)
Excess tax benefit related to stock options exercised	-	-	17	-	-	-	17
Common stock issued in connection with stock option plans	78,736	3	456	-	-	-	459
Balance, April 27, 2008	12,648,027	632	47,288	-	38,487	(48)	86,359
Net loss	-	-	-		(40,538)	-	(40,538)
Stock-based compensation	-	-	303	3	-	-	306
Loss on cash flow hedges, net of taxes	-	-	-		-	(24)	(24)
Restricted stock granted	115,000	5	211	(216)	-	-	-
Common stock issued in connection with stock option plans	4,500	1	20				21
Balance, February 1, 2009	12,767,527	$ 638	$ 47,822	$ (213)	$ (2,051)	$ (72)	$ 46,124

See accompanying notes to consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Culp, Inc. and subsidiaries (the "company") include all adjustments, which are, in the opinion of management, necessary for fair presentation of the results of operations and financial position. All of these adjustments are of a normal recurring nature except as disclosed in notes 3, 15, 16 and 20 to the consolidated financial statements. Results of operations for interim periods may not be indicative of future results. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, which are included in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on July 9, 2008 for the fiscal year ended April 27, 2008.

The company's nine months ended February 1, 2009 and January 27, 2008 represent 40 and 39 week periods, respectively.

2. Significant Accounting Policies

Significant accounting policies adopted by the company in fiscal 2009 are as follows:

Fair Value Measurements:

The company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157") for financial assets and liabilities and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), on April 28, 2008. SFAS 157 (1) creates a single definition of fair value, (2) establishes a framework for measuring fair value, and (3) expands disclosure requirements about items measured at fair value. SFAS 157 applies to both items recognized and reported at fair value in the financial statements and items disclosed at fair value in the notes to the financial statements. SFAS 157 does not change existing accounting rules governing what can or what must be recognized and reported at fair value in the company's financial statements, or disclosed at fair value in the company's notes to the financial statements. Additionally, SFAS 157 does not eliminate practicability exceptions that exist in accounting pronouncements amended by SFAS 157 when measuring fair value. As a result, the company will not be required to recognize any new assets or liabilities at fair value.

Prior to SFAS 157, certain measurements of fair value were based on the price that would be paid to acquire an asset, or received to assume a liability (an entry price). SFAS 157 clarifies the definition of fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different.

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the company uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the company may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

SFAS 157 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the company's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair measurement as a whole. An adjustment to the pricing method used within either level 1 or level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than level 1 inputs that are either directly or indirectly observable, and

Level 3 – Unobservable inputs developed using the company's estimates and assumptions, which reflect those that market participants would use.

The following table presents information about assets and liabilities measured at fair value on a recurring basis:

	Fair value measurements at February 1, 2009 using:			
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
(amounts in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
None	Not applicable	Not applicable	Not applicable	Not applicable
Liabilities:				
Interest Rate Swap Agreement	Not applicable	113	Not applicable	113
Canadian Foreign Exchange Contract	Not applicable	1	Not applicable	1

As shown above, the interest rate swap agreement and Canadian foreign exchange contract derivative instruments are valued based on fair values provided by the company's bank and is classified within level 2 of the fair value hierarchy. The determination of where an asset or liability falls in the hierarchy requires significant judgment. The company evaluates its hierarchy disclosures each quarter based on various factors and it is possible that an asset or liability may be classified differently from quarter to quarter. However, the company expects that changes in classifications between different levels will be rare.

Most derivative contracts are not listed on an exchange and require the use of valuation models. Consistent with SFAS 157, the company attempts to maximize the use of observable market inputs in its models. When observable inputs are not available, the company defaults to unobservable inputs. Derivatives valued based on models with significant unobservable inputs and that are not actively traded, or trade activity is one way, are classified within level 3 of the fair value hierarchy.

Some financial statement preparers have reported difficulties in applying SFAS 157 to certain nonfinancial assets and nonfinancial liabilities, particularly those acquired in business combinations and those requiring a determination of impairment. To allow the time to consider the effects of the implementation issues that have arisen, the FASB issued FSP FAS 157-2 ("FSP 157-2") on February 12, 2008 to provide a one-year deferral of the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed in financial statements at fair value on a recurring basis (that is, at least annually). As a result of FSP 157-2, the company has not yet adopted SFAS 157 for nonfinancial assets and liabilities that are valued at fair value on a non-recurring basis. FSP 157-2 is effective for the company in fiscal 2010 and the company is evaluating the impact that the application of SFAS 157 to those nonfinancial assets and liabilities will have on its financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 provides the company with an option to elect fair value as the initial and subsequent measurement attribute for most financial assets and liabilities and certain other items. The fair value option election is applied on an instrument-by-instrument basis (with some exceptions), is irrevocable, and is applied to an entire instrument. The election may be made as of the date of initial adoption for existing eligible items. Subsequent to initial adoption, the company may elect the fair value option at initial recognition of eligible items, on entering into an eligible firm commitment, or when certain specified reconsideration events occur. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings.

Upon adoption of SFAS 159 on April 28, 2008, the company did not elect to account for any assets and liabilities under the scope of SFAS 159 at fair value.

3. Asset Acquisition – Mattress Fabric Segment

Pursuant to an Asset Purchase Agreement among the company, Bodet & Horst USA, LP and Bodet & Horst GMBH & Co. KG (collectively "Bodet & Horst") dated August 11, 2008, the company purchased certain assets and assumed certain liabilities of the knitted mattress fabric operation of Bodet & Horst, including its manufacturing operation in High Point, North Carolina. This purchase has allowed the company to have a vertically integrated manufacturing platform in all major product categories of the mattress fabrics industry. The purchase involved the equipment, inventory, and intellectual property associated with the High Point manufacturing operation, which has served as the company's primary source of knitted mattress fabric for six years. Demand for this product line has grown significantly, as knits are increasingly being utilized on mattresses at volume retail price points. The purchase price for the assets was cash in the amount of $11.4 million, which included an adjustment of $477,000 for changes in working capital as defined in the Asset Purchase Agreement, and the assumption of certain liabilities. Also, in connection with the purchase, the company entered into a six-year consulting and non-compete agreement with the principal owner of Bodet & Horst, providing for payments to the owner in the amount of $75,000 per year to be paid in quarterly installments (of which $50,000 and $25,000 will be allocated to the non-compete covenant and consulting fees, respectively) for the agreement's full six-year term.

The acquisition was financed by $11.0 million of unsecured notes pursuant to a Note Purchase Agreement ("2008 Note Agreement") dated August 11, 2008. The 2008 Note Agreement has a fixed interest rate of 8.01% and a term of seven years. Principal payments of $2.2 million per year are due on the notes beginning three years from the date of the 2008 Note Agreement. The 2008 Note Agreement contains customary financial and other covenants as defined in the 2008 Note Agreement.

In connection with the 2008 Note Agreement, the company entered into a Consent and Fifth Amendment (the "Consent and Amendment") that amends the previously existing unsecured note purchase agreements. The purpose of the Consent and Amendment was for the existing note holders to consent to the 2008 Note Agreement and to provide that certain financial covenants in favor of the existing note holders would be on the same terms as those contained in the 2008 Note Agreement.

In connection with the asset purchase agreement, the company assumed the lease of the building where the operation is located. This lease is with a partnership owned by certain shareholders and officers of the company and their immediate families. The lease provides for monthly payments of $12,704, expires on June 30, 2010, and contains a renewal option for an additional three years. As of February 1, 2009, the minimum lease payment requirements over the next three fiscal years are: FY 2009 – $38,000; FY 2010 - $152,000; and FY 2011 - $25,000.

The following table presents the allocation of the acquisition cost, including professional fees and other related acquisition costs, to the assets acquired and liabilities assumed based on their fair values. The allocation of the purchase price is based on a preliminary valuation and could change when the final valuation is obtained. Differences between the preliminary valuation and the final valuation are not expected to be significant. The preliminary acquisition cost allocation is as follows:

(dollars in thousands)	Fair Value	
Inventories	$	1,439
Other current assets		17
Property, plant, and equipment		3,000
Non-compete agreement (Note 7)		756
Goodwill		7,479
Accounts payable		(1,291)
	$	11,400

Of the total consideration paid of $11,400, $11,365 and $35 were paid in fiscal 2009 and 2008, respectively.

The company recorded the non-compete agreement at its fair value based on various valuation techniques. This non-compete agreement will be amortized on a straight-line basis over the six-year life of the agreement. Property, plant, and equipment will be depreciated on a straight-line basis over useful lives ranging from five to fifteen years. Goodwill is deductible for income tax purposes over the statutory period of fifteen years.

The following unaudited pro forma consolidated results of operations for the three month and nine month periods ending February 1, 2009 and January 27, 2008 have been prepared as if the acquisition of Bodet & Horst had occurred at April 30, 2007.

	Three months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Net Sales	$ 44,592	$ 60,482
Income from operations	671	1,531
Net (loss) income	(450)	940
Net (loss) income per share, basic	(0.04)	0.07
Net (loss) income per share, diluted	(0.04)	0.07

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Net Sales	$ 156,176	$ 190,048
(Loss) income from operations	(6,694)	8,919
Net (loss) income	(40,302)	5,156
Net (loss) income per share, basic	(3.19)	0.41
Net (loss) income per share, diluted	(3.19)	0.40

The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

4. Stock-Based Compensation

Incentive Stock Option Awards

On June 17, 2008, the company granted in total to two employees 25,000 options to purchase shares of common stock at the fair market value on the date of grant. These options will vest over five years and expire ten years after the date of grant. The fair value of these option awards were estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of stock options granted to these two employees during the nine-month period ended February 1, 2009, was $5.00 per share using the following assumptions:

	Grant on June 17, 2008
Risk-free interest rate	4.23%
Dividend yield	0.00%
Expected volatility	66.18%
Expected term (in years)	8.0

On October 1, 2008, the company granted in total to their board of directors 6,000 options to purchase shares of common stock at the fair market value on the date of grant. These options vest immediately and expire ten years after the date of grant. The fair value of these option awards were estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of stock options granted to the company's board of directors during the nine-month period ended February 1, 2009, was $4.14 per share using the following assumptions:

	Grant on October 1, 2008
Risk-free interest rate	3.77%
Dividend yield	0.00%
Expected volatility	64.12%
Expected term (in years)	10

On January 7, 2009, the company granted to an employee 40,000 options to purchase shares of common stock at the fair market value on the date of grant. These options will vest over five years and expire ten years after the date of grant. The fair value of these option awards were estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of stock options granted to this employee during the nine-month period ended February 1, 2009, was $1.32 per share using the following assumptions:

	Grant on January 7, 2009
Risk-free interest rate	2.52%
Dividend yield	0.00%
Expected volatility	68.71%
Expected term (in years)	8.0

The assumptions utilized in the model are evaluated and revised, as necessary, to reflect market conditions, actual historical experience, and groups of employees that have similar exercise patterns that are considered separately for valuation purposes. The risk-free interest rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The company does not plan to issue any dividends, and, therefore, the yield is 0.00%. The expected volatility was derived using a term structure based on historical volatility and the volatility implied by exchange-traded options on the company's common stock. The expected term of the options is based on the contractual term of the stock option award and expected participant exercise trends.

The company recorded $82,000 and $301,000 of compensation expense for stock options within selling, general, and administrative expense for the three-month and nine-month periods ended February 1, 2009. The company recorded $154,000 and $520,000 of compensation expense for stock options within selling, general, and administrative expense for the three-month and nine-month periods ended January 27, 2008. The remaining unrecognized compensation costs related to unvested incentive stock option awards at February 1, 2009 was $748,821 which is expected to be recognized over a weighted average period of 2.9 years. During the nine-month period ended February 1, 2009, 4,500 stock options were exercised with an intrinsic value of $8,932.

Time Vested Restricted Stock Awards

On January 7, 2009, and under the company's 2007 Equity Incentive Plan, certain key members of management were granted 115,000 shares of time vested restricted common stock which were valued based upon the fair market value on the date of the grant. This restricted stock award vests in equal one-third installments on May 1, 2012, 2013, and 2014. The fair value of these restricted stock awards were $1.88 per share.

The company recorded compensation expense of $3,000 within selling, general, and administrative expense for restricted stock awards for the three-month and nine-month periods ended February 1, 2009. There were not any restricted stock grants in fiscal 2008, and, therefore, no compensation expense was recorded.

As of February 1, 2009, the remaining unrecognized compensation cost related to unvested restricted stock was $212,822, which is expected to be recognized over a weighted average vesting period of 5.2 years.

Performance Based Restricted Stock Units

On January 7, 2009, and under the company's 2007 Equity Incentive Plan, certain key members of management were granted 120,000 shares of performance based restricted common stock units which were valued based upon the fair market value on the date of the grant. The vesting for this award contingently vests in one third increments, if in any discreet period of two consecutive quarters from February 2, 2009 through April 30, 2012, certain performance goals are met. The fair value of these restricted stock units were $1.88 per share.

The company recorded compensation expense of $2,000 within selling, general, and administrative expense for performance based restricted stock units for the three-month and nine-month periods ended February 1, 2009. There were not any performance based restricted stock unit grants in fiscal 2008, and, therefore, no compensation expense was recorded. Compensation cost is recorded based on an assessment each reporting period of the probability if certain performance goals will be met during the contingent vesting period. If performance goals are not probable of occurrence, no compensation cost will be recognized and any recognized compensation cost would be reversed.

As of February 1, 2009, the remaining unrecognized compensation cost related to unvested restricted stock units were $91,650 which is expected to be recognized over a weighted average vesting period of 3.2 years.

Other Share-Based Arrangements

The company has a stock-based compensation agreement with an individual that requires the company to settle in cash and is indexed by shares of the company's common stock as defined in the agreement. The cash settlement is based on a 30 day average closing price of the company's common stock at the time of payment. At February 1, 2009 and April 27, 2008, this agreement was indexed by approximately 68,000 and 85,000 shares of the company's common stock, respectively. The fair value of this agreement is included in accrued expenses and was approximately $128,000 and $660,000 at February 1, 2009 and April 27, 2008, respectively. The company recorded a decrease in this liability totaling $419,000 to reflect the change in fair value for the nine-month period ended February 1, 2009. The company recorded a decrease in this liability totaling $157,000 to reflect the change in fair value for the nine-month period ended January 27, 2008. Payments made under this arrangement were $113,000 and $161,000 for the nine-months ended February 1, 2009 and January 27, 2008, resepectively.

5. Accounts Receivable

A summary of accounts receivable follows:

(dollars in thousands)	February 1, 2009	April 27, 2008
Customers	$ 16,147	$ 28,830
Allowance for doubtful accounts	(1,529)	(1,350)
Reserve for returns and allowances and discounts	(399)	(407)
	$ 14,219	$ 27,073

A summary of the activity in the allowance for doubtful accounts follows:

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Beginning balance	$ (1,350)	$ (1,332)
(Provision) recovery of bad debt expense	(395)	320
Write-offs, net of recoveries	216	169
Ending balance	$ (1,529)	$ (843)

A summary of the activity in the allowance for returns and allowances and discounts accounts follows:

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Beginning balance	$ (407)	$ (570)
Provision for returns and allowances and discounts	(1,367)	(1,937)
Discounts taken	1,375	1,972
Ending balance	$ (399)	$ (535)

6. Inventories

Inventories are carried at the lower of cost or market. Cost is determined using the FIFO (first-in, first-out) method.

A summary of inventories follows:

(dollars in thousands)	February 1, 2009	April 27, 2008
Raw materials	$ 6,223	$ 9,939
Work-in-process	1,480	1,682
Finished goods	17,673	23,773
	$ 25,376	$ 35,394

7. Other Assets

A summary of other assets follows:

(dollars in thousands)	February 1, 2009	April 27, 2008
Cash surrender value – life insurance	$ 1,289	$ 1,269
Non-compete agreements, net	1,267	789
Other	366	351
	$ 2,922	$ 2,409

The company recorded non-compete agreements in connection with the company's asset purchase agreements with International Textile Group, Inc. ("ITG") and Bodet and Horst at their fair values based on valuation techniques. These non-compete agreements pertain to the company's mattress fabrics segment. The non-compete agreement associated with ITG is amortized on a straight line basis over the four year life of the agreement. The non-compete agreement associated with Bodet and Horst is amortized on a straight-line basis over the six year life of the agreement and requires quarterly payments of $12,500 over the life of the agreement (Note 3). As of February 1, 2009, the total remaining non-compete payments were $275,000.

At February 1, 2009 and April 27, 2008, the gross carrying amount of these non-compete agreements were $1.9 million and $1.1 million, respectively. At February 1, 2009 and April 27, 2008, accumulated amortization for these non-compete agreements were $662,000 and $359,000, respectively. Amortization expense for these non-compete agreements for the three-month and nine-month periods ended February 1, 2009, was $116,000 and $303,000, respectively. Amortization expense for the ITG non-compete agreement for the three-month and nine-month periods ended January 27, 2008, was $72,000 and $215,000, respectively. No amortization expense was recorded for the Bodet and Horst non-compete agreement for the three-month and nine-month periods ended January 27, 2008 as the asset purchase agreement was effective August 11, 2008. The remaining amortization expense (which includes the total remaining Bodet & Horst non-compete payments of $275,000) for the next five fiscal years follows: FY 2009 - $116,000; FY 2010 - $464,000; FY 2011 – $390,000; FY 2012 - $176,000; FY 2013 - $176,000; and thereafter $220,000.

8. Accounts Payable – Capital Expenditures

The company has certain vendor financed arrangements regarding capital expenditures that bear interest with fixed interest rates ranging from 6% to 7.14%. At February 1, 2009 and April 27, 2008, the company had total amounts due regarding capital expenditures totaling $1.6 million and $3.0 million, respectively. The payment requirements of these arrangements during the next three years are: Year 1 - $725,000; Year 2 - $725,000; and Year 3 - $187,000.

9. Goodwill

A summary of the change in the carrying amount of goodwill follows:

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Beginning balance	$ 4,114	$ 4,114
Bodet & Horst acquisition	7,479	-
Ending balance	$ 11,593	$ 4,114

The goodwill balance relates to the mattress fabrics segment.

10. Accrued Expenses

A summary of accrued expenses follows:

(dollars in thousands)	February 1, 2009	April 27, 2008
Compensation, commissions and related benefits	$ 3,400	$ 5,690
Interest	901	186
Other	1,291	2,424
	$ 5,592	$ 8,300

11. Long-Term Debt and Lines of Credit

A summary of long-term debt and lines of credit follows:

(dollars in thousands)	February 1, 2009	April 27, 2008
Unsecured term notes - Existing	$ 14,307	$ 14,307
Unsecured term notes – Bodet & Horst	11,000	-
Real estate loan - I	-	3,828
Unsecured term note – ITG	2,156	2,500
Canadian government loan	650	788
	28,113	21,423
Current maturities of long-term debt	(7,180)	(7,375)
Long-term debt, less current maturities of long-term debt	$ 20,933	$ 14,048
Lines of credit	$ -	$ -
Total borrowings	$ 28,113	$ 21,423

Unsecured Term Notes- Bodet & Horst Acquisition

In connection with the Bodet & Horst Asset Purchase Agreement, the company entered into the 2008 Note Agreement dated August 11, 2008. The 2008 Note Agreement provides for the issuance of $11.0 million of unsecured term notes with a fixed interest rate of 8.01% and a term of seven years. Principal payments of $2.2 million per year are due on the notes beginning three years from the date of the 2008 Note Agreement (August 11, 2011). The 2008 Note Agreement contains customary financial and other covenants as defined in the 2008 Note Agreement.

Unsecured Term Notes- Existing

The company's existing unsecured term notes have a fixed interest rate of 8.80% (payable semi-annually in March and September and subject to prepayment provisions each fiscal quarter as defined in the agreement) and are payable over an average remaining term of 1.1 years through March 2010. The principal payments are required to be paid in annual installments over the next two years as follows: March 2009 - $7.2 million; and March 2010 - $7.1 million. Of the $7.2 million due in March 2009, $4.0 million was paid in February 2009.

In connection with the 2008 Note Agreement, the company entered into a Consent and Amendment that amends the previously existing unsecured note purchase agreements. The purpose of the Consent and Amendment was for the existing note holders to consent to the 2008 Note Agreement and to provide that certain financial covenants in favor of the existing note holders would be on the same terms as those contained in the 2008 Note Agreement.

Unsecured Term Note –ITG Acquisition

In connection with the ITG acquisition, the company obtained a term loan in the amount of $2.5 million. This term loan was secured by a lien on the company's corporate headquarters office located in High Point, North Carolina and incurred interest at the one-month LIBOR plus an adjustable margin, as defined in the agreement.

In connection with the sale of the company's corporate headquarters on January 29, 2009, the company used the sales proceeds to pay off the remaining balance of the first real estate loan totaling $3.7 million and $344,000 on the term loan associated with the ITG acquisition. Also, in connection with the sale of the company's corporate headquarters, the company's term loan associated with the ITG acquisition became an unsecured loan, subject to a one percent increase in the interest rate. This unsecured loan bears interest at the one-month LIBOR plus an adjustable margin (all in rate of 3.47% at February 1, 2009) as defined in the agreement. The remaining principal payment of $2.2 million is to be paid in one repayment on June 30, 2010.

Revolving Credit Agreement – United States

The company has an unsecured credit agreement that provides for a revolving loan commitment of $6.5 million, including letters of credit up to $5.5 million. This agreement bears interest at the one-month LIBOR plus an adjustable margin (all in rate of 2.83% at February 1, 2009) as defined in the agreement. As of February 1, 2009, there were $925,000 in outstanding letters of credit related to workers compensation and no borrowings were outstanding under the agreement.

On November 3, 2008, the company entered into a thirteenth amendment to this revolving credit agreement. This amendment extended the expiration date to December 31, 2009, amended its financial covenants as defined in the agreement, and provided for a cross default based on an "Event of Default" under the company's unsecured term note agreements (existing and Bodet & Horst).

Revolving Credit Agreement – China

The company's China subsidiary has an unsecured revolving credit agreement with a bank in China to provide a line of credit available up to approximately $5.0 million, of which approximately $1.0 million includes letters of credit. This agreement bears interest at a rate determined by the Chinese government. There were no borrowings or letters of credit outstanding under the agreement as of February 1, 2009.

Canadian Government Loan

The company has an agreement with the Canadian government for a term loan that is non-interest bearing and is payable in 48 equal monthly installments commencing December 1, 2009. The proceeds were used to partially finance capital expenditures at the company's Rayonese facility located in Quebec, Canada.

Overall

The company's loan agreements require that the company maintain compliance with certain financial covenants. At February 1, 2009, the company was in compliance with these financial covenants.

As of February 1, 2009, the principal payment requirements of long-term debt during the next five years are: Year 1 – $7.2 million; Year 2 - $9.5 million; Year 3 - $2.4 million; Year 4 - $2.3 million; Year 5 - $2.3 million; and thereafter - $4.4 million.

12. Capital Lease Obligation

In May 2008, the company entered into a capital lease to finance a portion of the construction of certain equipment related to its mattress fabrics segment. The lease agreement contains a bargain purchase option and bears interest at 8.5%. The lease agreement requires principal payments totaling $1.4 million which commenced on July 1, 2008, and are being paid in quarterly installments through April 2010. This agreement is secured by equipment with a carrying value of $2.4 million. The principal payments required over the next two years are as follows: Year 1 - $692,000; and Year 2 - $107,000.

The company has recorded $1.4 million in equipment under capital leases. This balance is reflected in property, plant, and equipment in the accompanying consolidated balance sheet as of February 1, 2009. Depreciation expense for the three-month and nine-month periods ending February 1, 2009 on the carrying value of $2.4 million associated with this capital lease obligation was $52,000 and $87,000, respectively. The equipment under this capital lease obligation was placed into service in the company's second quarter of fiscal 2009.

13. Derivatives

Interest Rate Swap Agreement

In connection with the company's first real estate loan on its corporate headquarters buidling, the company was required to have an agreement to hedge the interest rate risk exposure on the real estate loan. The company entered into a $2,170,000 notional principal interest rate swap agreement, which represented 50% of the principal amount of the real estate loan, and effectively converted the floating rate LIBOR based interest payments to fixed payments at 4.99% plus the spread calculated under the real estate loan agreement. This agreement expires October 2010.

In connection with the sale of the company's corporate headquarters (see Note 16), the company's interest rate swap agreement to hedge the interest rate risk exposure on the first real estate loan was transferred to the unsecured term loan associated with the ITG acquisition (see Note 11). At February 1, 2009, the remaining notional amount on the interest rate swap agreement was $1,832,434 which represented 85% of the remaining principal amount of the unsecured term loan associated with the ITG acquisition. The agreement effectively converts the floating rate LIBOR based interest payments to fixed payments at 4.99% plus the spread calculated under the unsecured term loan agreement associated with the ITG acquisition. This agreement expires October 2010.

The company accounts for the interest rate swap agreement as a cash flow hedge whereby the fair value of this contract is reflected in accrued expenses in the accompanying consolidated balance sheets with the offset recorded net of income taxes as accumulated other comprehensive loss. The fair value of this agreement was approximately $113,000 and $75,000 at February 1, 2009 and April 27, 2008, respectively.

Canadian Dollar Foreign Exchange Contract

On January 21, 2009, the company entered into a Canadian dollar foreign exchange contract associated with its Canadian government loan (see Note 11). The agreement effectively converts the Canadian dollar principal debt payments at a fixed Canadian dollar foreign exchange rate versus the United States dollar of 1.21812. This agreement expires November 1, 2013 and is secured by cash deposits totaling $200,000.

The company accounts for the Canadian dollar foreign exchange forward contract as a cash flow hedge whereby the fair value of this contract is reflected in accrued expenses in the accompanying consolidated balance sheets with the offset recorded net of income taxes as accumulated other comprehensive loss. The fair value of this contract was approximately $1,000 at February 1, 2009.

14. Cash Flow Information

Payments for interest and income taxes follows:

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Interest	$ 1,066	$ 2,026
Income tax payments	54	436

The company financed $1.4 million of its capital expenditures through a capital lease for the nine months ended February 1, 2009 (see note 12). The company did not finance any of its capital expenditures for the nine months ended January 27, 2008. Interest costs of $42,000 for the construction of qualifying fixed assets were capitalized and are being amortized over the related assets' estimated useful lives for the nine months ended February 1, 2009. No interest costs were capitalized for the nine months ended January 27, 2008.

The company issued time vested restricted stock grants totaling $216,000 for the nine months ended February 1, 2009.

15. Restructuring and Restructuring Related Charges

The following summarizes the fiscal 2009 activity in the restructuring accrual (dollars in thousands):

(dollars in thousands)	Balance, April 27, 2008	Employee Termination Benefit Adjustments	Employee Termination Benefit Payments Net of Cobra Premiums	Lease Termination and Other Exit Cost Adjustments	Lease Termination and Other Exit Cost Payments	Balance February 1, 2009
September 2008 Upholstery fabrics (1)	$ -	$ 35	$ (3)	$ 466	$ (356)	$ 142
December 2006 Upholstery fabrics (2)	990	784	(813)	215	(424)	752
Other Upholstery fabrics (3)	442	(22)	(7)	-	(92)	321
Totals	$ 1,432	$ 797	$ (823)	$ 681	$ (872)	$ 1,215

(1) On September 3, 2008, the board of directors approved changes to the upholstery fabric operations, including consolidation of facilities in China and reduction of excess manufacturing capacity. These actions were in response to the extremely challenging industry conditions for upholstery fabrics. The plant consolidations were substantially completed as of the end of the second quarter of fiscal 2009. The restructuring accrual at February 1, 2009, represents employee termination benefits and lease termination and other exit costs of $32 and $110, respectively.

(2) The restructuring accrual at February 1, 2009 represents employee termination benefits and lease termination and exit costs of $649 and $103, respectively. The restructuring accrual at April 27, 2008 represents employee termination benefits and lease termination and other exit costs of $679 and $311, respectively.

(3) The restructuring accrual at February 1, 2009, represents other exit costs of $321. The restructuring accrual at April 27, 2008, represents employee termination benefits and lease termination and other exit costs $29 and $413, respectively.

The following summarizes restructuring and related charges incurred for the nine-month period ending February 1, 2009 (dollars in thousands):

(dollars in thousands)	Operating Costs on Closed Facilities	Lease Termination and Other Exit Costs	Write-Downs of Buildings and Equipment	Inventory Markdowns	Accelerated Depreciation	Employee Termination Benefits	Sales Proceeds from Equipment With No Carrying Value	Total
September 2008 Upholstery fabrics (1) (4)	$ 19	$ 466	$ 6,562	$ 480	$ 2,090	$ 35	$ -	$ 9,652
December 2006 Upholstery fabrics (5)	65	215	1,398	950	-	784	-	3,412
Other Upholstery fabrics (6)	-	-	-	-	-	(22)	-	(22)
Totals	$ 84	$ 681	$ 7,960(7)	$ 1,430	$ 2,090	$ 797	$ -	$ 13,042

(4) Of this total charge, $2.6 million and $7.0 million were recorded in cost of sales and restructuring expense in the 2009 Consolidated Statement of Operations. These charges relate to the Upholstery fabrics segment. These charges were primarily incurred during the second quarter of fiscal 2009.

(5) Of this total charge, $994 was recorded in cost of sales, $21 was recorded in selling, general, and administrative expense, and $2.4 million was recorded in restructuring expense in the 2009 Consolidated Statement of Operations. Of this total charge, $571, $2.4 million and $438 were recorded in the third quarter, second quarter and first quarter of fiscal 2009, respectively. Of the $571 total third quarter charge, $205 represents lease termination and other exit costs associated with the sale of the corporate headquarters, $161 represents inventory markdowns, $148 represents impairment charges on a building and equipment, $36 represents other operating costs associated with closed plant facilities, and $21 represents employee termination benefits. These charges relate to the Upholstery fabrics segment.

(6) This $22 credit was recorded in restructuring expense in the 2009 Consolidated Statement of Operations. This credit relates to the Upholstery Fabrics segment.

(7) This $8.0 million restructuring charge represents impairments of $2.2 million for fixed assets that were abandoned in connection with the consolidation of certain plant facilities in China and $774 for a reduction in the selling price of the company's corporate headquarters to $4.0 million (Note 16). The company's corporate headquarters were sold for $4.0 million in the third quarter of fiscal 2009. Also, during the course of the company's strategic review in the second quarter of fiscal 2009 of its upholstery fabrics business, the company assessed the recoverability of the carrying value of its upholstery fabric fixed assets that are being held and used in operations. This strategic review resulted in impairment losses of $4.4 million and $531 for fixed assets located in China and the U.S., respectively. In addition, the company incurred impairment losses totaling $115 for assets held for sale associated with its U.S. upholstery fabric operations. These losses reflect the amounts by which the carrying values of these fixed assets exceeded their estimated fair values determined by their estimated future discounted cash flow and quoted market prices.

The following summarizes restructuring and related charges for the nine-month period ending January 27, 2008. (dollars in thousands):

(dollars in thousands)	Operating Costs on Closed Facilities	Lease Termination and Other Exit Costs	Write-Downs of Buildings and Equipment	Inventory Markdowns	Accelerated Depreciation	Asset Movement Costs	Employee Termination Benefits	Sales Proceeds from Equipment With No Carrying Value	Total
December 2006 Upholstery fabrics (8)	$ 953	$ 474	$ 482	$ 535	$ -	$ 184	$ 6	$ (359)	$ 2,275
Other Upholstery fabrics (9)	32	138	-	-	-	-	(166)	-	4
Totals	$ 985	$ 612	$ 482	$ 535	$ -	$ 184	$ (160)	$ (359)	$ 2,279

(8) Of this total charge, $1.4 million was recorded in cost of sales, $65 was recorded in selling, general, and, administrative expense, and $787 was recorded in restructuring expense in the 2008 Consolidated Statement of Net Income.

(9) Of this total credit, a charge of $32 was recorded in cost of sales and a credit of $28 was recorded in restructuring expense in the 2008 Consolidated Statement of Net Income.

Management remains committed to taking additional steps if necessary to address the low profitability of the company's upholstery fabric operations. The company could experience additional inventory markdowns and further restructuring charges in the upholstery fabric operations if sales and profitability continue to decline and further restructuring actions become necessary.

16. Assets Held for Sale

A summary of assets held for sale follows:

(dollars in thousands)	February 1, 2009	April 27, 2008
Corporate headquarters office space	$ -	$ 4,783
U.S. upholstery fabrics	1,646	792
Mattress fabrics	35	35
	$ 1,681	$ 5,610

The carrying value of these assets held for sale are presented separately in the February 1, 2009 and April 27, 2008, consolidated balance sheets and are no longer being depreciated.

Corporate Headquarters Office Space

Effective January 29, 2009 the company entered into an agreement providing for the sale of its corporate headquarters building in High Point, North Carolina, for a purchase price of $4.0 million. The agreement allows the company to lease the building back under an operating lease from the purchaser for an initial term of approximately three years expiring on March 31, 2012 and is payable in monthly installments of $30,020, plus approximately two-thirds of the building's normal occupany costs. The contract contains renewal options as defined in the agreement for periods from April 1, 2012 through September 30, 2015 and October 1, 2015 through March 31, 2019. As of February 1, 2009, the minimum lease payments (excluding operating costs) under this operating lease are: FY 2009 - $90,060; FY 2010 - $360,240, FY 2011 - $360,240, and FY 2012 - $330,220.

The proceeds of the sale were used to pay off the remaining balance of the first real estate loan totaling $3.7 million and $344,000 on the unsecured term loan associated with the ITG acquisition (see Note 11). In connection with this disposal, the company determined that its carrying value of their corporate headquarters building was more than its fair value, less cost to sell. Consequently, the company recorded an impairment charge of $774,000 in restructuring expense in the 2009 Consolidated Statement of Operations.

U.S. Upholstery Fabrics

At February 1, 2009, and in connection with the company's restructuring actions, a building and certain equipment related to its U.S. upholstery fabric operations are classified as assets held for sale. The company expects that the final sale and disposal of these assets will be completed within a year. The company determined that the carrying values of some of the underlying assets exceeded their fair values. Consequently, the company recorded an impairment charge totaling $115,000 which represents the excess of the carrying values of the assets over their fair values, less cost to sell. The impairment loss was recorded in restructuring expense in the 2009 Consolidated Statement of Operations.

Mattress Fabrics

Effective January 2, 2008, the company adopted a plan to sell certain older and existing equipment related to its mattress fabric segment that were replaced with newer and more efficient equipment. As a result, equipment with a carrying value of $35,000 was classified in assets held for sale. This equipment was sold in February 2009 for its carrying value.

17. Net (loss) income Per Share

Basic net (loss) income per share is computed using the weighted-average number of shares outstanding during the period. Diluted net (loss) income per share uses the weighted-average number of shares outstanding during the period plus the dilutive effect of stock options calculated using the treasury stock method. Weighted average shares used in the computation of basic and diluted net income per share follows:

	Three months ended	
(amounts in thousands)	February 1, 2009	January 27, 2008
Weighted average common shares outstanding, basic	12,653	12,635
Dilutive effect of stock based compensation	-	103
Weighted average common shares outstanding, diluted	12,653	12,738

Options to purchase 695,765 and 178,500 shares of common stock were not included in the computation of diluted net (loss) income per share for the three months ended February 1, 2009 and January 27, 2008, respectively, because the exercise price of the options was greater than the average market price of the common shares.

	Nine months ended	
(amounts in thousands)	February 1, 2009	January 27, 2008
Weighted average common shares outstanding, basic	12,650	12,617
Diluted effect of stock based compensation	-	153
Weighted average common shares outstanding, diluted	12,650	12,770

Options to purchase 680,765 and 28,500 shares of common stock were not included in the computation of diluted net (loss) income per share for the nine months ended February 1, 2009 and January 27, 2008, respectively, because the exercise price of the options was greater than the average market price of the common shares. Options to purchase 2,873 shares were not included in the computation of diluted net loss per share for the nine-months ended February 1, 2009, because the company incurred a net loss for this period.

18. Comprehensive (Loss) Income

Comprehensive (loss) income is the total (loss) income and other changes in shareholders' equity, except those resulting from investments by shareholders and distributions to shareholders not reflected in net (loss) income.

A summary of comprehensive (loss) income follows:

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Net (loss) income	$ (40,538)	$ 3,307
Loss on cash flow hedges, net of income taxes	(24)	(59)
Comprehensive (loss) income	$ (40,562)	$ 3,248

19. Segment Information

The company's operations are classified into two business segments: mattress fabrics and upholstery fabrics. The mattress fabrics segment manufactures and sells fabrics to bedding manufacturers. The upholstery fabrics segment manufactures and sells fabrics primarily to residential and commercial (contract) furniture manufacturers.

The company evaluates the operating performance of its segments based upon income (loss) from operations before restructuring and related charges or credits and certain unallocated corporate expenses. Unallocated corporate expenses primarily represent compensation and benefits for certain executive officers and all costs related to being a public company. Segment assets include assets used in the operations of each segment and primarily consist of accounts receivable, inventories, and property, plant and equipment. The mattress fabrics segment also includes in segment assets, assets held for sale, goodwill and other non-current assets associated with the ITG and Bodet & Horst acquisitions. The upholstery fabrics segment also includes assets held for sale in segment assets.

Financial information for the company's operating segments is as follows:

	Three months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Net sales:		
Mattress Fabrics	$ 25,198	$ 30,880
Upholstery Fabrics	19,394	29,602
	$ 44,592	$ 60,482
Gross profit:		
Mattress Fabrics	$ 4,176	$ 4,200
Upholstery Fabrics	1,931	3,181
Total segment gross profit	6,107	7,381
Loss on impairment of equipment	-	(256) (3)
Restructuring related charges	(358) (1)	(349) (4)
	$ 5,749	$ 6,776
Selling, general, and administrative expenses:		
Mattress Fabrics	$ 1,941	$ 1,571
Upholstery Fabrics	1,880	2,787
Total segment selling, general, and administrative expenses	3,821	4,358
Unallocated corporate expenses	838	746
Restructuring related charges	17(1)	13(4)
	$ 4,676	$ 5,117
Income (loss) from operations:		
Mattress Fabrics	$ 2,235	$ 2,628
Upholstery Fabrics	51	395
Total segment income from operations	2,286	3,023
Unallocated corporate expenses	(838)	(746)
Loss on impairment of equipment	-	(256) (3)
Restructuring and related charges	(777) (2)	(774) (5)
Total income from operations	671	1,247
Interest expense	(646)	(753)
Interest income	20	77
Other (expense) income	(28)	72
Income before income taxes	$ 17	$ 643

(1) The $358 restructuring related charge represents $322 for inventory markdowns and $36 for other operating costs associated with closed plant facilities. The $17 restructuring related charge represents other operating costs associated with closed plant facilities. These charges relate to the Upholstery Fabrics segment.

(2) The $777 restructuring and related charge represents $322 for inventory markdowns, $234 for lease termination and other exit costs, $148 for write-downs of equipment, $53 for other operating costs associated with closed plant facilities, and $20 for employee termination benefits. Of this total charge, $358, $17, and $402 are included in cost of sales, selling, general, and administrative expense, and restructuring expense, respectively. These charges relate to the Upholstery Fabrics segment.

(3) The $256 represents an impairment loss on older and existing equipment that was sold after January 27, 2008 and is being replaced by newer and more efficient equipment. This impairment loss pertains to the mattress fabrics segment.

(4) The $349 restructuring related charge represents $218 for other operating costs associated with closed plant facilities and $131 for inventory markdowns. The $13 restructuring related charge represents other operating costs associated with closed plant facilities.

(5) The $774 restructuring and related charge represents $238 for employee termination benefits, $231 for other operating costs associated with closed plant facilities, $131 for inventory markdowns, $93 for a write-down of a building, $68 for lease termination and other exit costs, $57 for asset movement costs, and a credit of $44 for sales proceeds received on equipment with no carrying value. Of this total charge $349, $13, and $412 are recorded in cost of sales, selling, general, and administrative expense, and restructuring expense, respectively. These charges relate to the Upholstery Fabrics segment.

(dollars in thousands)	Nine months ended February 1, 2009	Nine months ended January 27, 2008
Net sales:		
Mattress Fabrics	$ 88,808	$ 103,426
Upholstery Fabrics	67,368	86,622
	$ 156,176	$ 190,048
Gross profit:		
Mattress Fabrics	$ 15,603	$ 16,043
Upholstery Fabrics	4,277	9,922
Total segment gross profit	19,880	25,965
Loss on impairment of equipment	-	(256) (3)
Restructuring related charges	(3,583) (6)	(1,455) (8)
	$ 16,297	$ 24,254
Selling, general, and administrative expenses:		
Mattress Fabrics	$ 5,902	$ 5,779
Upholstery Fabrics	6,444	8,877
Total segment selling, general, and administrative expenses	12,346	14,656
Unallocated corporate expenses	2,131	2,554
Restructuring related charges	21(6)	65(8)
	$ 14,498	$ 17,275
Income (loss) from operations:		
Mattress Fabrics	$ 9,702	$ 10,264
Upholstery Fabrics	(2,168)	1,045
Total segment income from operations	7,534	11,309
Unallocated corporate expenses	(2,131)	(2,554)
Loss on impairment of equipment	-	(256) (3)
Restructuring and related charges	(13,042) (7)	(2,279) (9)
Total (loss) income from operations	(7,639)	6,220
Interest expense	(1,739)	(2,380)
Interest income	75	197
Other income (expense)	207	(625)
(Loss) income before income taxes	$ (9,096)	$ 3,412

(6) The $3.6 million restructuring related charge represents $2.1 million for accelerated depreciation, $1.4 million for inventory markdowns, and $63 for other operating costs associated with closed plant facilities. The $21 restructuring related charge represents other operating costs associated with closed plant facilities. These charges relate to the Upholstery Fabrics segment.

(7) The $13.0 million represents $8.0 million for write-downs of equipment and buildings, $2.1 million for accelerated depreciation, $1.4 million for inventory markdowns, $797 for employee termination benefits, $681 for lease termination and other exit costs, and $84 for other operating costs associated with closed plant facilities. Of this total charge, $3.6 million, $21, and $9.4 million are included in cost of sales, selling, general, and administrative expense, and restructuring expense, respectively. These charges relate to the Upholstery Fabrics segment.

(8) The $1.4 million restructuring related charge represents $920 for other operating costs associated with closed plant facilities and $535 for inventory markdowns. The $65 restructuring related charge represents other operating costs associated with closed plant facilities. These charges relate to the Upholstery Fabrics segment.

(9) The $2.3 million represents $985 for other operating costs associated with closed plant facilities, $612 for lease termination and other exit costs, $535 for inventory markdowns, $482 for write-downs of buildings and equipment, $184 for asset movement costs, a credit of $160 for employee termination benefits, and a credit of $359 for sales proceeds received on equipment with no carrying value. Of this total charge, $1.4 million $65, and $759 was recorded in cost of sales, selling, general, and administrative expense, and restructuring expense, respectively. These charges relate to the Upholstery Fabrics segment.

Balance sheet information for the company's operating segments follow:

(dollars in thousands)		February 1, 2009		April 27, 2008
Segment assets:				
Mattress Fabrics				
Current assets (10)	$	22,717	$	27,572
Assets held for sale		35		35
Non-compete agreements, net		1,267		789
Goodwill		11,593		4,114
Property, plant and equipment (11)		24,152		21,519
Total mattress fabrics assets		59,764		54,029
Upholstery Fabrics				
Current assets (10)		16,878		34,895
Assets held for sale		1,646		792
Property, plant and equipment (12)		-		10,701
Total upholstery fabrics assets		18,524		46,388
Total segment assets		78,288		100,417
Non-segment assets:				
Cash and cash equivalents		15,809		4,914
Assets held for sale		-		4,783
Income taxes receivable		-		438
Deferred income taxes		-		33,810
Other current assets		1,493		1,328
Property, plant and equipment		611		719
Other assets		1,655		1,620
Total assets	$	97,856	$	148,029

		Nine months ended		
(dollars in thousands)		February 1, 2009		January 27, 2008
Capital expenditures (13):				
Mattress Fabrics	$	2,295	$	1,680
Upholstery Fabrics		402		2,361
Total capital expenditures	$	2,697	$	4,041
Depreciation expense:				
Mattress Fabrics	$	2,617	$	2,668
Upholstery Fabrics		1,049		1,596
Total segment depreciation expense	$	3,666	$	4,264
Accelerated deprecation		2,090		-
Total depreciation expense		5,756		4,264

(10) Current assets represent accounts receivable and inventory for the respective segment.

(11) The $24.2 million at February 1, 2009, represents property, plant, and equipment of $16.8 million and $7.4 million located in the U.S. and Canada, respectively. The $21.5 million at April 27, 2008, represents property, plant, and equipment of $13.1 million and $8.4 million located in the U.S and Canada, respectively.

(12) The $10.7 million at April 27, 2008, represents property, plant, and equipment of $9.0 million and $1.7 million located in China and the U.S., respectively.

(13) Capital expenditure amounts are stated on the accrual basis. See Consolidated Statement of Cash Flows for capital expenditure amounts on a cash basis.

20. Income Taxes

Effective Income Tax Rate

The effective income tax rate (income taxes as a percentage of (loss) income before income taxes) for the nine month periods ended February 1, 2009 and January 27, 2008 were 345.7% and 3.1%, respectively. The change in our effective income tax rate during fiscal 2009 was primarily attributable to the recording of a $30.5 million valuation allowance against our net deferred tax assets regarding our U.S. and China operations, changes in the value of the Canadian dollar in relation to the U.S. dollar, and provision for uncertain income tax positions. The company's effective income tax rate for the nine month periods ended February 1, 2009 and January 27, 2008, were based upon the estimated effective income tax rate applicable for the full year after giving effect to any significant items related specifically to interim periods. The effective income tax rate can be impacted over the fiscal year by the mix and timing of actual earnings from the company's U.S. operations and foreign sources versus annual projections and changes in foreign currencies in relation to the U.S. dollar.

Deferred Income Taxes

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", we evaluate our deferred income taxes to determine if a valuation allowance is required. SFAS No. 109 requires that companies assess whether a valuation allowance should be established based on the consideration of all available evidence using a "more likely than not" standard with significant weight being given to evidence that can be objectively verified. The significant uncertainty in current and expected demand for furniture and mattresses, along with the prevailing uncertainty in the overall economic climate, has made it very difficult to forecast both short-term and long-term financial results, and therefore, present significant negative evidence as to whether we need to record a valuation allowance against our net deferred tax assets. Based on this significant negative evidence, we have recorded a $30.5 million valuation allowance, of which, $28.8 million and $1.7 million were against the net deferred tax assets of our U.S. and China operations, respectively. The company's net deferred tax asset primarily resulted from the recording of the income tax benefit of U.S. income tax loss carryforwards over the last several years, which totals approximately $75.0 million. This non-cash charge of $30.5 million has no effect on the company's operations, loan covenant compliance, or the possible utilization of the U.S. income tax loss carryforwards in the future. If and when the company utilizes any of these U.S. income tax loss carryforwards to offset future U.S. taxable income, the income tax benefit would be recognized at that time.

At February 1, 2009, the remaining net deferred tax liability of $1.2 million pertains to our operations in Canada.

Uncertainty In Income Taxes

At February 1, 2009, the company had $5.6 million of total gross unrecognized tax benefits, of which $5.2 million represents the amount of gross unrecognized tax benefits that, if recognized, would favorably affect the income tax rate in future periods. Of the total gross unrecognized tax benefits of $5.6 million as of February 1, 2009, $4.9 million and $747,000 are classified in net non-current deferred income taxes and income taxes payable –long-term in the accompanying consolidated balance sheets.

The company anticipates that the amount of unrecognized tax benefits will increase by approximately $1.1 million for fiscal 2009 and $274,000 for the fourth quarter of fiscal 2009. This increase primarily relates to double taxation under applicable tax treaties with foreign tax jurisdictions.

21. Statutory Reserves

The company's subsidiaries located in China are required to transfer 10% of their net income, as determined in accordance with the People's Republic of China (PRC) accounting rules and regulations, to a statutory surplus reserve fund until such reserve balance reaches 50% of the company's registered capital.

The transfer to this reserve must be made before distributions of any dividend to shareholders. As of February 1, 2009, the company's statutory surplus reserve was $1.7 million, representing 10% of accumulated earnings and profits determined in accordance with PRC accounting rules and regulations. The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

22. Commitments and Contingencies

The company leased a manufacturing facility in Chattanooga, Tennessee from Joseph E. Proctor d/b/a Jepco Industrial Warehouses (the "Landlord') for a term of 10 years. This lease expired on April 30, 2008. The company closed this facility approximately five years ago and has not occupied the facility except to provide supervision and security. The company continued to make its lease payments to the landlord as required by the lease. A $1.4 million lawsuit was filed by the Landlord on April 10, 2008, in the Circuit Court for Hamilton County Tennessee to collect the remainder of the rent due under the lease for the months of March and April of 2008, additional expenses to be paid by the company for March and April 2008, including utilities, insurance, property taxes, and other tenant-paid expenses that would result in the triple net rent due the Landlord, and for extensive repairs, refitting, renovation, and capital improvement items the Landlord alleges he is entitled to have the company pay for. The Landlord unilaterally took possession of the leased premises on or about March 10, 2008, even though the lease was in good standing and the company was entitled to complete possession. Consequently, the company has paid their lease payments through March 10, 2008 but the Landlord has not accepted the company's position. The company will assert the repossessory action of the Landlord as a bar to his further action under the lease to collect any items from the company. A significant portion of the Landlord's claim relates to the company's alleged liability for physical damage to the premises, to refit the premises to its original condition, and to make physical improvements or alterations to the premises. The company disputes the matters described in this litigation and intends to defend itself vigorously and consequently no reserve has been recorded.

A lawsuit was filed against the company and other defendants (Chromatex, Inc., Rossville Industries, Inc., Rossville Companies, Inc. and Rossville Investments, Inc.) on February 5, 2008 in United States District Court for the Middle District of Pennsylvania. The plaintiffs are Alan Shulman, Stanley Siegel, Ruth Cherenson as Personal Representative of Estate of Alan Cherenson, and Adrienne Rolla and M.F. Rolla as Executors of the Estate of Joseph Byrnes. The plaintiffs were partners in a general partnership that formerly owned a manufacturing plant in West Hazleton, Pennsylvania (the "Site"). Approximately two years after this general partnership sold the Site to defendants Chromatex, Inc. and Rossville Industries, Inc. the company leased and operated the Site as part of the company's Rossville/Chromatex division. The lawsuit involves court judgments that have been entered against the plaintiffs and against defendant Chromatex, Inc. requiring them to pay costs incurred by the United States Environmental Protection Agency ("USEPA") responding to environmental contamination at the Site, in amounts approximating $8.6 million. Neither USEPA nor any other governmental authority has asserted any claim against the company on account of these matters. The plaintiffs seek contribution from the company and other defendants and a declaration that the company and the other defendants are responsible for environmental response costs under environmental laws and certain agreements. The company does not believe it has any liability for the matters described in this litigation and intends to defend itself vigorously and consequently no reserve has been recorded. In addition, the company has an indemnification agreement with certain other defendants in the litigation pursuant to which the other defendants agreed to indemnify the company for any damages it incurs as a result of the environmental matters that are subject of this litigation.

In addition to the above, the company is involved in legal proceedings and claims which have arisen in the ordinary course of business. These actions, when ultimately concluded and settled, will not, in the opinion of management, have a material adverse effect upon the financial position, results of operations or cash flows of the company.

23. Recently Issued Accounting Pronouncements

FASB Statement of Financial Accounting Standards No. 141(R)

In December 2007, the FASB issued SFAS No. 141(R) (revised 2007) "Business Combinations." SFAS No. 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all information required to evaluate and understand the nature and financial effect of the business combination. This statement is effective for acquisition dates on or after the beginning of the first annual reporting period beginning after December 15, 2008. This statement is effective for the company in fiscal 2010 and is not expected to have a material effect on our consolidated financial statements to the extent we do not enter into a business acquisition subsequent to adoption.

FASB Statement of Financial Accounting Standards No. 160

The FASB issued SFAS No. 160,"Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." It is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application is prohibited. SFAS No. 160 requires that accounting and reporting minority interests will be re-characterized as non-controlling interests and classified as a component of equity. SFAS No. 160 also establishes reporting requirements and disclosures that clearly identify and distinguish between interests of the parent and the interests of the non-controlling owners. This statement applies to all entities that prepare consolidated financial statements, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. This statement is effective for interim periods beginning in fiscal 2010 and is not expected to have a material effect on our consolidated financial statements to the extent we do not obtain a non-controlling interest in an entity subsequent to adoption.

FASB Statement of Financial Accounting Standards No. 161

The FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, ("SFAS No. 161"). It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The objective of this statement is to require enhanced disclosures about an entity's derivative and hedging activities and to improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows requires disclosure of the fair values of derivative instruments and their gains and losses in tabular format and derivative features that are credit risk related.

This statement will be effective for the fourth quarter of fiscal 2009 and it will require expanded disclosure of our hedging activities.

FASB Staff Position No. 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). The guidance is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets", and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), "Business Combinations", and other guidance under U.S. generally accepted accounting principles (GAAP). FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. This statement is effective for the company in fiscal 2010 and is not expected to have a material effect on our consolidated financial statements to the extent we do not enter into a business acquisition subsequent to adoption.

FASB Staff Position EITF 03-6-1

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* , ("FSP EITF 03-6-1"). FSP EITF 03-6-1 requires that unvested share-based payment awards containing non-forfeited rights to dividends be included in the computation of earnings per common share. The adoption of FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those years, retrospective application is required.

This statement will be effective beginning with our first quarter of fiscal 2010 and will require us to include unvested shares of our share-based payment awards containing non-forfeited rights to dividends into our calculation of earnings per share. This statement is not expected to have a material effect on our consolidated financial statements to the extent we do not enter share-based payment awards that contain non-forfeited rights to dividends.

FASB Staff Position FAS 140-4 and FIN 46(R)-8:

In December 2008, the FASB issued FASB Staff Position ("FSP") FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.* This document increases disclosure requirements for public companies and is effective for reporting periods (interim and annual) that end after December 15, 2008. The purpose of this FSP is to promptly improve disclosures by public entities and enterprises until the pending amendments to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, are finalized and approved by the Board. The FSP amends Statement 140 to require public entities to provide additional disclosures about transferors' continuing involvements with transferred financial assets. It also amends Interpretation 46(R) to require public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities.

These requirements had no impact on our consolidated financial statements or disclosures.

FASB Staff Position FAS 132R-1

In December 2008, FASB issued FASB Staff Position (“FSP”) FAS 132R-1, *Employers’ Disclosures about Postretirement Benefit Plan Assets.* This document expands the disclosures related to postretirement benefit plan assets to include disclosures concerning a company’s investment policies for benefit plan assets and categories of plan assets. This document further expands the disclosure requirements to include fair value of plan assets, including the levels within the fair value hierarchy and other related disclosures under SFAS No. 157, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,* and any concentrations of risk related to the plan assets.

This statement is effective for our fiscal 2010 year end and is not expected to impact our consolidated financial statements or disclosures.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This report and the exhibits attached hereto contain statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives, and include but are not limited to statements about expectations for the company's future operations or success, sales, gross profit margins, operating income, SG&A or other expenses, and earnings, as well as any statements regarding future economic or industry trends or future developments. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, increases in utility and energy costs, and increases in consumer debt or the general rate of inflation, could affect the company adversely. In addition, changes in consumer preferences for various categories of furniture and bedding coverings, as well as changes in costs to produce such products (including import duties and quotas or other import costs) can have a significant effect on demand for the company's products. Changes in the value of the U.S. dollar versus other currencies can affect the company's financial results because a significant portion of the company's operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make the company's products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on the company's sales of products produced in those countries. Further, economic and political instability in international areas could affect the company's operations or sources of goods in those areas, as well as demand for the company's products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Further information about these factors, as well as other factors that could affect the company's future operations or financial results and the matters discussed in forward-looking statements are included in Part II, Item 1A "Risk Factors" in this report, and in Item 1A "Risk Factors" in the company's Form 10-K filed with the Securities and Exchange Commission on July 9, 2008 for the fiscal year ended April 27, 2008.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following analysis of financial condition and results of operations should be read in conjunction with the Financial Statements and Notes and other exhibits included elsewhere in this report.

Overview

The company's fiscal year is the 52 or 53 week period ending on the Sunday closest to April 30. The company's nine months ended February 1, 2009, and January 27, 2008, represent 40 and 39 week periods, respectively. The company has operations classified into two business segments: mattress fabrics and upholstery fabrics. The mattress fabrics segment primarily manufactures, sources and sells fabrics to bedding manufacturers. The upholstery fabrics segment sources, manufactures and sells fabrics primarily to residential and commercial (contract) furniture manufacturers. We believe that Culp is the largest marketer of mattress fabrics in North America, and one of the largest marketers of upholstery fabrics for furniture in North America, both measured by total sales.

The company evaluates the operating performance of its segments based upon income (loss) from operations before restructuring and related charges or credits and certain unallocated corporate expenses. Unallocated corporate expenses represent primarily compensation and benefits for certain executive officers and all costs related to being a public company. Segment assets include assets used in operations of each segment and primarily consist of accounts receivable, inventories, and property, plant, and equipment. The mattress fabrics segment also includes in segment assets, assets held for sale, goodwill and other non-current assets associated with the ITG and Bodet & Horst acquisitions. The upholstery fabrics segment also includes assets held for sale in its segment assets.

The following tables set forth the statements of operations by segment for the three months and nine months ended February 1, 2009, and January 27, 2008.

CULP, INC.
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED FEBRUARY 1, 2009 AND JANUARY 27, 2008

(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	**February 1, 2009**	January 27, 2008	% Over (Under)	**February 1, 2009**	January 27, 2008
Mattress Fabrics	**$ 25,198**	30,880	(18.4)%	**56.5%**	51.1%
Upholstery Fabrics	**19,394**	29,602	(34.5)%	**43.5%**	48.9%
Net Sales	**$ 44,592**	60,482	(26.3)%	**100.0%**	100.0%
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	**$ 4,176**	4,200	(0.6)%	**16.6%**	13.6%
Upholstery Fabrics	**1,931**	3,181	(39.3)%	**10.0%**	10.7%
Subtotal	**6,107**	7,381	(17.3)%	**13.7%**	12.2%
Loss on impairment of equipment	**-**	(256) (2)	(100.0)%	**0.0%**	(0.4)%
Restructuring related charges	**(358)** (1)	(349) (1)	2.6%	**(0.8)%**	(0.6)%
Gross Profit	**$ 5,749**	6,776	(15.2)%	**12.9%**	11.2%
Selling, General and Administrative expenses by Segment				Percent of Sales	
Mattress Fabrics	**$ 1,941**	1,571	23.6%	**7.7%**	5.1%
Upholstery Fabrics	**1,880**	2,787	(32.5)%	**9.7%**	9.4%
Unallocated Corporate	**838**	746	12.3%	**1.9%**	1.2%
	4,659	5,104	(8.7)%	**10.4%**	8.4%
Restructuring related charges	**17** (1)	13 (1)	30.8%	**0.0%**	0.0%
Selling, General and Administrative expenses	**$ 4,676**	5,117	(8.6)%	**10.5%**	8.5%
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	**$ 2,235**	2,628	(15.0)%	**8.9%**	8.5%
Upholstery Fabrics	**51**	395	(87.1)%	**0.3%**	1.3%
Unallocated Corporate	**(838)**	(746)	12.3%	**(1.9)%**	(1.2)%
Subtotal	**1,448**	2,277	(36.4)%	**3.2%**	3.8%
Loss on impairment of equipment	**-**	(256) (2)	(100.0)%	**0.0%**	(0.4)%
Restructuring expense and restructuring related charges	**(777)** (1)	(774) (1)	0.4%	**(1.7)%**	(1.3)%
Operating income	**$ 671**	1,247	46.2%	**1.5%**	2.1%
Depreciation by Segment					
Mattress Fabrics	**$ 941**	874	7.7%		
Upholstery Fabrics	**92**	497	(81.5)%		
Total Depreciation	**1,033**	1,371	(24.7)%		

Notes:

(1) See restructuring and related charges section of Management's Discussion and Analysis for detailed explanation of charges.

(2) The $256 represents an impairment loss on older and existing equipment that was sold after January 27, 2008 and is being replaced by newer and more efficient equipment. This impairment loss pertains to the mattress fabrics segment.

CULP, INC.
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE NINE MONTHS ENDED FEBRUARY 1, 2009 AND JANUARY 27, 2008

(Amounts in thousands)

	NINE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	**February 1, 2009**	January 27, 2008	% Over (Under)	**February 1, 2009**	January 27, 2008
Mattress Fabrics	$ **88,808**	103,426	(14.1)%	**56.9%**	54.4%
Upholstery Fabrics	**67,368**	86,622	(22.2)%	**43.1%**	45.6%
Net Sales	$ **156,176**	190,048	(17.8)%	**100.0%**	100.0%
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ **15,603**	16,043	(2.7)%	**17.6%**	15.5%
Upholstery Fabrics	**4,277**	9,922	(56.9)%	**6.3%**	11.5%
Subtotal	**19,880**	25,965	(23.4)%	**12.7%**	13.7%
Loss on impairment of equipment	-	(256) (2)	(100.0)%	**0.0%**	(0.1)%
Restructuring related charges	**(3,583)** (1)	(1,455) (1)	146.3%	**(2.3)%**	(0.8)%
Gross Profit	$ **16,297**	24,254	(32.8)%	**10.4%**	12.8%
Selling, General and Administrative expenses by Segment				Percent of Sales	
Mattress Fabrics	$ **5,902**	5,779	2.1%	**6.6%**	5.6%
Upholstery Fabrics	**6,444**	8,877	(27.4)%	**9.6%**	10.2%
Unallocated Corporate	**2,131**	2,554	(16.6)%	**1.4%**	1.3%
Subtotal	**14,477**	17,210	(15.9)%	**9.3%**	9.1%
Restructuring related charges	**21** (1)	65 (1)	(67.7)%	**0.0%**	0.0%
Selling, General and Administrative expenses	$ **14,498**	17,275	(16.1)%	**9.3%**	9.1%
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ **9,702**	10,264	(5.5)%	**10.9%**	9.9%
Upholstery Fabrics	**(2,168)**	1,045	(307.5)%	**(3.2)%**	1.2%
Unallocated Corporate	**(2,131)**	(2,554)	(16.6)%	**(1.4)%**	(1.3)%
Subtotal	**5,403**	8,755	(38.3)%	**3.5%**	4.6%
Loss on impairment of equipment	-	(256) (2)	(100.0)%	**0.0%**	(0.1)%
Restructuring expense and restructuring related charges	**(13,042)** (1)	(2,279) (1)	472.3%	**(8.4)%**	(1.2)%
Operating (loss) income	$ **(7,639)**	6,220	N.M.	**(4.9)%**	3.3%
Depreciation by Segment					
Mattress Fabrics	$ **2,617**	2,668	(1.9)%		
Upholstery Fabrics	**1,049**	1,596	(34.3)%		
Subtotal	**3,666**	4,264	(14.0)%		
Accelerated Depreciation	**2,090**	-	100.0%		
Total Depreciation	**5,756**	4,264	35.0%		

Notes:

(1) See restructuring and related charges section of Management's Discussion and Analysis for detailed explanation of charges.

(2) The $256 represents an impairment loss on older and existing equipment that was sold after January 27, 2008 and is being replaced by newer and more efficient equipment. This impairment loss pertains to the mattress fabrics segment.

Three and Nine months ended February 1, 2009 compared with the Three and Nine Months ended January 27, 2008

Overview

For the three months ended February 1, 2009, net sales decreased 26% to $44.6 million compared with $60.5 million for the third quarter of fiscal 2008. The company reported a net loss of $450,000, or $0.04 per diluted share, for the third quarter of fiscal 2009. The company reported net income of $903,000 or $0.07 per diluted share, for the third quarter of fiscal 2008. The company reported income before income taxes of $17,000, which includes restructuring and related charges of $777,000 (of which $504,000 and $273,000 represent non-cash and cash charges, respectively) for the third quarter of fiscal 2009. The company reported income before income taxes of $643,000, which includes restructuring and related charges of $774,000 (of which $224,000 and $550,000 represent non-cash and cash charges, respectively) for the third quarter of fiscal 2008.

For the nine months ended February 1, 2009, net sales decreased 18% to $156.2 million compared with $190.0 million for the nine months ended January 27, 2008. The company reported a net loss of $40.5 million, or $3.20 per diluted share, for the nine months ended February 1, 2009. The net loss of $40.5 million includes a non-cash income tax charge of $30.5 million, or $2.41 per diluted share, for the establishment of a valuation allowance against our net deferred tax assets regarding our U.S. and China operations. The company reported net income of $3.3 million, or $0.26 per diluted share, for the nine months ended January 27, 2008. The company reported a loss before income taxes of $9.1 million, which includes restructuring and related charges of $13.0 million (of which $11.5 million and $1.5 million represent non-cash and cash charges, respectively) for the nine months ended February 1, 2009. The company reported income before income taxes of $3.4 million, which includes restructuring and related charges of $2.3 million (of which $1.0 million and $1.3 million represent non-cash and cash charges, respectively) for the nine months ended January 27, 2008.

Restructuring and Related Charges

September 2008 Upholstery Fabrics Restructuring Plan

On September 3, 2008, the board of directors approved changes to the upholstery fabric operations, including the consolidation of facilities in China and the reduction of excess manufacturing capacity. These actions were in response to the extremely challenging industry conditions for upholstery fabrics. Restructuring and related charges for this plan totaled $9.6 million (for the nine months ended February 1, 2009), of which $6.6 million related to impairment charges on equipment and leasehold improvements, $2.1 million for accelerated depreciation, $466,000 for lease termination and other exit costs, $480,000 for inventory markdowns, $35,000 for employee termination benefits, and $19,000 for other operating costs associated with closed plant facilities. The plant closings associated with this restructuring plant were substantially completed by the end of the second quarter of fiscal 2009.

Three months ended February 1, 2009 compared with Three Months Ended January 27, 2008

During the third quarter of fiscal 2009, total restructuring and related charges were $777,000, of which $322,000 pertains to inventory markdowns, $234,000 for lease termination and other exit costs (primarily associated with the sale of the company’s corporate headquarters), $148,000 for write-downs of equipment, $53,000 for other operating costs associated with closed plant facilities, and $20,000 for employee termination benefits. Of this total charge, $358,000, $17,000, and $402,000 are included in cost of sales, selling, general, and administrative expense and restructuring expense in the 2009 Consolidated Statement of Operations. These charges primarily related to the December 2006 Upholstery Fabrics Restructuring plan.

During the third quarter of fiscal 2008, total restructuring and related charges were $774,000, of which $238,000 represents employee termination benefits, $231,000 for other operating costs associated with closed plant facilities, $131,000 for inventory markdowns, $93,000 for a write-down of a building, $68,000 for lease termination and other exit costs, $57,000 for asset movement costs, and a credit of $44,000 for sales proceeds received on equipment with no carrying value. Of this total charge, $349,000, $13,000, and $412,000 are included in cost of sales, selling, general, and administrative expense and restructuring expense in the 2008 Consolidated Statement of Net Income. These charges primarily related to the December 2006 Upholstery Fabrics Restructuring plan.

Nine months ended February 1, 2009 compared with Nine Months Ended January 27, 2008

During the nine months ended February 1, 2009, total restructuring and related charges were $13.0 million, of which $8.0 million related to fixed asset impairments (see below paragraph for components of this impairment charge recorded for the nine months ended February 1, 2009), $2.1 million related to accelerated depreciation in connection with the consolidation of plant facilities in China, $1.4 million for inventory markdowns, $797,000 for employee termination benefits, $681,000 for lease termination and other exit costs primarily related to the consolidation of plant facilities in China and the sale of the company’s corporate headquarters, and $84,000 for other operating costs associated with closed plant facilities. Of the total $13.0 million restructuring and related charges, $3.6 million, $21,000, and $9.4 million were recorded in cost of sales, selling, general, and administrative expense, and restructuring expense in the 2009 Consolidated Statement of Operations. Of the total $13.0 million restructuring and related charges, $9.6 million and $3.4 million pertained to the September 2008 Upholstery Fabrics and December 2006 Upholstery Fabrics restructuring plans, respectively.

This $8.0 million restructuring charge represents impairments of $2.2 million for fixed assets that were abandoned in connection with the consolidation of certain plant facilities in China and $774,000 for a reduction in the selling price of the company’s corporate headquarters to $4.0 million (Note 16). The company's corporate headquarters building was sold for $4.0 million in the third quarter of fiscal 2009. Also, during the course of the company’s strategic review in the second quarter of fiscal 2009 of its upholstery fabrics business, the company assessed the recoverability of the carrying value of its upholstery fabric fixed assets that are being held and used in operations. This strategic review resulted in impairment losses of $4.4 million and $531,000 for fixed assets located in China and the U.S., respectively. In addition, the company incurred impairment losses totaling $115,000 for assets held for sale associated with its U.S. upholstery fabric operations. These losses reflect the amounts by which the carrying values of these fixed assets exceeded their estimated fair values determined by their estimated future undiscounted cash flow and quoted market prices.

During the nine months ended January 27, 2008, total restructuring and related charges were $2.3 million, of which $985,000 related to other operating costs associated with closed plant facilities, $612,000 for lease termination and other exit costs, $535,000 for inventory markdowns, $482,000 for write-downs of buildings and equipment, $184,000 for asset movement costs, a credit of $160,000 for employee termination benefits, and a credit of $359,000 for sales proceeds received on equipment with no carrying value. Of this total charge, $1.4 million, $65,000, and $759,000 was recorded in cost of sales, selling, general, and administrative expense, and restructuring expense in the 2008 Consolidated Statement of Net Income. These charges primarily relate to the December 2006 Upholstery Fabrics restructuring plan.

Mattress Fabrics Segment

Asset Acquisition

Pursuant to an Asset Purchase Agreement among the company, Bodet & Horst USA, LP and Bodet & Horst GMBH & Co. KG (collectively "Bodet & Horst") dated August 11, 2008, the company purchased certain assets and assumed certain liabilities of the knitted mattress fabric operation of Bodet & Horst, including its manufacturing operation in High Point, North Carolina. This purchase has allowed the company to have a vertically integrated manufacturing platform in all major product categories of the mattress fabrics industry. The purchase involved the equipment, inventory, and intellectual property associated with the High Point manufacturing operation, which has served as the company's primary source of knitted mattress fabric for six years. Demand for this product line has grown significantly, as knits are increasingly being utilized on mattresses at volume retail price points. The purchase price for the assets was cash in the amount of $11.4 million, which included an adjustment of $477,000 for changes in working capital as defined in the Asset Purchase Agreement, and the assumption of certain liabilities. Also, in connection with the purchase, the company entered into a six-year consulting and non-compete agreement with the principal owner of Bodet & Horst, providing for payments to the owner in the amount of $75,000 per year to be paid in quarterly installments (of which $50,000 and $25,000 will be allocated to the non-compete covenant and consulting fees, respectively) for the agreement's full six-year term.

The acquisition was financed by $11.0 million of unsecured notes pursuant to a Note Purchase Agreement ("2008 Note Agreement") dated August 11, 2008. The 2008 Note Agreement has a fixed interest rate of 8.01% and a term of seven years. Principal payments of $2.2 million per year are due on the notes beginning three years from the date of the 2008 Note Agreement. The 2008 Note Agreement contains customary financial and other covenants as defined in the 2008 Note Agreement.

In connection with the 2008 Note Agreement, the company entered into a Consent and Fifth Amendment (the "Consent and Amendment") that amends the previously existing unsecured note purchase agreements. The purpose of the Consent and Amendment was for the existing note holders to consent to the 2008 Note Agreement and to provide that certain financial covenants in favor of the existing note holders would be on the same terms as those contained in the 2008 Note Agreement.

In connection with the asset purchase agreement, the company assumed the lease of the building where the operation is located. This lease is with a partnership owned by certain shareholders and officers of the company and their immediate families. The lease provides for monthly payments of $12,704, expires on June 30, 2010, and contains a renewal option for an additional three years. As of February 1, 2009, the minimum lease payment requirements over the next three fiscal years are: FY 2009 – $38,000; FY 2010 - $152,000; and FY 2011 - $25,000.

The following table presents the allocation of the acquisition cost, including professional fees and other related acquisition costs, to the assets acquired and liabilities assumed based on their fair values. The allocation of the purchase price is based on a preliminary valuation and could change when the final valuation is obtained. Differences between the preliminary valuation and the final valuation are not expected to be significant. The preliminary acquisition cost allocation is as follows:

(dollars in thousands)	Fair Value
Inventories	$ 1,439
Other current assets	17
Property, plant, and equipment	3,000
Non-compete agreement	756
Goodwill	7,479
Accounts payable	(1,291)
	$ 11,400

Of the total consideration paid of $11,400, $11,365 and $35 was paid in fiscal 2009 and 2008, respectively.

The company recorded the non-compete agreement at its fair value based on various valuation techniques. This non-compete agreement will be amortized on a straight-line basis over the six-year life of the agreement. Property, plant, and equipment will be depreciated on a straight-line basis over useful lives ranging from five to fifteen years. Goodwill is deductible for income tax purposes over the statutory period of fifteen years.

The following unaudited pro forma consolidated results of operations for the three month and nine month periods ending February 1, 2009, and January 27, 2008, have been prepared as if the acquisition of Bodet & Horst had occurred at April 30, 2007.

	Three months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Net Sales	$ 44,592	$ 60,482
Income from operations	671	1,531
Net (loss) income	(450)	940
Net (loss) income per share, basic	(0.04)	0.07
Net (loss) income per share, diluted	(0.04)	0.07

	Nine months ended	
(dollars in thousands)	February 1, 2009	January 27, 2008
Net Sales	$ 156,176	$ 190,048
(Loss) income from operations	(6,694)	8,919
Net (loss) income	(40,302)	5,156
Net (loss) income per share, basic	(3.19)	0.41
Net (loss) income per share, diluted	(3.19)	0.40

The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

Net Sales -- Mattress fabrics (known as mattress ticking) net sales for the third quarter of fiscal 2009 were $25.2 million, an 18% decrease compared with $30.9 million for the third quarter of fiscal 2008. On a unit volume basis, total yards sold for the third quarter of fiscal 2009 decreased by 20% compared with the third quarter of fiscal 2008. For the nine months ended February 1, 2009, net sales were $88.8 million, a 14% decrease compared to $103.4 million for the nine months ended January 27, 2008. On a unit volume basis, total yards sold for the nine months ended February 1, 2009, decreased by 16% compared to the nine months ended January 27, 2008. These trends reflect the weak retail environment for the mattress fabrics industry due to decreased consumer spending and the planned discontinuance of certain products from the ITG acquistion completed in January 2007. In response to this environment, the company is carefully managing its inventories and taking the necessary steps to reduce operating costs.

The average selling price of $2.46 for the third quarter of fiscal 2009 increased 2% from the average selling price of $2.42 for the third quarter of fiscal 2008. The average selling price of $2.47 for the nine months ended February 1, 2009 increased 2% from the average selling price of $2.42 for the nine months ended January 27, 2008. This trend reflects the continued shift to knitted mattress fabrics with a higher selling price.

Mattress fabric net sales represented 57% of the company's net sales for the three month and nine month periods ended February 1, 2009. Mattress fabric net sales represented 51% and 54% for the company's net sales for both the three month and nine month periods ended January 27, 2008.

Operating Income -- For the third quarter of fiscal 2009, the mattress fabrics segment reported operating income of $2.2 million, or 8.9% of net sales, compared to $2.6 million, or 8.5% of net sales, for the third quarter of fiscal 2008. For the nine months ended February 1, 2009, the mattress fabrics segment reported operating income of $9.7 million, or 10.9% of net sales compared to $10.3 million, or 9.9% of net sales for the nine months ended January 27, 2008.

Selling, general, and administrative expenses were $1.9 million, or 7.7% of net sales in the third quarter of fiscal 2009, compared with $1.6 million, or 5.1% of net sales in the third quarter of fiscal 2008. Selling, general, and administrative expenses were $5.9 million, or 6.6% of net sales for the nine months ended February 1, 2009, compared with $5.7 million, or 5.6% of net sales for the nine months ended January 27, 2008. These increases in selling, general, and administrative expenses are primarily related to the year over year change in bad debt expense.

Despite the significant decline in net sales for the first nine months fiscal 2009, operating margins in mattress fabrics increased to 10.9 % in fiscal 2009 compared with 9.9% in the first nine months fiscal 2008. During fiscal 2009, we completed a $5.0 million capital project to significantly strengthen our woven fabrics manufacturing operations and provide further reactive capacity to our customers. Additionally, the expanded capacity this capital project provides should effectively position the company to pursue future growth opportunities. In addition, the recent acquisition of the knitted mattress fabrics operation of Bodet & Horst has been successfully integrated into our operations and further enhances the company's strong service platform with improved supply logistics from pattern inception to fabric delivery, allowing accelerated responsiveness and greater stability. With the weaving expansion and the completion of the Bodet & Horst acquisition, the company now has a large and modern, vertically integrated manufacturing platform in all major product categories of the mattress fabrics industry.

Segment assets -- Segment assets consist of accounts receivable, inventory, assets held for sale, non-compete agreements associated with the ITG and Bodet & Horst acquisitions, goodwill, and property, plant, and equipment. As of February 1, 2009 accounts receivable and inventory totaled $22.7 million compared with $27.6 million at April 27, 2008. As of February 1, 2009, and April 27, 2008, the carrying value of assets held for sale was consisted of equipment totaling $35,000. This equipment was sold in February 2009 for its carrying value.

As of February 1, 2009 and April 27, 2008, the carrying value of the non-compete agreements was $1.3 million and $789,000, respectively. As of February 1, 2009, and April 27, 2008, the carrying value of the segment's goodwill was $11.6 million and $4.1 million, respectively. The increase in the carrying value of the non-compete agreements and goodwill pertains to the Bodet & Horst acquisition.

Also as of February 1, 2009, property, plant and equipment totaled $24.2 million compared with $21.5 million at April 27, 2008. This increase reflects the completion of the $5.0 million capital project and property, plant, and equipment purchased in connection with the Bodet & Horst acquisition. The $24.2 million at February 1, 2009, represents property, plant, and equipment of $16.8 million and $7.4 million located in the U.S. and Canada, respectively. The $21.5 million at April 27, 2008, represents property, plant, and equipment of $13.1 million and $8.4 million located in the U.S. and Canada, respectively.

Upholstery Fabrics Segment

Net Sales -- Upholstery fabric net sales (which include both fabric and cut and sewn kits) for the third quarter of fiscal 2009 were $19.4 million, a 35% decline compared with $29.6 million in the third quarter of fiscal 2008. On a unit volume basis, total yards sold (which excludes fabric used in cut and sewn kits) for the third quarter of fiscal 2009 decreased by 38% compared with the third quarter of fiscal 2008. The average selling price of $4.13 for the third quarter of fiscal 2009 decreased 2% from the average selling price of $4.23 compared with the third quarter of fiscal 2008. For the nine months ended February 1, 2009, upholstery fabric net sales (which include both fabric and cut and sewn kits) were $67.4 million, a 22% decline compared with $86.6 million for the nine months ended January 27, 2008. On a unit volume basis, total yards sold (which exclude fabric used in cut and sewn kits) for the nine months ended February 1, 2009 decreased by 26% compared with the nine months ended January 27, 2008. The average selling price of $4.30 for the nine months ended February 1, 2009 increased 2% from the average selling price of $4.23 for the nine months ended January 27, 2008.

Upholstery fabrics sales reflect very weak demand industry wide, as well as continued soft demand for U.S. produced upholstery fabrics, driven by consumer preference for leather and suede furniture and other imported furniture and fabrics. Net sales of upholstery fabrics produced outside the company's U.S. manufacturing operations were $15.4 million in the third quarter of fiscal 2009, a decrease of 24% from $20.2 million in the third quarter of fiscal 2008. Net sales of upholstery fabrics produced outside the company's U.S. manufacturing operations were $50.9 million for the nine months ended February 1, 2009, a decrease of 9% from $56.0 million for the nine months ended January 27, 2008. Net sales of U.S. produced upholstery fabrics were $4.0 million in the third quarter of fiscal 2009, a decrease of 57% from $9.4 million in the third quarter of fiscal 2008. Net sales of U.S. produced upholstery fabrics were $16.5 million for the nine months ended February 1, 2009, a decrease of 46% from $30.6 million for the nine months ended January 27, 2008.

Operating Income (Loss) – The upholstery fabrics segment had operating income of $51,000 for the third quarter of fiscal 2009 compared with an operating loss of $804,000 in the second quarter of fiscal 2009, and an operating loss of $1.4 million in the first quarter of fiscal 2009. Operating income was $395,000 for the third quarter of fiscal 2008. These results reflect the following major actions as part of the profit improvement plan initiated during the second quarter of fiscal 2009:

- Consolidated our China operations into fewer facilities and reduced excess manufacturing capacity, expected to realize a savings of $3.0 million on an annualized basis. (See Restructuring and Related Charges section for further details)

- Implemented a 30% reduction in selling, general and administrative expenses, which is expected to reduce these costs by $3.0 million on an annual basis. Selling general and administrative expenses were $1.9 million in the third quarter of fiscal 2009, a decrease of 33% from $2.8 million in the third quarter of fiscal 2008. Selling, general and administrative expenses were $6.4 million for the nine months ended February 1, 2009, a decrease of 27% from $8.9 million for the nine months ended January 27, 2008.

- Reduced base compensation for senior management of the upholstery fabrics segment.

- Significantly reduced the cost structure of our U.S. velvet operations located in Anderson, SC.

- Implemented a modest price increase on certain upholstery fabrics; and wherever possible, obtained price concessions from suppliers on certain high volume items where we could not increase our selling prices.

- Focus on improved inventory management. Inventory was $10.1 million at February 1, 2009, a decrease of 52% from $20.8 million at April 27, 2008.

The upholstery fabrics segment had an operating loss of $2.2 million for the nine months ended February 1, 2009 compared with operating income of $1.0 million for the nine months ended January 27, 2008. These results reflect decreased consumer demand for upholstery fabric sales (mostly for U.S. produced goods) due to the uncertain economy, depressed housing market, and credit crisis.

Management remains cautiously optimistic about the company's long-term prospects in the upholstery fabrics business because of the following: a) we have been receiving significantly higher fabric placements, including cut and sewn kits; b) a declining and weakening set of competitors due to the challenging economic environment in both the U.S. and China; c) we have established a mature and scalable model in China that is vertically integrated by way of a network of key manufacturing partners that we have developed over several years; and d) the results achieved to date from the profit improvement plan. While these are all favorable indicators, management remains committed to taking additional steps if necessary to address the low profitability of the company's upholstery fabric operations, regardless of prevailing economic and business conditions. The company could experience additional inventory markdowns and further restructuring charges in the upholstery fabric operations if sales and profitability continue to decline and further restructuring actions become necessary.

Segment Assets -- Segment assets consist of accounts receivable, inventory, property, plant, and equipment, and assets held for sale. As of February 1, 2009, accounts receivable and inventory totaled $16.9 million compared to $34.9 million at April 27, 2008. This decline reflects lower sales volume and improved working capital management. As of February 1, 2009, the upholstery fabrics segment reported no carrying value with regards to property, plant, and equipment. Property, plant, and equipment totaled $10.7 million at April 27, 2008. This decline reflects restructuring charges of $8.0 million for fixed asset impairments, $2.1 million related to accelerated depreciation in connection with the consolidation of plant facilities in China, and reclassification of property plant, and equipment to assets held for sale.

At February 1, 2009 and April 27, 2008, this segment had assets held for sale with a carrying value of $1.6 million and $792,000, respectively. Assets held for sale represents a building and certain equipment associated with our U.S. upholstery fabric operations. We expect that the final sale and disposal of these assets will be completed within a year from the date the plan of sale was adopted.

Other Income Statement Categories

Selling, General and Administrative Expenses – Selling, general, and administrative expenses (SG&A) for the company as a whole were $4.7 million for the third quarter of fiscal 2009 compared with $5.1 million for the third quarter of fiscal 2008, a decrease of 8.6%. This trend primarily reflects the company's restructuring efforts and profit improvement plan associated with its upholstery fabric operations, offset by increases in the allowance for doubtful accounts and accrued bonuses. The increase in accrued bonuses reflects the achievement of performance targets related to free cash flow. As a percent of net sales, SG&A expenses were 10.5% in the third quarter of fiscal 2009 compared with 8.5% in the third quarter of fiscal 2008. This trend reflects lower sales volume and the increases in the allowance for doubtful accounts and accrued bonuses mentioned above.

SG&A expenses for the company as a whole were $14.5 million for the nine months ended February 1, 2009 compared with $17.3 million for the nine months ended January 27, 2008, a decrease of 16%. This trend primarily reflects the company's restructuring efforts and profit improvement plan associated with its upholstery fabric operations. As a percent of net sales, SG&A expenses were 9.3% for the nine months ended February 1, 2009 compared with 9.1% for the nine months ended January 27, 2008.

Interest Expense (Income) - -- Interest expense for the third quarter of fiscal 2009 was $646,000 compared to $753,000 for the third quarter of fiscal 2008. Interest expense for the nine months ended February 1, 2009 was $1.7 million compared to $2.4 million for the nine months ended January 27, 2008. This trend primarily reflects lower outstanding balances on our existing unsecured term notes, a decrease in interest rates or partially offset by interest expense incurred on the $11.0 unsecured note used to finance the Bodet & Horst acquisition.

Interest income was $20,000 for the third quarter of fiscal 2009 compared to $77,000 for the third quarter of fiscal 2008. Interest income for the nine months ended February 1, 2009, was $75,000 compared to $197,000 for the nine months ended January 27, 2008. This trend reflects the significant reduction in money market interest rates during fiscal 2009.

Other (Income) Expense – Other expense for the third quarter of fiscal 2009 was $28,000 compared with other income of $72,000 for the third quarter of fiscal 2008. Other income for the nine months ended February 1, 2009 was $207,000 compared with other expense of $625,000 for the nine months ended January 27, 2008. This change primarily reflects fluctuations in foreign currency exchange rates for subsidiaries domiciled in China and Canada.

Income Taxes

Effective Income Tax Rate

The effective income tax rate (income taxes as a percentage of (loss) income before income taxes) for the nine month periods ended February 1, 2009 and January 27, 2008 were 345.7% and 3.1%, respectively. The change in our effective income tax rate during fiscal 2009 was primarily attributable to the recording of a $30.5 million valuation allowance against our net deferred tax assets regarding our U.S. and China operations, changes in the value of the Canadian dollar in relation to the U.S. dollar, and provision for uncertain income tax positions. The company's effective income tax rate for the nine month periods ended February 1, 2009 and January 27, 2008, were based upon the estimated effective income tax rate applicable for the full year after giving effect to any significant items related specifically to interim periods. The effective income tax rate can be impacted over the fiscal year by the mix and timing of actual earnings from the company's U.S. operations and foreign sources versus annual projections and changes in foreign currencies in relation to the U.S. dollar.

Deferred Income Taxes

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", we evaluate our deferred income taxes to determine if a valuation allowance is required. SFAS No. 109 requires that companies assess whether a valuation allowance should be established based on the consideration of all available evidence using a "more likely than not" standard with significant weight being given to evidence that can be objectively verified. The significant uncertainty in current and expected demand for furniture and mattresses, along with the prevailing uncertainty in the overall economic climate, has made it very difficult to forecast both short-term and long-term financial results, and therefore, present significant negative evidence as to whether we need to record a valuation allowance against our net deferred tax assets. Based on this significant negative evidence, we have recorded a $30.5 million valuation allowance, of which, $28.8 million and $1.7 million were against the net deferred tax assets of our U.S. and China operations, respectively. The company's net deferred tax asset primarily resulted from the recording of the income tax benefit of U.S. income tax loss carryforwards over the last several years, which totals approximately $75.0 million. This non-cash charge of $30.5 million has no effect on the company's operations, loan covenant compliance, or the possible utilization of the U.S. income tax loss carryforwards in the future. If and when the company utilizes any of these U.S. income tax loss carryforwards to offset future U.S. taxable income, the income tax benefit would be recognized at that time.

At February 1, 2009, the remaining net deferred tax liability of $1.2 million pertains to our operations in Canada.

Uncertainty In Income Taxes

At February 1, 2009, the company had $5.6 million of total gross unrecognized tax benefits, of which $5.2 million represents the amount of gross unrecognized tax benefits that, if recognized, would favorably affect the income tax rate in future periods. Of the total gross unrecognized tax benefits of $5.6 million as of February 1, 2009, $4.9 million and $747,000 are classified in net non-current deferred income taxes and income taxes payable –long-term in the accompanying consolidated balance sheets.

The company anticipates that the amount of unrecognized tax benefits will increase by approximately $1.1 million for fiscal 2009 and $274,000 for the fourth quarter of fiscal 2009. This increase primarily relates to double taxation under applicable tax treaties with foreign tax jurisdictions.

Liquidity and Capital Resources

Liquidity – Our sources of liquidity include cash and cash equivalents, cash flow from operations, assets held for sale, and amounts available under its unsecured revolving credit lines. These sources have been adequate for day-to-day operations. We believe our sources of liquidity continue to be adequate to meet the company's needs.

Cash and cash equivalents as of February 1, 2009, were $15.8 million compared with $4.9 million as of April 27, 2008. The company's cash position reflects cash flow from operations of $14.8 million for the nine months ended February 1, 2009, of which, $7.9 million was generated in the third quarter of fiscal 2009. Cash flow from operations was $14.8 million for the nine months ended January 27, 2008. The company's cash flow of operations for fiscal 2009 was comparable to fiscal 2008, despite a year over year decrease in net sales of 18%. This reflects consistent profitability in mattress fabrics and the company's focus on working capital management in both segments. The company's cash position also reflects cash outlays for capital expenditures of $1.7 million, payments on vendor-financed capital expenditures of $962,000, payments on a capital lease obligation of $586,000, and long-term debt payments totaling $4.3 million for the nine months ended February 1, 2009. Of the total long-term debt payments totaling $4.3 million, $4.0 million represent payments on long-term debt from the sales proceeds of the company's corporate headquarters (see below). The company also paid $11.4 million for the acquisition of the knitted mattress fabrics operation of Bodet & Horst, which was financed through $11.0 million in cash proceeds from the issuance of long-term debt.

The company is taking further steps to support its liquidity, including our ongoing efforts to improve working capital turnover, sell certain assets, further reduce selling, general, and administrative expenses, and pay down long-term debt. At February 1, 2009, our total debt (which includes current maturities of long-term debt, revolving lines of credit, and long-term debt) was $28.1 million compared with $33.4 million at January 27, 2008. In early February 2009 (the company's fourth quarter of fiscal 2009), we made a $4.0 million prepayment on our $7.2 million principal payment due in March with regards to our existing unsecured term notes. Following the remaining $3.2 million payment due in March, the company's total debt will be $21.0 million at the end of fiscal 2009. The next scheduled long-term debt payment is $7.1 million due in March 2010.

The company's total debt of $28.1 million is unsecured. In addition, we have unsecured revolving lines of credit of $6.5 million and $4.0 million in the U.S. and China, respectively. At February 1, 2009, there were no borrowings under these revolving lines of credit. At February 1, 2009, total debt less cash was $12.3 million compared with $23.7 million at November 2, 2008 (end of second quarter fiscal 2009). This decrease resulted from cash flow from operations and the sale of the company's corporate headquarters.

The company's cash position may be adversely affected by factors beyond its control, such as weakening industry demand, delays in receipt of payment on accounts receivable, the availability of trade credit, and income tax payments in foreign jurisdictions (China and Canada) that are paid in its local currency.

Corporate Headquarters Office Space

Effective January 29, 2009 the company entered into an agreement providing for the sale of its corporate headquarters building in High Point, North Carolina, for a purchase price of $4.0 million. The agreement allows the company to lease the building back under an operating lease from the purchaser for an initial term of approximately three years expiring on March 31, 2012 and is payable in monthly installments of $30,020, plus approximately two-thirds of the building's normal occupancy costs. The contract contains renewal options as defined in the agreement for periods from April 1, 2012 through September 30, 2015 and October 1, 2015 through March 31, 2019. As of February 1, 2009, the minimum lease payments (excluding other operating costs) under this operating lease are: FY 2009 - $90,060; FY 2010 - $360,240, FY 2011 - $360,240, and FY 2012 - $330,220.

The proceeds of the sale were used to pay off the remaining balance of the first real estate loan totaling $3.7 million and $344,000 on the unsecured term loan associated with the ITG acquisition. In connection with this disposal, the company determined that its carrying value of their corporate headquarters building was more than its fair value, less cost to sell. Consequently, the company recorded an impairment charge of $774,000 in restructuring expense in the 2009 Consolidated Statement of Loss.

Working Capital -- Accounts receivable as of February 1, 2009 decreased $9.2 million, or 39%, in comparison to January 27, 2008. This decrease is primarily related to the decrease in sales volume in the third quarter of fiscal 2009 compared with the third quarter of fiscal 2008, tighter management of accounts receivable, and customers associated with the mattress fabric segment taking advantage of cash discounts offered by the company. Days sales outstanding totaled 27 and 33 days at February 1, 2009 and January 27, 2008, respectively. Inventories as of February 1, 2009, decreased $12.5 million or 33% in comparison to January 27, 2008. This decrease in inventories primarily reflects lower sales volume in the third quarter of fiscal 2009 compared with the third quarter of fiscal 2008 and tighter inventory management. Inventory turns for the third quarter of fiscal 2009 were 6.0 versus 5.6 for the third quarter of fiscal 2008. Operating working capital (comprised of accounts receivable and inventories, less accounts payable) was $27.0 million at February 1, 2009, down from $42.3 million at January 27, 2008. Working capital turnover was 6.2 and 5.7 at February 1, 2009 and January 27, 2008, respectively.

Financing Arrangements

Unsecured Term Notes- Bodet & Horst Acquisition

In connection with the Bodet & Horst Asset Purchase Agreement, the company entered into the 2008 Note Agreement dated August 11, 2008. The 2008 Note Agreement provides for the issuance of $11.0 million of unsecured term notes with a fixed interest rate of 8.01% and a term of seven years. Principal payments of $2.2 million per year are due on the notes beginning three years from the date of the 2008 Note Agreement (August 11, 2011). The 2008 Note Agreement contains customary financial and other covenants as defined in the 2008 Note Agreement.

Unsecured Term Notes- Existing

The company's existing unsecured term notes have a fixed interest rate of 8.80% (payable semi-annually in March and September and subject to prepayment provisions each fiscal quarter as defined in the agreement) and are payable over an average remaining term of 1.1 years through March 2010. The principal payments are required to be paid in annual installments over the next two years as follows: March 2009 - $7.2 million; and March 2010 - $7.1 million. Of the $7.2 million due in March 2009, $4.0 million was paid in February 2009.

In connection with the 2008 Note Agreement, the company entered into a Consent and Amendment that amends the previously existing unsecured note purchase agreements. The purpose of the Consent and Amendment was for the existing note holders to consent to the 2008 Note Agreement and to provide that certain financial covenants in favor of the existing note holders would be on the same terms as those contained in the 2008 Note Agreement.

Unsecured Term Note –ITG Acquisition

In connection with the ITG acquisition, the company obtained a term loan in the amount of $2.5 million. This term loan was secured by a lien on the company's corporate headquarters office located in High Point, North Carolina and incurred interest at the one-month LIBOR plus an adjustable margin, as defined in the agreement.

In connection with the sale of the company's corporate headquarters on January 29, 2009, the company used the sales proceeds to pay off the remaining balance of the first real estate loan totaling $3.7 million and $344,000 on the term loan associated with the ITG acquisition. Also, in connection with the sale of the company's corporate headquarters, the company's term loan associated with the ITG acquisition became an unsecured loan, subject to a one percent increase in the interest rate. This unsecured loan bears interest at the one-month LIBOR plus an adjustable margin (all in rate of 3.47% at February 1, 2009) as defined in the agreement. The remaining principal payment of $2.2 million is to be paid in one repayment on June 30, 2010.

Revolving Credit Agreement – United States

The company has an unsecured credit agreement that provides for a revolving loan commitment of $6.5 million, including letters of credit up to $5.5 million. This agreement bears interest at the one-month LIBOR plus an adjustable margin (all in rate of 2.83% at February 1, 2009) as defined in the agreement. As of February 1, 2009, there were $925,000 in outstanding letters of credit related to workers compensation and no borrowings were outstanding under the agreement.

On November 3, 2008, the company entered into a thirteenth amendment to this revolving credit agreement. This amendment extended the expiration date to December 31, 2009, amended its financial covenants as defined in the agreement, and provided for a cross default based on an "Event of Default" under the company's unsecured term note agreements (existing and Bodet & Horst).

Revolving Credit Agreement – China

The company's China subsidiary has an unsecured revolving credit agreement with a bank in China to provide a line of credit available up to approximately $5.0 million, of which approximately $1.0 million includes letters of credit. This agreement bears interest at a rate determined by the Chinese government. There were no borrowings or letters of credit outstanding under the agreement as of February 1, 2009.

Canadian Government Loan

The company has an agreement with the Canadian government for a term loan that is non-interest bearing and is payable in 48 equal monthly installments commencing December 1, 2009. The proceeds were used to partially finance capital expenditures at the company's Rayonese facility located in Quebec, Canada.

Overall

The company's loan agreements require that the company maintain compliance with certain financial covenants. At February 1, 2009, the company was in compliance with these financial covenants.

As of February 1, 2009, the principal payment requirements of long-term debt during the next five years are: Year 1 – $7.2 million; Year 2 - $9.5 million; Year 3 - $2.4 million; Year 4 - $2.3 million; Year 5 - $2.3 million; and thereafter - $4.4 million.

*Capital Expenditure*s

Capital expenditures on an accrual and cash basis for the nine months ended February 1, 2009 were $2.7 million and $1.7 million, respectively. The capital spending of $2.7 million consisted of $2.3 million from the mattress fabrics segment and $402,000 from the upholstery fabrics segment. Depreciation expense for the nine months ended February 1, 2009 was approximately $5.7 million, of which $2.6 million related to the mattress fabrics segment and $3.1 million related the upholstery fabrics segment. The $3.1 million in depreciation expense related to the upholstery fabrics segment includes $2.1 million in accelerated depreciation in connection with the consolidation of certain plant facilities located in China.

The company currently expects total capital expenditures on an accrual and cash basis in fiscal 2009 to be approximately $3.0 million and $2.0 million, respectively. The capital spending of $3.0 million primarily relates to the mattress fabrics segment. The company currently estimates depreciation expense to be $6.8 million for fiscal 2009, of which $3.7 million relates to the mattress fabrics segment and $3.1 million relates to the upholstery fabrics segment (which includes $2.1 million in accelerated depreciation in connection with the consolidation of certain plant facilities in China). The company expects the availability of funds from cash flow from operations and its revolving credit lines to fund its remaining capital needs.

For fiscal 2010, the company currently expects total capital expenditures on a cash basis to be approximately $2.5 million. In addition, payments on vendor financed arrangements and the capital lease obligation will be $1.5 million in fiscal 2010. For fiscal 2010, the company currently expects depreciation expense to be approximately $4.0 million.

The company has certain vendor financed arrangements regarding capital expenditures that bear interest with fixed interest rates ranging from 6% to 7.14%. At February 1, 2009 and April 27, 2008, the company had total amounts due regarding capital expenditures totaling $1.6 million and $3.0 million, respectively. The payment requirements of these arrangements during the next three years are: Year 1 - $725,000; Year 2 - $725,000; and Year 3 - $187,000.

In May 2008, the company entered into a capital lease to finance a portion of the construction of certain equipment related to its mattress fabrics segment. The lease agreement contains a bargain purchase option and bears interest at 8.5%. The lease agreement requires principal payments totaling $1.4 million which commenced on July 1, 2008, and are being paid in quarterly installments through April 2010. This agreement is secured by equipment with a carrying value of $2.4 million. The principal payments required over the next two years are as follows: Year 1 - $692,000; and Year 2 - $107,000.

Critical Accounting Policies and Recent Accounting Developments

Significant accounting policies adopted by the company in fiscal 2009 are as follows:

Fair Value Measurements:

The company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157") for financial assets and liabilities and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), on April 28, 2008. SFAS 157 (1) creates a single definition of fair value, (2) establishes a framework for measuring fair value, and (3) expands disclosure requirements about items measured at fair value. SFAS 157 applies to both items recognized and reported at fair value in the financial statements and items disclosed at fair value in the notes to the financial statements. SFAS 157 does not change existing accounting rules governing what can or what must be recognized and reported at fair value in the company's financial statements, or disclosed at fair value in the company's notes to the financial statements. Additionally, SFAS 157 does not eliminate practicability exceptions that exist in accounting pronouncements amended by SFAS 157 when measuring fair value. As a result, the company will not be required to recognize any new assets or liabilities at fair value.

Prior to SFAS 157, certain measurements of fair value were based on the price that would be paid to acquire an asset, or received to assume a liability (an entry price). SFAS 157 clarifies the definition of fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different.

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the company uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the company may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

SFAS 157 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the company's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair measurement as a whole. An adjustment to the pricing method used within either level 1 or level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than level 1 inputs that are either directly or indirectly observable, and

Level 3 – Unobservable inputs developed using the company's estimates and assumptions, which reflect those that market participants would use.

The following table presents information about assets and liabilities measured at fair value on a recurring basis:

	Fair value measurements at February 1, 2009 using:			
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
(amounts in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
None	Not applicable	Not applicable	Not applicable	Not applicable
Liabilities:				
Interest Rate Swap Agreement	Not applicable	113	Not applicable	113
Canadian Foreign Exchange Contract	Not applicable	1	Not applioable	1

As shown above, the interest rate swap agreement and Canadian foreign exchange contract derivative instruments are valued based on fair values provided by the company's bank and is classified within level 2 of the fair value hierarchy. The determination of where an asset or liability falls in the hierarchy requires significant judgment. The company evaluates its hierarchy disclosures each quarter based on various factors and it is possible that an asset or liability may be classified differently from quarter to quarter. However, the company expects that changes in classifications between different levels will be rare.

Most derivative contracts are not listed on an exchange and require the use of valuation models. Consistent with SFAS 157, the company attempts to maximize the use of observable market inputs in its models. When observable inputs are not available, the company defaults to unobservable inputs. Derivatives valued based on models with significant unobservable inputs and that are not actively traded, or trade activity is one way, are classified within level 3 of the fair value hierarchy.

Some financial statement preparers have reported difficulties in applying SFAS 157 to certain nonfinancial assets and nonfinancial liabilities, particularly those acquired in business combinations and those requiring a determination of impairment. To allow the time to consider the effects of the implementation issues that have arisen, the FASB issued FSP FAS 157-2 ("FSP 157-2") on February 12, 2008 to provide a one-year deferral of the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed in financial statements at fair value on a recurring basis (that is, at least annually). As a result of FSP 157-2, the company has not yet adopted SFAS 157 for nonfinancial assets and liabilities that are valued at fair value on a non-recurring basis. FSP 157-2 is effective for the company in fiscal 2010 and the company is evaluating the impact that the application of SFAS 157 to those nonfinancial assets and liabilities will have on its financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 provides the company with an option to elect fair value as the initial and subsequent measurement attribute for most financial assets and liabilities and certain other items. The fair value option election is applied on an instrument-by-instrument basis (with some exceptions), is irrevocable, and is applied to an entire instrument. The election may be made as of the date of initial adoption for existing eligible items. Subsequent to initial adoption, the company may elect the fair value option at initial recognition of eligible items, on entering into an eligible firm commitment, or when certain specified reconsideration events occur. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings.

Upon adoption of SFAS 159 on April 28, 2008, the company did not elect to account for any assets and liabilities under the scope of SFAS 159 at fair value.

Recently Issued Accounting Standards

FASB Statement of Financial Accounting Standards No. 141(R)

In December 2007, the FASB issued SFAS No. 141(R) (revised 2007) "Business Combinations." SFAS No. 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all information required to evaluate and understand the nature and financial effect of the business combination. This statement is effective for acquisition dates on or after the beginning of the first annual reporting period beginning after December 15, 2008. This statement is effective for the company in fiscal 2010 and is not expected to have a material effect on our consolidated financial statements to the extent we do not enter into a business acquisition subsequent to adoption.

FASB Statement of Financial Accounting Standards No. 160

The FASB issued SFAS No. 160,"Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." It is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application is prohibited. SFAS No. 160 requires that accounting and reporting minority interests will be re-characterized as non-controlling interests and classified as a component of equity. SFAS No. 160 also establishes reporting requirements and disclosures that clearly identify and distinguish between interests of the parent and the interests of the non-controlling owners. This statement applies to all entities that prepare consolidated financial statements, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. This statement is effective for interim periods beginning in fiscal 2010 and is not expected to have a material effect on our consolidated financial statements to the extent we do not obtain a non-controlling interest in an entity subsequent to adoption.

FASB Statement of Financial Accounting Standards No. 161

The FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, ("SFAS No. 161"). It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The objective of this statement is to require enhanced disclosures about an entity's derivative and hedging activities and to improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows requires disclosure of the fair values of derivative instruments and their gains and losses in tabular format and derivative features that are credit risk related.

This statement will be effective for the fourth quarter of fiscal 2009 and it will require expanded disclosure of our hedging activities.

FASB Staff Position No. 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). The guidance is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets", and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), "Business Combinations", and other guidance under U.S. generally accepted accounting principles (GAAP). FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. This statement is effective for the company in fiscal 2010 and is not expected to have a material effect on our consolidated financial statements to the extent we do not enter into a business acquisition subsequent to adoption.

FASB Staff Position EITF 03-6-1

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* , ("FSP EITF 03-6-1"). FSP EITF 03-6-1 requires that unvested share-based payment awards containing non-forfeited rights to dividends be included in the computation of earnings per common share. The adoption of FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those years, retrospective application is required.

This statement will be effective beginning with our first quarter of fiscal 2010 and will require us to include unvested shares of our share-based payment awards containing non-forfeited rights to dividends into our calculation of earnings per share. This statement is not expected to have a material effect on our consolidated financial statements to the extent we do not enter share-based payment awards that contain non-forfeited rights to dividends.

FASB Staff Position FAS 140-4 and FIN 46(R)-8:

In December 2008, the FASB issued FASB Staff Position ("FSP") FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.* This document increases disclosure requirements for public companies and is effective for reporting periods (interim and annual) that end after December 15, 2008. The purpose of this FSP is to promptly improve disclosures by public entities and enterprises until the pending amendments to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, are finalized and approved by the Board. The FSP amends Statement 140 to require public entities to provide additional disclosures about transferors' continuing involvements with transferred financial assets. It also amends Interpretation 46(R) to require public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities.

These requirements had no impact on our consolidated financial statements or disclosures.

FASB Staff Position FAS 132R-1

In December 2008, FASB issued FASB Staff Position ("FSP") FAS 132R-1, *Employers' Disclosures about Postretirement Benefit Plan Assets.* This document expands the disclosures related to postretirement benefit plan assets to include disclosures concerning a company's investment policies for benefit plan assets and categories of plan assets. This document further expands the disclosure requirements to include fair value of plan assets, including the levels within the fair value hierarchy and other related disclosures under SFAS No. 157, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,* and any concentrations of risk related to the plan assets.

This statement is effective for our fiscal 2010 year end and is not expected to impact our consolidated financial statements or disclosures.

Contractual Obligations

Unsecured Term Notes- Bodet & Horst Acquisition

In connection with the Bodet & Horst Asset Purchase Agreement, the company entered into the 2008 Note Agreement dated August 11, 2008. The 2008 Note Agreement provides for the issuance of $11.0 million of unsecured term notes with a fixed interest rate of 8.01% and a term of seven years. Principal payments of $2.2 million per year are due on the notes beginning three years from the date of the 2008 Note Agreement (August 11, 2011). The 2008 Note Agreement contains customary financial and other covenants as defined in the 2008 Note Agreement.

Building Lease - Bodet & Horst Acquisition

In connection with the asset purchase agreement, the company assumed the lease of the building where the operation is located. This lease is with a partnership owned by certain shareholders and officers of the company and their immediate families. The lease provides for monthly payments of $12,704, expires on June 30, 2010, and contains a renewal option for an additional three years. As of February 1, 2009, the minimum lease payment requirements over the next three fiscal years are: FY 2009 – $38,000; FY 2010 - $152,000; and FY 2011 - $25,000.

Capital Lease Obligation

In May 2008, the company entered into a capital lease to finance a portion of the construction of certain equipment related to its mattress fabrics segment. The lease agreement contains a bargain purchase option and bears interest at 8.5%. The lease agreement requires principal payments totaling $1.4 million which commenced on July 1, 2008, and are being paid in quarterly installments through April 2010. This agreement is secured by equipment with a carrying value of $2.4 million. The principal payments required over the next two years are as follows: Year 1 - $692,000; and Year 2 - $107,000.

Sale-Leaseback – Corporate Headquarters

Effective January 29, 2009 the company entered into an agreement providing for the sale of its corporate headquarters building in High Point, North Carolina, for a purchase price of $4.0 million. The agreement allows the company to lease the building back under an operating lease from the purchaser for an initial term of approximately three years expiring on March 31, 2012 and is payable in monthly installments of $30,020, plus approximately two-thirds of the building's normal occupancy costs. The contract contains renewal options as defined in the agreement for periods from April 1, 2012 through September 30, 2015 and October 1, 2015 through March 31, 2019. As of February 1, 2009, the minimum lease payments (excluding other operating costs) under this operating lease are: FY 2009 - $90,060; FY 2010 - $360,240, FY 2011 - $360,240, and FY 2012 - $330,220.

Interest Rate Swap Agreement

In connection with the company's first real estate loan on its corporate headquarters building, the company was required to have an agreement to hedge the interest rate risk exposure on the real estate loan. The company entered into a $2,170,000 notional principal interest rate swap agreement, which represented 50% of the principal amount of the real estate loan, and effectively converted the floating rate LIBOR based interest payments to fixed payments at 4.99% plus the spread calculated under the real estate loan agreement. This agreement expires October 2010.

In connection with the sale of the company's corporate headquarters, the company's interest rate swap agreement to hedge the interest rate risk exposure on the first real estate loan was transferred to the unsecured term loan associated with the ITG acquisition. At February 1, 2009, the remaining notional amount on the interest rate swap agreement was $1,832,434 which represented 85% of the remaining principal amount of the unsecured term loan associated with the ITG acquisition. The agreement effectively converts the floating rate LIBOR based interest payments to fixed payments at 4.99% plus the spread calculated under the unsecured term loan agreement associated with the ITG acquisition. This agreement expires October 2010.

The company accounts for the interest rate swap agreement as a cash flow hedge whereby the fair value of this contract is reflected in accrued expenses in the accompanying consolidated balance sheets with the offset recorded net of income taxes as accumulated other comprehensive loss. The fair value of this agreement was approximately $113,000 and $75,000 at February 1, 2009 and April 27, 2008, respectively.

Canadian Dollar Foreign Exchange Contract

On January 21, 2009, the company entered into a Canadian dollar foreign exchange contract associated with its Canadian government loan. The agreement effectively converts the Canadian dollar principal debt payments at a fixed Canadian dollar foreign exchange rate versus the United States dollar of 1.21812. This agreement expires November 1, 2013 and is secured by cash deposits totaling $200,000.

The company accounts for the Canadian dollar foreign exchange forward contract as a cash flow hedge whereby the fair value of this contract is reflected in accrued expenses in the accompanying consolidated balance sheets with the offset recorded net of income taxes as accumulated other comprehensive loss. The fair value of this contract was approximately $1,000 at February 1, 2009.

Inflation

Any significant increase in the company's raw material costs, utility/energy costs and general economic inflation could have a material adverse impact on the company, because competitive conditions have limited the company's ability to pass significant operating cost increases on to its customers.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company is exposed to market risk from changes in interest rates on debt and foreign currency exchange rates. The company's market risk sensitive instruments are not entered into for trading purposes. The company's exposure to interest rate risk consists of floating rate debt based on the London Interbank Offered Rate (LIBOR) plus an adjustable margin under the company's revolving credit agreement in the United States and its unsecured term note related to the ITG acquisition. As of February 1, 2009, there were $2.2 million in borrowings outstanding under the unsecured term note related to the ITG acquisition and no borrowings under the company's revolving credit agreement in the United States. In connection with the unsecured term note related to the ITG acquisition, the company has an interest rate swap agreement with a notional amount of $1.8 million at February 1, 2009, which represents 85% of the remaining principal amount. The interest rate swap agreement effectively converts the floating rate LIBOR based payments to fixed payments at 4.99% plus the spread calculated under the loan agreement. The company's unsecured term notes issued in connection with the Bodet & Horst acquisition have a fixed interest rate of 8.01%, the existing unsecured term notes have a fixed interest rate of 8.80%, and the Canadian government loan is non-interest bearing. The company's revolving credit agreement associated with its China subsidiary bears interest at a rate determined by the Chinese government. There were no borrowings outstanding under this agreement at February 1, 2009. At February 1, 2009, $323,000 or 99% of the company's total borrowings of $28.1 million are at a fixed rate or non-interest bearing. Thus, the company would not expect any foreseeable change in the interest rates to have a material effect on the company's financial results.

The company is exposed to market risk from changes in the value of foreign currencies for their subsidiaries domiciled in China and Canada. On January 21, 2009, the company entered into a Canadian dollar foreign exchange contract associated with its Canadian government loan. The agreement effectively converts the Canadian dollar principal debt payments at a fixed Canadian dollar foreign exchange rate versus the United States dollar of 1.21812. This agreement expires November 1, 2013 and is secured by cash deposits totaling $200,000.The company's foreign subsidiaries use the United States dollar as their functional currency. A substantial portion of the company's imports purchased outside the United States are denominated in U.S. dollars. A 10% change in either exchange rate at February 1, 2009, would not have a significant impact on the company's results of operations or financial position.

ITEM 4. CONTROLS AND PROCEDURES

The company has conducted an evaluation of the effectiveness of its disclosure controls and procedures as of February 1, 2009, the end of the period covered by this report. This evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, we have concluded that these disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports filed by us and submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported as and when required. Further, we concluded that our disclosure controls and procedures have been designed to ensure that information required to be disclosed in reports filed by us under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding the required disclosures.

There has been no change in our internal control over financial reporting that occurred during the quarter ended February 1, 2009, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

There has not been any material changes with regards to our legal proceedings during the nine months ended February 1, 2009. Our legal proceedings are disclosed in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on July 9, 2008 for the fiscal year ended April 27, 2008.

Item 1A. Risk Factors

In addition to the information set forth below in this quarterly report on Form 10-Q, you should carefully consider the factors discussed the factors discussed in Part 1, Item 1A "Risk Factors" in our annual report on Form 10-K filed with Securities and Exchange Commission on July 9, 2008 for the fiscal year ended April 27, 2008.

The company's market capitalization and shareholders equity have fallen below the level required for continued listing on the New York Stock Exchange.

Our common stock is currently traded on the New York Stock Exchange (NYSE). Under the NYSE's current listing standards, we are required to have market capitalization or shareholders equity of more than $75 million to maintain compliance with continued listing standards. The company's market capitalization and shareholders equity are both now below $75 million. As a result, the company is listed as "below compliance" with NYSE listing standards, and we must submit a plan regarding our ability to return to compliance with these standards. This plan was submitted to the NYSE in the third quarter of fiscal 2009. On March 6, 2009, this plan was approved by the NYSE. Regardless of this plan, if our average market capitalization over a 30 trading-day period is below $25 million, under standard NYSE rules, the NYSE would be expected to start immediate delisting procedures. On February 26, 2009, the NYSE announced that it has temporarily lowered this $25 million requirement to $15 million through June 30, 2009. If the company is not able to return to and maintain compliance with the NYSE standards, our stock will be delisted from trading on the NYSE, resulting in the need to find another market on which our stock can be listed or causing our stock to cease to be traded on an active market, which could result in a reduction in the liquidity for our stock and a reduction in demand for our stock.

Item 5. Other Information.

On December 11, 2008, the New York Stock Exchange ("NYSE") provided formal notice to the company that it is not in compliance with the NYSE's continued listing standards as the company's consecutive 30 trading-day period average market capitalization was less than $75 million and its most recently reported shareholders' equity was below $75 million ($46.5 million as of November 2, 2008, the most recently reported date prior to the NYSE notification). Under applicable NYSE procedures, unless the NYSE determines otherwise, the company has 45 days from the date of its receipt of the notice to submit a plan to the NYSE to demonstrate its ability to achieve compliance with the continued listing standards within 18 months. The company submitted its plan to demonstrate compliance with the listing standards within the required 45 day time frame. On March 6, 2009, this plan was approved by the NYSE. The NYSE will monitor the company on a quarterly basis and can deem the plan period over prior to the end of the 18 months if a company is able to demonstrate returning to compliance with the applicable continued listing standards (which would mean the company would have to either increase its shareholders' equity to $75 million, or demonstrate market capitalization of at least $75 million), or achieve the ability to qualify under an original listing standard, for a period of two consecutive quarters. Regardless of this plan, if the company's average market capitalization over a 30 trading-day period falls below $25 million, under standard NYSE rules, the NYSE would be expected to start immediate delisting procedures. On February 26, 2009, the NYSE announced that it has temporarily lowered this $25 million requirement to $15 million through June 30, 2009. The NYSE has made available on its consolidated tape an indicator, ".BC," to indicate that the company is below the NYSE's quantitative listing standards. The indicator will be removed at such time as the company is deemed compliant with the NYSE's continued listing standards. At February 1, 2009 the company's shareholders' equity was $46.1 million and the consecutive 30 trading-day period average market capitalization was more than $15 million.

Item 6. Exhibits

The following exhibits are filed as part of this report.

3(i)	Articles of Incorporation of the company, as amended, were filed as Exhibit 3(i) to the company's Form 10-Q for the quarter ended July 28, 2002, filed September 11, 2002, and are incorporated herein by reference.
3 (ii)	Restated and Amended Bylaws of the company, as amended November 12, 2007, were filed as Exhibit 3.1 to the company's Form 8-K dated November 12, 2007, and incorporated herein by reference.
10.4	Thirteenth Amendment to Amended and Restated Credit Agreement dated as of November 3, 2008 among Culp, Inc. and Wachovia Bank, National Association as Agent and as Bank, filed as Exhibit 10.1 to the company's Form 8-K dated November 6, 2008, and incorporated herein by reference.
10.5	Agreement for purchase and sale of real property between Chris Caffey (later assigned to 1823 Eastchester, LLC) and Culp, Inc. dated December 4, 2008, as amended by First Amendment dated as of January 29, 2009.
10.6	Restricted Stock Agreement between the company and Franklin N. Saxon on January 7, 2009 pursuant to the 2007 Equity Incentive Plan.
10.7	Restricted Stock Agreement between the company and Robert G. Culp, IV on January 7, 2009 pursuant to the 2007 Equity Incentive Plan.

10.8	Restricted Stock Agreement between the company and Kenneth R. Bowling on January 7, 2009 pursuant to the 2007 Equity Incentive Plan.
10.9	Form of stock option agreement for options granted pursuant to the 2007 Equity Incentive Plan.
10.10	Form of restricted stock unit agreement for restricted stock units granted pursuant to the 2007 Equity Incentive Plan.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

SIGNATURES

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

CULP, INC.
(Registrant)

Date: March 13, 2009

By: /s/ Kenneth R. Bowling

Kenneth R. Bowling
Vice President and Chief Financial Officer
(Authorized to sign on behalf of the registrant
and also signing as principal financial officer)

By: /s/ Thomas B. Gallagher, Jr.

Thomas B. Gallagher, Jr.
Corporate Controller
(Authorized to sign on behalf of the registrant
and also signing as principal accounting officer)

EXHIBIT INDEX

Exhibit Number	Exhibit
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AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY

THIS AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY, including any and all addenda attached hereto ("**Agreement**"), is and between **Chris Caffey** ("**Buyer**"), and **Culp, Inc.**, a North Carolina corporation ("**Seller**").

FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES SET FORTH HEREIN AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO AGREE AS FOLLOWS:

Section 1. Terms and Definitions: The terms listed below shall have the respective meaning given them as set forth adjacent to each term.

(a) **"Property"** shall mean the approximately 7.25 acre parcel located and commonly known as 1823 Eastchester Drive, High Point, Guilford County, North Carolina. The Property is more particularly described in Exhibit A attached hereto and made a part hereof by reference. The Property is known for Guilford County, North Carolina ad valorem taxation purposes as Parcel Number 180003400000200018.

$4,000,000.00 (b) **"Purchase Price"** shall mean the sum of Four Million and No/100 Dollars, ***payable on the following terms:***

$25,000.00 (i) **"Earnest Money"** shall mean Twenty Five Thousand and No/100 Dollars.

Upon this Agreement becoming a contract in accordance with Section 14, the Earnest Money shall be promptly deposited in escrow with Wyatt Early Harris Wheeler LLP ("Escrow Agent"), to be applied as part payment of the Purchase Price of the Property at Closing, or disbursed as agreed upon under the provisions of Section 10 herein.

ANY EARNEST MONEY DEPOSITED BY BUYER IN A TRUST ACCOUNT MAY BE PLACED IN AN INTEREST BEARING TRUST ACCOUNT AND

ANY INTEREST EARNED THEREON SHALL BELONG TO THE ACCOUNT HOLDER IN CONSIDERATION OF THE EXPENSES INCURRED BY MAINTAINING SUCH ACCOUNT AND RECORDS ASSOCIATED THEREWITH.

$3,975,000.00 (ii) **Proceeds of a new loan** in the amount of Three Million, Nine Hundred Seventy Five Thousand and No/100 Dollars.

(c) **"Closing"** shall mean the date and time of recording of the deed. Closing shall occur on or before January 30, 2009.

(d) **"Contract Date"** means the date this Agreement has been fully executed by both Buyer and Seller.

(e) **"Examination Period"** shall mean the period beginning; on the Contract Date and extending through January 9, 2009. ***TIME IS OF THE ESSENCE AS TO THE EXAMINATION PERIOD.***

(f) **"Broker(s)"** shall mean: N/A.

(g) **"<u>Seller's Notice Address</u>"** shall be as follows:

Culp, Inc.
Attn. Kenneth Bowling, CFO
1823 Eastchester Drive
High Point, NC 27265
Email: KRBowling@culp.com

WITH A COPY TO

Jane Ratteree
Robinson, Bradshaw & Hinson, P.A.
101 North Tryon Street, Suite 1900
Charlotte, NC 28246
Email: jratteree@rbh.com

Except as same may be changed pursuant to Section 12.

(h) **"<u>Buyer's Notice Address</u>"** shall be as follows:

Chris Caffey
I.H. Caffey Distributing Company, Inc.
8749 W. Market Street
Greensboro, NC 27409-9699
Email: chris.caffey@ihcaffey.com

WITH A COPY TO

David N . Woods
Wyatt Early Harris Wheeler LLP
1912 Eastchester Drive, Suite 400
High Point, NC 27265
Email: dwoods@wehwlaw.com

Except as same may be changed pursuant to Section 12.

(i) Additional terms of this Agreement are set forth on **Exhibit B** attached hereto and incorporated herein by reference.

Section 2. Sale of Property and Payment of Purchase Price: Seller agrees to sell and Buyer agrees to buy the Property for the Purchase Price.

Section 3. Proration of Expenses and Payment of Costs: Seller and Buyer agree that all property taxes (on a calendar year basis), leases, rents, mortgage payments and utilities or any other assumed liabilities as detailed on attached **Exhibit B**, if any, shall be prorated as of the date of Closing. Seller shall pay for preparation of a deed and all other documents necessary to perform Seller's obligations under this Agreement, excise tax (revenue stamps), any deferred or rollback taxes, and other conveyance fees or taxes required by law, and the following: NONE.

Buyer shall pay recording costs, costs of any title search, title insurance, survey, the cost of any inspections or investigations undertaken by Buyer under this Agreement and the following: NONE.

Each party shall pay its own attorney's fees.

Section 4. Deliveries: Seller agrees to deliver to Buyer as soon as reasonably possible after the Contract Date copies of the following (the "**Seller's Deliveries**"):

(a) Chicago Title Insurance Company Owner's Policy No. 34106PT2004-00732, with an effective date of May 28, 2004, as endorsed effective October 26, 2005, and January 22, 2007.

(b) As-Built Survey for Culp, Inc. prepared by Davis-Martin-Powell & Assoc., Inc., dated February 25, 2004.

(c) Equipment Lease Agreement between Seller and Central Carolina Air Conditioning Co. for Trane 50 Ton Rooftop HVAC Unit.

(d) Equipment Lease dated April 18, 2006 between Seller and Key Equipment Finance, Inc. for Trane 50 Ton Rooftop HVAC Unit.

Seller makes no representation or warranty with respect to the accuracy or completeness of, or Buyer's right to rely upon, the Seller's Deliveries. If Buyer does not consummate the Closing for any reason other than Seller default, then Buyer shall return to Seller all materials delivered by Seller to Buyer pursuant to this Section 4 (or Section 7, if applicable), if any, and shall, upon Seller's request, provide to Seller copies of (subject to the ownership and copyright interests of the preparer thereof) any and all studies, reports, surveys and other information relating directly to the Property prepared by or at the request of Buyer, its employees and agents, and shall deliver to Seller, upon the release of the Earnest Money, copies of all of the foregoing without any warranty or representation by Buyer as to the contents, accuracy or correctness thereof

Section 5. Evidence of Title: Seller agrees to convey fee simple marketable and insurable title to the Property free and clear of all liens, encumbrances and defects of title other than: (a) zoning ordinances affecting the Property, (b) Leases (if applicable) and (c) matters of record existing at the Contract Date that are not objected to by Buyer in writing prior to the end of the Examination Period ("**Permitted Exceptions**"); provided that Seller shall be required to satisfy, at or prior to Closing, any encumbrances that may be satisfied by the payment of a fixed sum of money, such as deeds of trust, mortgages or statutory liens. Seller shall not enter into or record any instrument that affects Property (or any personal property listed on **Exhibit A**) after the Contract Date without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 6. Conditions to Buyer's Obligations: This Agreement and rights and obligations of the parties under this Agreement are hereby made expressly conditioned upon fulfillment (or waiver by Buyer, whether explicit or implied) of the following conditions:

(a) **New Loan:** The Buyer must be able to obtain the loan referenced in Section 1(b)(ii) on terms and conditions satisfactory to Buyer, in the sole discretion of Buyer. **If this conditions fails for any reason and Buyer provides notice thereof to Seller at any time, THEN THIS AGREEMENT SHALL TERMINATE AND BUYER SHALL RECEIVE A RETURN OF THE EARNEST MONEY.**

(b) **[Intentionally omitted.]**

(c) **Title Examination:** After the Contract Date, Buyer shall, at Buyer's expense, cause a title examination to be made of the Property before the end of the Examination Period. In the event that such title examination shall show that Seller's title is not fee simple marketable and insurable, subject only to Permitted Exceptions, then Buyer shall promptly notify Seller in writing of all such title defects and exceptions, in no case later than the end of the Examination Period, and Seller shall have thirty (30) days to cure said noticed defects. If Seller does not cure the defects or objections within thirty (30) days of notice thereof, then Buyer may terminate this Agreement and receive a return of Earnest Money (notwithstanding that the Examination Period may have expired). If Buyer is to purchase title insurance, the insuring company must be licensed to do business in the state in which the Property is located. Title to the Property must be insurable at regular rates, subject only to standard exceptions and Permitted Exceptions.

(d) **Same Condition:** If the Property is not in substantially the same condition at Closing as of the offer, reasonable wear and tear excepted, then the Buyer may (i) terminate this Agreement and receive a return of the Earnest Money or proceed to Closing whereupon Buyer shall be entitled to in addition to the Property, any of the Seller's Insurance proceeds payable on account of the damage or destruction applicable to Property.

(e) **Inspections:** Buyer, its agents or representatives, at Buyer's expense and at reasonable times during normal business hours, shall have the right to enter upon the Property for the purpose of inspecting, examining, performing soil boring and other testing, conducting timber cruises, and surveying the Property. Buyer shall conduct all such on-site inspections, examinations, soil boring and other testing, timber cruises and surveying of the Property in a good and workmanlike manner, shall repair any damage to the Property caused by Buyer's entry and on-site inspections and shall conduct same in a manner that does not unreasonably interfere with Seller's or any tenant's use and enjoyment of the Property. In that respect, Buyer shall make reasonable efforts to undertake on-site inspections outside of the hours any tenant's business is open to the public and shall give prior notice to any tenants of any entry onto any tenant's portion of the Property for the purpose of conducting inspections. Upon Seller's request, Buyer shall provide to Seller evidence of general liability insurance. Buyer shall have a right to request to review and inspect all contracts or other agreements affecting or related directly to the Property and shall be entitled to request to review such books and records of Seller that relate directly to the operation and maintenance of the Property, provided, however, that Buyer shall not disclose any information regarding this Property (or any tenant therein) unless requited by law and the same shall be regarded as confidential, to any person, except to its attorneys, accountants, lenders and other professional advisors, in which case Buyer shall obtain their agreement to maintain such confidentiality. Buyer assumes all responsibility for the acts of itself, its agents or representatives in exercising its rights under this Section 6(e) and agrees to indemnify and hold Seller harmless from any damages resulting therefrom. This indemnification obligation of Buyer, shall survive the Closing or earlier termination of this Agreement. Buyer shall at Buyer's expense, promptly repair any damage to the Property caused by Buyer's entry and on-site inspections. Except as provided in Section 6(c) above, Buyer shall have from the Contract Date through the end of the Examination Period to perform the above inspections, examinations and testing. Notwithstanding any provision to the contrary contained herein, Buyer shall obtain Seller's written consent prior to performing (or having performed) any soil borings and/or other invasive tests. **IF BUYER CHOOSES NOT TO PURCHASE THE PROPERTY, FOR ANY REASON, AND PROVIDES WRITTEN NOTICE TO SELLER THEROF PRIOR TO THE EXPIRATION OF THE EXAMINATION PERIOD, THEN THIS AGREEMENT SHALL TERMINATE, AND BUYER SHALL RECEIVE A RETURN OF THE EARNEST MONEY**.

Section 6A. Conditions to Seller's Obligations: This Agreement and the rights and obligations of the parties under this Agreement are hereby made expressly conditioned upon fulfillment (or waiver by Seller) of the conditions that (i) Seller must be able to obtain all necessary consents to the sale of the Property on the terms set forth herein as are required under the terms of the 1998 Note Purchase Agreement dated March 14, 1998, to which Seller is a party, as the same has been amended from time to time; and (ii) Seller must be able to obtain the agreement of Wachovia Bank, National Association, its successors or assigns, to release the Property from the lien of its deed of trust upon receipt of the net proceeds of the sale. In the event that these conditions are not satisfied on or prior to the date of Closing, then Seller may terminate this Agreement upon written notice to Buyer, and upon such termination, the Earnest Money shall be refunded to Buyer.

Section 7. Leases:

x If this box is checked, Seller affirmatively represents and warrants that there are no leases of any kind or nature affecting the Property other than as referenced in Section 4(c) and 4(d) hereinabove.

Section 8. Environmental: Seller represents and warrants that it has no actual knowledge of the presence or disposal, except as in accordance with applicable law, within the buildings or on the Property of hazardous or toxic waste or substances, which are defined as those substances, materials, and wastes, including, but not limited to, those substances, materials and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR Part 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302.4) and amendments thereto, or such substances, materials and wastes, which are or become regulated under any app1ipable local, state or federal law, including, without limitation, any material, waste or substance which is (i) petroleum, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) designated as a Hazardous Substance pursuant to Section 311 of the Clean Water Act of 1977 (33 U.S.C. §132l) or listed pursuant to Section 307 of the Clean Water Act of 1977 (33 U.S.C. §l317), (v) defined as a hazardous waste pursuant to Section 1004 of the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §6903) or (vi) defined as a hazardous substance pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §9601). Seller has no actual knowledge of any contamination of the Property from such substances as may have been disposed of or stored on neighboring tracts. It is understood and agreed by the parties that any representations or warranties in this Agreement that are qualified as being to Seller's actual knowledge are limited to the actual knowledge, without investigation, of Seller's president, vice president(s), corporate secretary and/or treasurer.

Section 9. Risk of Loss/Damage/Repair: Until Closing, the risk of loss or damage to the Property, except as otherwise provided herein, shall be borne by Seller. Except as to maintaining the Property in its same condition, Seller shall have no responsibility for the repair of the Property, including any improvements, unless the parties hereto agree in writing.

Section 10. Earnest Money Disbursement: In the event that any of the conditions hereto are not satisfied, or in the event of a breach of this Agreement by Seller, then Buyer may terminate this Agreement by written notice to Seller, and the Earnest Money shall he returned to Buyer. In the event that Buyer terminates this Agreement due to Seller's breach of this Agreement, then, in addition to the return of the Earnest Money, Buyer's sole remedy shall be to recover from Seller Buyer's reasonable and documented costs paid to third parties in the negotiation of or in reliance upon this Agreement, not to exceed a total amount of $25,000.00. In the event this offer is accepted and Buyer breaches this Agreement, then the Earnest Money shall be forfeited as Seller's liquidated damages and sole remedy (except with respect to Buyer's indemnity obligations set forth in Section 6, for which Seller shall have all rights and remedies provided at law or in equity). The parties agree that the Earnest Money is a fair and reasonable measure of the damages to be suffered by Seller in the event of a breach by Buyer, and that the exact amount of Seller's damages is incapable of ascertainment. NOTE: In the event of a dispute between Seller and Buyer over the return or forfeiture of Earnest Money held in escrow by a licensed real estate broker, the broker is required by state law to retain said Earnest Money in its trust or escrow account until it has obtained a written release the parties consenting to its disposition or until disbursement is ordered by a court of competent jurisdiction, or alternatively, the party holding the Earnest Money may deposit the disputed monies with the appropriate clerk of court in accordance with the provisions of N.C.G.S. §93A-12.

Section 11. Closing: At Closing, Seller shall deliver to Buyer a special warranty deed unless otherwise specified on Exhibit B and other documents customarily executed or delivered by a seller in similar transactions, including without limitation, a bill of sale for any personalty listed on Exhibit A, an owner's affidavit, lien waiver forms, a non-foreign status affidavit (pursuant to the Foreign Investment in Real Property Tax Act), the lease described in Exhibit C hereto (the "**Seller's Lease**") and a memorandum of the Seller's Lease in recordable form (the "**Memorandum of Lease**"). Buyer shall execute and deliver to Seller at Closing the Seller's Lease, the Memorandum of Lease and a subordination, nondisturbance and attornment agreement reasonably satisfactory to Seller from Buyer's mortgage lender, and Buyer shall pay to Seller the Purchase Price. At Closing, the Earnest Money shall be applied as part of the Purchase Price. The Closing shall be held at the office of Buyer's attorney or such other place as the parties hereto may mutually agree.

Section 12. Notices: Unless otherwise provided herein, all notices and other communications which may be or are required to be given or made by any party to the other in connection herewith shall be in writing and shall be deemed to have been properly given and received (i) on the date delivered in person, (ii) one (1) day after delivery to or pick-up by an express delivery courier, such as Federal Express, (iii) three (3) days after being deposited in the United States mail, registered or certified, return receipt requested, or (iv) upon emailing, provided that a copy of the notice shall also be delivered by one of the other methods specified above, in each case sent to the addresses set out in Section 1(g) as to Seller and in Section 1(h) as to Buyer, or at such other addresses as specified by written notice delivered in accordance herewith.

Section 13. Entire Agreement: This Agreement constitutes the sole and entire agreement among the parties hereto and no modification of this Agreement shall be binding unless in writing and signed by all parties hereto.

Section 14. Enforceability: This Agreement shall become a contract when a signed by both Buyer and Seller and such signing is communicated to both patties; it being expressly agreed that the notice described in Section 12 is not required for effective communication for the purposes of this Section 14. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns and their personal representatives.

Section 15. Adverse Information and Compliance with Laws:

(a) **Seller Knowledge:** Seller has no actual knowledge of (i) condemnation(s) affecting or contemplated with respect to the Property; (ii) actions, suits or proceedings pending or threatened against the Property; (iii) changes contemplated in any applicable laws, ordinances or restrictions affecting the Property; or (iv) governmental special assessments, either pending or confirmed, for sidewalk, paving, water, sewer, or other improvements on or adjoining the Property, and no pending or confirmed owners' association special assessments, except as follows: NONE.

Seller shall pay all owners' association assessments and all governmental assessments confirmed as of the time of Closing, if any, and Buyer shall take title subject to all assessments, if any, unless otherwise agreed as follows: NONE.

Seller represents that the regular owners' association dues, if any, are NONE.

(b) **Compliance:** To Seller's actual knowledge, (i) Seller complied with all applicable laws, ordinances, regulations, statutes, rules and restrictions pertaining to or affecting the Property; (ii) performance of the Agreement will not result in the breach of, constitute any default under or result in the imposition of any lien or encumbrance upon the Property under any agreement or other instrument to which Seller is a party or by which Seller or the Property is bound; and (iii) there are no legal actions, suits or other legal or administrative proceedings pending or threatened against the Property, and Seller is not aware of any facts which might result in any such action, suit or other proceeding.

Section 16. Survival of Representations and Warranties: All representations, warranties, covenants and agreements made by the parties hereto shall survive the Closing and delivery of the deed for a period of six (6) months. Seller shall, at or within six (6) months after the Closing, and without further consideration, execute, acknowledge and deliver to Buyer such other documents and instruments, and take such other action as Buyer may reasonably request or as may be necessary to more effectively transfer to Buyer the Property described herein in accordance with this Agreement.

Section 17. Applicable Law: This Agreement shall be construed under the laws of the state in which the Property is located. This form has only been approved for use in North Catalina.

Section 18. Assignment: This Agreement is freely assignable unless otherwise expressly provided on Exhibit B.

Section 19. Tax-Deferred Exchange: In the event Buyer or Seller desires to effect a tax-deferred exchange in connection with the conveyance of the Property, Buyer and Seller agree to cooperate in effecting such exchange; provided, however, that the exchanging party shall be responsible for all additional costs associated with such exchange, and provided further, that a non-exchanging party shall not assume any additional liability with respect to such tax-deferred exchange. Seller and Buyer shall execute such additional documents, at no cost to the non-exchanging party, as shall be required to give effect to this provision.

Section 20. [Intentionally omitted.]

Section 21. Authority: Each signatory to this Agreement represents and warrants that he or she has full authority to sign this Agreement and such instruments as may be necessary to effectuate any transaction contemplated by this Agreement on behalf of the party for whom he or she signs and that his or her signature binds such party.

Section 22. Brokers: Seller agrees to indemnify and hold Buyer harmless from any and all claims of brokers, consultants or real estate agents claiming by, through or under Seller for fees of commissions arising out of the sale of the Property to Buyer. Seller represents and warrants to Buyer that: (i) no fees or commissions are due and/or owing to any broker, consultant and/or real estate agent as a result of any act or agreement by Seller; and (ii) should any fees or commissions become due and/or payable to any broker, consultant and/or real estate agent as a result of any act or agreement by Seller (by court judgment, decree or otherwise), Seller shall promptly pay such fees or commissions and shall indemnify and hold Buyer harmless from any and all claims, demands and/or judgments concerning such fees or commissions. It is the express intent of Buyer and Seller that this provision shall survive the Closing of the purchase and sale of the Property.

Buyer agrees to indemnify and hold Seller harmless from any and all claims of brokers, consultants or real estate agents claiming by, through or under Buyer for fees of commissions arising out of the sale of the Property to Buyer. Buyer represents and warrants to Seller that: (i) no fees or commissions are due and/or owing to any broker, consultant and/or real estate agent as a result of any act or agreement of Buyer; and (ii) should any fees or commissions become due and/or payable to any broker, consultant and/or real estate agent as a result of any act or agreement of Buyer (by court judgment, decree or otherwise), Buyer shall promptly pay such fees or commissions and shall indemnify and hold Seller harmless from any and all claims, demands and/or judgments concerning such fees or commissions. It is the express intent of Buyer and Seller that this provision shall survive the Closing of the purchase and sale of the Property.

BUYER:	**SELLER:**
	Culp, Inc.
/s/ Chris Caffey Chris Caffey	By: /s/ Kenneth R. Bowling Name: Kenneth R. Bowling Title: VP & CFO
Date: 12/4/08	Date: 12/4/08

The undersigned hereby acknowledges receipt of the Earnest Money set forth herein and agrees to hold said Earnest Money in accordance with the terms hereof.

Wyatt Early Harris Wheeler LLP

By: /s/ David N. Woods
David N. Woods, Partner

Exhibit A
(Legal Description)

BEGINNING at a new iron pipe in the northwestern margin of the right-of-way of Eastchester Drive (Highway 68) (102' public right-of-way), a corner of the property of H.R. Jolly Jr. (now or formerly) (Tax Ref: 340-2-1) as described in Deed book 5661, Page 1003 in the Guilford County Public Registry (hereinafter the "Registry"), said new iron pipe being located the following two (2) courses and distances from a point at the intersection of the centerline of Hilton Court and Eastchester Drive: (1) N. 37-20-12 E. 884.54 feet to an existing iron pipe in the old northeastern margin of the right-of-way of Eastchester Drive; and (2) N. 49-49-01 W. 12.00 feet; thence, from the point of Beginning, with and along the boundary line of the property of H.R. Jolly, Jr. and the boundary line of the property of Wallace L. Sills, Jr. and Vesta F. Kennedy (now or formerly) (Tax Ref: 340-2-28), N. 49-49-01 W. 689.29 feet to an existing iron pipe (passing an existing iron pipe at 579.95 feet), a corner of the property of the City of High Point (Oak Hollow Lake) (Tax Ref: 340-2-24); thence, with and along the boundary line of the property of the City of High Point, the following two (2) courses and distances: (1) N. 08-21-24 E. 316.33 feet to an existing iron pipe (passing existing iron pipes at 148.91 feet and at 220.96 feet); and (2) N. 66-32-15 E. 147.83 feet to an existing iron pipe, a corner of the property of Dixon Odom Real Estate Group LLC (now or formerly) (Tax Ref: 340-2-19) as described in Deed Book 4270), page 1962 in the Registry; thence, with and along the boundary line of the property of Dixon Odom Real Estate Group LLC, S. 49-39-30 E. 791.44 feet to a new iron pipe in the northwestern margin of the right-of-way of Eastchester Drive; thence, with and along the northwestern margin of the right-of-way of Eastchester Drive, S. 40-19-11 W. 399.04 feet to a new iron pipe, the point and place of BEGINNING, containing 7.255 acres, more or less, as shown on an "As Built Survey For Culp Inc.", dated February 25, 2004, prepared by Davis-Martin-Powell & Associates, Inc., Jon Eric Davis, N.C.P.L.S.

Exhibit B
(Additional Terms)

1. This agreement shall be freely assignable by Buyer without the consent of Seller.
2. Each party's obligations hereunder are expressly contingent and conditioned upon the negotiation and execution in connection with Closing of the Seller's Lease. In connection with the Seller's Lease, Seller agrees to execute a customary and reasonable subordination, non-disturbance and attornment agreement ("SNDA") if requested to do so by Buyer or by Buyer's lender.
3. This Agreement contains terms, conditions and/or provisions which vary from the form jointly approved by the North Carolina Bar Association and the North Carolina Association of Realtors. Each party agrees and acknowledges having had the opportunity to review and negotiate this Agreement with the assistance of counsel. Therefore, Buyer and Seller agree that any normal rule of construction requiring the terms and/or conditions of this Agreement be construed against the drafting party shall not be applicable.
4. Buyer and Seller acknowledge and agree that facsimile, scanned or other electronic signatures to this Agreement shall be legally binding and effective and that original signatures appearing on the same signature page shall not be required.

Exhibit C
(Seller's Lease)

All capitalized terms not otherwise defined herein have the meanings specified in the Agreement for Purchase and Sale of Real Property to which this Exhibit C is attached. At Closing, Buyer and Seller intend to enter into a lease of the Property having the following material business terms:

Landlord:	Buyer
Tenant:	Seller
Premises:	During the Initial Term, the Premises shall include all portions of the land (the "**Land**") and building (the "**Building**") located at 1823 Eastchester Drive, High Point, NC. The Building consists of 56,880 rentable square feet. During the renewal terms, if exercised, the Premises shall include only the third (3rd) floor of the Building, together with the non-exclusive right to use common areas located upon the Land or within the Building, including parking areas.
Initial Term:	The period from the date of Closing through March 31, 2012.
First Renewal Term:	April 1, 2012 through September 30, 2015.
Second Renewal Term:	October 1, 2015 through March 31, 2019.
Rental Rate:	During the Initial Term, monthly installments of $30,020.00.
	During the First Renewal Term, monthly installments equal to the sum of $15,405.00, plus one-half of average monthly Initial Term Operating Expenses, as defined below, plus one-third of average monthly Initial Term Maintenance Expenses, as defined below.
	During the Second Renewal Term, monthly installments equal to the sum of $15,800.00, plus one-half of average monthly Initial Term Operating Expenses, plus one-third of average monthly Initial Term Maintenance Expenses.
Rent Commencement:	At Closing.
Taxes, Insurance and Repairs:	Landlord shall pay ad valorem real property taxes on the Land and the Building, maintain casualty insurance on the Building, and repair the Building and Building systems (plumbing, electrical, sprinkler, heating, air conditioning, elevator and mechanical) as needed. During the Initial Term, Tenant will reimburse Landlord for two-thirds of the ad valorem taxes and casualty insurance premiums paid by Landlord, for two-thirds of Landlord's cost of maintenance contracts on HVAC equipment and elevators serving the Building, and for two-thirds of repair costs, not in excess of an amount to be determined, incurred by Landlord in any year during the Initial Term. The total amount paid by Tenant to Landlord during the Initial Term pursuant to the preceding sentence is referred to herein as the "**Initial Term Operating Expenses**." During the renewal terms, if exercised, the lease shall be a full service lease, and Tenant shall not be required to reimburse Landlord for any portion of taxes, insurance, maintenance or repair costs in addition to the rent payable by Tenant in the renewal terms.

Janitorial and Grounds Upkeep:	During the Initial Term, Tenant shall be responsible for janitorial service and supplies, garbage pick-up, pest control, electricity and water for the Premises, and for grounds maintenance for the Land. The total cost to Tenant during the Initial Term of the items listed in the preceding sentence is referred to herein as the "**Initial Term Maintenance Expenses**." During the renewal terms, if exercised, Landlord shall be responsible for janitorial service and supplies, garbage pick-up, pest control, electricity and water for the Premises, and for grounds maintenance for the Land.
Assignment or Sublease:	Tenant shall be entitled to sublease all or any portion of the Premises with Landlord's consent, which shall not be unreasonably withheld or delayed. Any rents received by Tenant in excess of the amounts stated herein shall be split evenly between Landlord and Tenant.
Security Deposit:	TBD.
Leasing Commissions:	None.

Within fifteen (15) days following the end of the Examination Period, Buyer's counsel shall draft a lease of the Premises (the "**Seller's Lease**") including the terms set forth above and such other terms as are necessary or customary in comparable leases. Buyer and Seller shall have until the date of Closing to agree upon the terms of the Seller's Lease. If the parties do not agree upon the terms of the Seller's Lease on or prior to the Date of Closing, then either party may terminate the Agreement by written notice given to the other party, and in the event of such termination, the Earnest Money shall be refunded to Buyer, and neither party shall have any further liability to the other, except for Buyer's indemnity obligations under Section 6 of this Agreement.

FIRST AMENDMENT TO
AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY

This First Amendment to Agreement for Purchase and Sale of Real Property (the "**First Amendment**") is made as of January 29, 2009 by and between **Culp, Inc.**, a North Carolina corporation (the "**Seller**") and **1823 Eastchester, LLC**, a North Carolina limited liability company (the "**Buyer**").

BACKGROUND

WHEREAS, Seller and Chris Caffey entered into an Agreement for Purchase and Sale of Real Property dated December 4, 2008 (the "**Agreement**") concerning the purchase and sale of real property more particularly described therein; and

WHEREAS, Chris Caffey has assigned all of his right, title and interest in and to the Agreement to Buyer, and Buyer has assumed the obligations of Chris Caffey under the Agreement pursuant to an Assignment and Assumption Agreement of even date herewith; and

WHEREAS, Buyer and Seller wish to amend the Agreement to change the Purchase Price identified in the Agreement, to memorialize Buyer's agreement to pay for a portion of Seller's cost to terminate certain equipment leases affecting the Property and to change other terms, conditions and/or provisions contained in the Agreement.

AMENDMENT TO AGREEMENT

1. Definitions. Capitalized and/or defined terms as used in this First Amendment and not otherwise defined herein shall have the same meanings ascribed to them in the Agreement.

2. Purchase Price. All references to "Purchase Price" in the Agreement shall be and hereby are changed and redefined to mean the sum of Four Million, Twenty-One Thousand and no/100 Dollars ($4,021,000.00).

3. Seller's Deliveries. The name "Central Carolina Air Conditioning Co." appearing in Section 4(c) of the Agreement is deleted and replaced with the name "Wells Fargo Financial Leasing, Inc."

4. Brokers. The following sentence is hereby added at the end of Section 22 of the Agreement: "Notwithstanding anything to the contrary in this Agreement, the parties hereto acknowledge that a payment in the amount of $96,000 will be made to Triad Commercial Properties, L.L.C. at closing pursuant to the terms of the Settlement and Release Agreement dated January 13, 2009, by and between Triad Commercial Properties, L.L.C. and Seller."

5. Exhibit B.5. An additional section, clause or paragraph shall be and hereby is added to Exhibit B to the Agreement as follows:

   5. At Closing, Buyer shall execute and deliver to Seller a Promissory Note in the maximum principal sum of $30,839.00, which sum shall represent Buyer's payment and contribution to Seller for and in connection with the termination of certain equipment leases affecting the Property.

6. Effect of First Amendment. Except as modified and amended by this First Amendment, the Agreement shall be and remain in full force and effect.

7. Counterparts. This First Amendment may be executed in a number of identical counterparts. If so executed, each of such counterparts is to be deemed an original for all purposes and all such counterparts shall collectively constitute one First Amendment.

8. Transmission. This First Amendment may be transmitted between the parties by facsimile machine or portable data file ("**PDF**"). The parties intend that faxed or PDFed signatures constitute original signatures and that a facsimile or PDF-transmitted First Amendment containing signatures (original or faxed or PDF) of all the parties is binding on the parties.

[The remainder of this page is intentionally left blank. Signature pages follow.]

In witness whereof, the parties have caused this First Amendment to be executed and delivered all as of the day and year first written above.

Buyer:

1823 Eastchester, LLC

By: /s/ Richard S. Morgan
Name: Richard S. Morgan
Title: Manager

In witness whereof, the parties have caused this First Amendment to be executed and delivered all as of the day and year first written above.

Seller:

Culp, Inc.

By: /s/ Kenneth R. Bowling
Name: Kenneth R. Bowling
Title: VP & CFO

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (the "**Agreement**"), dated as of January 7, 2009, is between **CULP, INC.**, a North Carolina corporation (the "**Corporation**"), and **FRANKLIN N. SAXON** ("**Employee**").

Background Statement

The Corporation desires to grant to Employee shares of Restricted Stock pursuant to the Culp, Inc. 2007 Equity Incentive Plan (the "**Plan**"). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, **THEREFORE**, the parties hereby agree as follows:

Section 1. Grant of Restricted Stock. The Corporation hereby grants and issues to Employee 60,000 shares of Restricted Stock consisting of 60,000 shares of common stock, par value $0.05 per share, of the Corporation (the "**Shares**"). The Shares shall be fully paid, nonassessable and subject to the restrictions and limitations set forth herein.

Section 2. Restrictions. Prior to the vesting of the Shares pursuant to **Section 3** hereof:

(a) the Shares shall not be transferable and shall not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of; and

(b) the stock certificate(s) evidencing the Shares shall contain the following legend:

"The shares represented by this certificate are subject to the terms of a Restricted Stock Agreement, dated as of January 7, 2009, a copy of which is available at the principal office of the corporation."

Except as expressly stated herein, Employee shall have all rights as a shareholder with respect to the Shares, commencing as of the date of issuance thereof and continuing for so long as Employee remains the record owner of the Shares, including the right to receive dividends in cash or other property and other distributions or rights in respect of the Shares and to vote the Shares as the record owner thereof. For the avoidance of doubt, no cash dividends paid in respect of the Shares shall be deferred and reinvested in additional shares of Restricted Stock as permitted by the second sentence of Section 4.4 of the Plan.

Section 3. Vesting. The restrictions described in **Section 2** shall lapse and the Shares shall vest in Employee on the following dates:

(a) on May 1, 2012, to the extent of 20,000 Shares;

(b) on May 1, 2013, to the extent of 20,000 Shares;

(c) on May 1, 2014, to the extent of any and all unvested Shares as of such date; and

(d) at any time upon the occurrence of a Change of Control or if the employment of Employee is terminated by the Corporation without Cause or by reason of the death or Disability of Employee, to the extent of any and all unvested Shares as of such date.

For purposes of this Agreement, the following terms shall have the meanings indicated below:

"**Cause**" shall mean (i) the commission by Employee of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Employee of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self dealing); (iii) intentional, grossly negligent or unlawful misconduct by Employee that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

"**Change of Control**" shall have the meaning given to such term in the Plan.

"**Disability**" shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Employee participates. In the absence of any such plan, "**Disability**" shall mean any physical or mental impairment that renders Employee unable to perform the essential functions of his job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation's request, Employee shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Employee for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Employee's examination to the Corporation.

Upon the vesting of any Shares, Employee shall be entitled to receive replacement stock certificate(s) evidencing such vested Shares and such certificate(s) shall not contain the legend set forth in **Section 2(b)**.

Section 4. Forfeiture. If, prior to vesting of any Shares, the employment of Employee with the Corporation or its Subsidiaries is terminated by Employee for any reason or by the Corporation for Cause, then all of the Shares that are not vested under **Section 3** as of the date of termination shall be forfeited to the Corporation (such event being referred to herein as a "**Forfeiture Event**"). Upon the occurrence of a Forfeiture Event, Employee shall return for cancellation all stock certificates representing unvested Shares, and irrespective of whether such stock certificates are so returned and cancelled, all unvested Shares shall automatically, without further action, be cancelled and shall no longer be issued and outstanding.

Section 5. Taxes and Related Matters.

(a) If Employee properly elects, within 30 days of the date on which he acquires the Shares, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the date of issuance) of the Shares granted pursuant to this Agreement, Employee shall pay to the Corporation, in the year of this Agreement, all federal, state and local income, social security and payroll taxes required to be withheld with respect to the grant of the Shares. If Employee fails to make such tax payments as required, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the Shares.

(b) If Employee does not make the election described in subparagraph (a) of this section, he shall, on the date as to which the restrictions described in **Section 3** shall lapse as to any Shares, pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to such vested Shares. Subject to the approval of the Committee, Employee may elect to satisfy this obligation by having the Corporation withhold a number of Shares that have vested having a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Employee fails to make such payments as required (in cash or by withholding Shares), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to such vested Shares.

(c) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Employee is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Employee that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Employee's "base amount," all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Employee from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 6. Miscellaneous.

(a) **Governing Law**. This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver**. This Agreement and the Shares issued hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as if set forth in full herein. Employee hereby acknowledges that he has received a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect**. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **No Right to Employment**. Nothing in this Agreement shall confer on Employee any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e) **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f) **Notices**. Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office, Attention: Compensation Committee, and any notice hereunder to Employee shall be addressed to Employee at his last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[Signature page is the next page.]

IN WITNESS WHEREOF, this Agreement has been duly executed on the 7th day of January, 2009.

CULP, INC.,
a North Carolina corporation

By: ______________________________
/s/ Kenneth R. Bowling
Title: Corporate Secretary

EMPLOYEE

____
/s/ Franklin N. Saxon

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (the "**Agreement**"), dated as of January 7, 2009, is between **CULP, INC.**, a North Carolina corporation (the "**Corporation**"), and **ROBERT G. CULP, IV** ("**Employee**").

Background Statement

The Corporation desires to grant to Employee shares of Restricted Stock pursuant to the Culp, Inc. 2007 Equity Incentive Plan (the "**Plan**"). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, **THEREFORE**, the parties hereby agree as follows:

Section 1. Grant of Restricted Stock. The Corporation hereby grants and issues to Employee 15,000 shares of Restricted Stock consisting of 15,000 shares of common stock, par value $0.05 per share, of the Corporation (the "**Shares**"). The Shares shall be fully paid, nonassessable and subject to the restrictions and limitations set forth herein.

Section 2. Restrictions. Prior to the vesting of the Shares pursuant to **Section 3** hereof:

(a) the Shares shall not be transferable and shall not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of; and

(b) the stock certificate(s) evidencing the Shares shall contain the following legend:

"The shares represented by this certificate are subject to the terms of a Restricted Stock Agreement, dated as of January 7, 2009, a copy of which is available at the principal office of the corporation."

Except as expressly stated herein, Employee shall have all rights as a shareholder with respect to the Shares, commencing as of the date of issuance thereof and continuing for so long as Employee remains the record owner of the Shares, including the right to receive dividends in cash or other property and other distributions or rights in respect of the Shares and to vote the Shares as the record owner thereof. For the avoidance of doubt, no cash dividends paid in respect of the Shares shall be deferred and reinvested in additional shares of Restricted Stock as permitted by the second sentence of Section 4.4 of the Plan.

Section 3. Vesting. The restrictions described in **Section 2** shall lapse and the Shares shall vest in Employee on the following dates:

(a) on May 1, 2012, to the extent of 5,000 Shares;

(b) on May 1, 2013, to the extent of 5,000 Shares;

(c) on May 1, 2014, to the extent of any and all unvested Shares as of such date; and

(d) at any time upon the occurrence of a Change of Control or if the employment of Employee is terminated by the Corporation without Cause or by reason of the death or Disability of Employee, to the extent of any and all unvested Shares as of such date.

For purposes of this Agreement, the following terms shall have the meanings indicated below:

"**Cause**" shall mean (i) the commission by Employee of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Employee of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self dealing); (iii) intentional, grossly negligent or unlawful misconduct by Employee that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

"**Change of Control**" shall have the meaning given to such term in the Plan. In addition, a "**Change of Control**" shall be deemed to have occurred upon the consummation of a sale of the Division by the Corporation to an unaffiliated third party.

"**Disability**" shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Employee participates. In the absence of any such plan, "**Disability**" shall mean any physical or mental impairment that renders Employee unable to perform the essential functions of his job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation's request, Employee shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Employee for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Employee's examination to the Corporation.

"**Division**" shall mean the Corporation's Mattress Fabrics division.

Upon the vesting of any Shares, Employee shall be entitled to receive replacement stock certificate(s) evidencing such vested Shares and such certificate(s) shall not contain the legend set forth in **Section 2(b)**.

Section 4. Forfeiture. If, prior to vesting of any Shares, the employment of Employee with the Corporation or its Subsidiaries is terminated by Employee for any reason or by the Corporation for Cause, then all of the Shares that are not vested under **Section 3** as of the date of termination shall be forfeited to the Corporation (such event being referred to herein as a "**Forfeiture Event**"). Upon the occurrence of a Forfeiture Event, Employee shall return for cancellation all stock certificates representing unvested Shares, and irrespective of whether such stock certificates are so returned and cancelled, all unvested Shares shall automatically, without further action, be cancelled and shall no longer be issued and outstanding.

Section 5. Taxes and Related Matters.

(a) If Employee properly elects, within 30 days of the date on which he acquires the Shares, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the date of issuance) of the Shares granted pursuant to this Agreement, Employee shall pay to the Corporation, in the year of this Agreement, all federal, state and local income, social security and payroll taxes required to be withheld with respect to the grant of the Shares. If Employee fails to make such tax payments as required, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the Shares.

(b) If Employee does not make the election described in subparagraph (a) of this section, he shall, on the date as to which the restrictions described in **Section 3** shall lapse as to any Shares, pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to such vested Shares. Subject to the approval of the Committee, Employee may elect to satisfy this obligation by having the Corporation withhold a number of Shares that have vested having a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Employee fails to make such payments as required (in cash or by withholding Shares), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to such vested Shares.

(c) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Employee is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Employee that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Employee's "base amount," all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Employee from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 6. Miscellaneous.

(a) **Governing Law**. This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver**. This Agreement and the Shares issued hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as if set forth in full herein. Employee hereby acknowledges that he has received a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect**. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **No Right to Employment**. Nothing in this Agreement shall confer on Employee any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e) **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f) **Notices**. Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office, Attention: Compensation Committee, and any notice hereunder to Employee shall be addressed to Employee at his last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[Signature page is the next page.]

IN WITNESS WHEREOF, this Agreement has been duly executed on the 7th day of January, 2009.

CULP, INC.,
a North Carolina corporation

By: ______________________
/s/ Kenneth R. Bowling
Title: Corporate Secretary

EMPLOYEE

____
/s/ Robert G. Culp, IV

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (the "**Agreement**"), dated as of January 7, 2009, is between **CULP, INC.**, a North Carolina corporation (the "**Corporation**"), and **KENNETH R. BOWLING** ("**Employee**").

Background Statement

The Corporation desires to grant to Employee shares of Restricted Stock pursuant to the Culp, Inc. 2007 Equity Incentive Plan (the "**Plan**"). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, **THEREFORE**, the parties hereby agree as follows:

Section 1. Grant of Restricted Stock. The Corporation hereby grants and issues to Employee 10,000 shares of Restricted Stock consisting of 10,000 shares of common stock, par value $0.05 per share, of the Corporation (the "**Shares**"). The Shares shall be fully paid, nonassessable and subject to the restrictions and limitations set forth herein.

Section 2. Restrictions. Prior to the vesting of the Shares pursuant to **Section 3** hereof:

(a) the Shares shall not be transferable and shall not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of; and

(b) the stock certificate(s) evidencing the Shares shall contain the following legend:

"The shares represented by this certificate are subject to the terms of a Restricted Stock Agreement, dated as of January 7, 2009, a copy of which is available at the principal office of the corporation."

Except as expressly stated herein, Employee shall have all rights as a shareholder with respect to the Shares, commencing as of the date of issuance thereof and continuing for so long as Employee remains the record owner of the Shares, including the right to receive dividends in cash or other property and other distributions or rights in respect of the Shares and to vote the Shares as the record owner thereof. For the avoidance of doubt, no cash dividends paid in respect of the Shares shall be deferred and reinvested in additional shares of Restricted Stock as permitted by the second sentence of Section 4.4 of the Plan.

Section 3. Vesting. The restrictions described in **Section 2** shall lapse and the Shares shall vest in Employee on the following dates:

(a) on May 1, 2012, to the extent of 3,333 Shares;

(b) on May 1, 2013, to the extent of 3,333 Shares;

(c) on May 1, 2014, to the extent of any and all unvested Shares as of such date; and

(d) at any time upon the occurrence of a Change of Control or if the employment of Employee is terminated by the Corporation without Cause or by reason of the death or Disability of Employee, to the extent of any and all unvested Shares as of such date.

For purposes of this Agreement, the following terms shall have the meanings indicated below:

"**Cause**" shall mean (i) the commission by Employee of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Employee of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self dealing); (iii) intentional, grossly negligent or unlawful misconduct by Employee that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

"**Change of Control**" shall have the meaning given to such term in the Plan.

"**Disability**" shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Employee participates. In the absence of any such plan, "**Disability**" shall mean any physical or mental impairment that renders Employee unable to perform the essential functions of his job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation's request, Employee shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Employee for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Employee's examination to the Corporation.

Upon the vesting of any Shares, Employee shall be entitled to receive replacement stock certificate(s) evidencing such vested Shares and such certificate(s) shall not contain the legend set forth in **Section 2(b)**.

Section 4. Forfeiture. If, prior to vesting of any Shares, the employment of Employee with the Corporation or its Subsidiaries is terminated by Employee for any reason or by the Corporation for Cause, then all of the Shares that are not vested under **Section 3** as of the date of termination shall be forfeited to the Corporation (such event being referred to herein as a "**Forfeiture Event**"). Upon the occurrence of a Forfeiture Event, Employee shall return for cancellation all stock certificates representing unvested Shares, and irrespective of whether such stock certificates are so returned and cancelled, all unvested Shares shall automatically, without further action, be cancelled and shall no longer be issued and outstanding.

Section 5. Taxes and Related Matters.

(a) If Employee properly elects, within 30 days of the date on which he acquires the Shares, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the date of issuance) of the Shares granted pursuant to this Agreement, Employee shall pay to the Corporation, in the year of this Agreement, all federal, state and local income, social security and payroll taxes required to be withheld with respect to the grant of the Shares. If Employee fails to make such tax payments as required, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the Shares.

(b) If Employee does not make the election described in subparagraph (a) of this section, he shall, on the date as to which the restrictions described in **Section 3** shall lapse as to any Shares, pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to such vested Shares. Subject to the approval of the Committee, Employee may elect to satisfy this obligation by having the Corporation withhold a number of Shares that have vested having a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Employee fails to make such payments as required (in cash or by withholding Shares), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to such vested Shares.

(c) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Employee is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Employee that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Employee's "base amount," all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Employee from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 6. Miscellaneous.

(a) **Governing Law**. This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver**. This Agreement and the Shares issued hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as if set forth in full herein. Employee hereby acknowledges that he has received a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect**. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **No Right to Employment**. Nothing in this Agreement shall confer on Employee any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e) **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f) **Notices**. Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office, Attention: Compensation Committee, and any notice hereunder to Employee shall be addressed to Employee at his last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[Signature page is the next page.]

IN WITNESS WHEREOF, this Agreement has been duly executed on the 7th day of January, 2009.

CULP, INC.,
a North Carolina corporation

By: ______________________________
Name: /s/ Franklin N. Saxon
Title: Chief Executive Officer

EMPLOYEE

____
/s/ Kenneth R. Bowling

EXHIBIT 10.9

FORM OF
STOCK OPTION AGREEMENT
(Culp, Inc. 2007 Equity Incentive Plan)

THIS STOCK OPTION AGREEMENT (the "Agreement"), made effective as of the ___ day of ___________, ______ (the "Grant Date"), is by and between Culp, Inc., a North Carolina corporation (the "Corporation"), and __________________ (the "Holder").

WHEREAS, the Corporation has adopted the Culp, Inc. 2007 Equity Incentive Plan (the "Plan") to give Eligible Individuals the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive to provide or continue their Service; and

WHEREAS, the Corporation has awarded to the Holder an Option under the Plan, which Award shall be evidenced by this Agreement and effective as of the Grant Date (even though this Agreement may be physically executed and delivered after the Grant Date);

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Option. Pursuant to the Plan, the Corporation hereby grants to the Holder an Option to purchase all or any part of an aggregate of _ shares of Common Stock (the "Option Shares"), subject to, and in accordance with, the terms and conditions set forth in this Agreement and the Plan. The Option and this Agreement are subject to all of the terms and conditions of the Plan, which terms and conditions hereby are incorporated by reference. Except as otherwise expressly set forth herein, capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Status of Option. The Option is intended to be [select one]:

   o an Incentive Stock Option.

   o a Non-Qualified Stock Option.

3. Exercise Price. The price at which the Holder shall be entitled to purchase Option Shares upon the exercise of the Option shall be $____ per share.

4. Term of Option. Subject to the terms of the Plan and this Agreement, the Option shall be exercisable at any time prior to the tenth anniversary of the Grant Date (the "Expiration Date"). To the extent not exercised before the Expiration Date, this Option shall automatically expire unexercised.

5. Vesting and Exercisability of Option. Subject to the terms of the Plan, the Option shall vest and become exercisable [select one]:

o with respect to:

(a) twenty percent (20%) of the Option Shares beginning on the first anniversary of the Grant Date;

(b) an additional twenty percent (20%) of the Option Shares beginning on the second anniversary of the Grant Date;

(c) an additional twenty percent (20%) of the Option Shares beginning on the third anniversary of the Grant Date;

(d) an additional twenty percent (20%) of the Option Shares beginning on the fourth anniversary of the Grant Date; and

(e) the remaining twenty percent (20%) of the Option Shares beginning on the fifth anniversary of the Grant Date.

Notwithstanding the foregoing, subject to the provisions of the Plan and the discretion of the Committee, no portion of the Option shall become exercisable following the termination of the Holder's Service.

o other (specify):
____
____
____

6. Acceleration of Vesting. (select one)

o The Option shall not accelerate automatically upon the occurrence of a Change of Control or the occurrence of any other events, provided that nothing herein shall affect the authority of the Committee to accelerate the time after which the Option shall be exercisable.

o other (specify):

---

7. Termination of Service. Subject to the terms of the Plan and the discretion of the Committee, the Option shall, upon termination of the Holder's Service, terminate and cease to be outstanding with respect to any and all Option Shares for which the Option is not otherwise exercisable as of the date of termination of the Holder's Service (the "Termination Date"). Subject to the terms of this Agreement, the Option may be exercised following the termination of the Holder's Service only to the extent that the Option was exercisable as of the Termination Date. Upon the expiration of the applicable exercise period as set forth below or (if earlier) upon expiration of the term, the Option shall terminate and cease to be outstanding.

In the Holder's Service is terminated, the Option shall continue to be exercisable (to the extent the Holder could have exercised the Option as of the Termination Date) until [select one]:

o thirty (30) days after the Termination Date, unless the Holder's Service is terminated due to the Holder's:

(i) death, in which case the Holder's legatee(s) under the Holder's last will or the Holder's personal representative or representatives may exercise all or part of the previously unexercised portion of the Option at any time within one year, but not beyond the expiration of its term, after the Holder's death; or

(ii) total and permanent disability (as defined in Section 22(e)(3) of the Code), in which case the Holder or the Holder's personal representative may exercise the previously unexercised portion of the Option at any time within one year, but not beyond the expiration of its term, after the Termination Date.

o other (specify):

---

8. Exercise of Option. The Holder may exercise all or a portion of the Option by giving written notice to the Corporation of exercise, and specifying the number of Option Shares with respect to which the Option is being exercised. Such notice shall be delivered to the Secretary of the Corporation and shall be effective as of the later of the date of its receipt by the Secretary of the Corporation and the date on which the Holder has complied with the provisions of the Plan (including, without limitation, payment of the exercise price) with respect thereto.

9. Non-Transferability of Option. The Option shall not be transferable by the Holder except to the extent permitted under the Plan.

10. No Rights as a Shareholder. The Holder shall not have any rights or privileges of a shareholder with respect to any Option Shares by virtue of the Option until the date of issuance by the Corporation of a certificate for such shares pursuant to the exercise of the Option.

---

11. Holder Bound by the Plan. The Holder hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. A determination of the Committee as to any questions which may arise with respect to the interpretation of the provisions of this Agreement and of the Plan shall be final. The Committee may authorize, establish and revise such rules and regulations with respect to the operation of the Plan not inconsistent with the provisions of the Plan, as it may deem advisable.

12. Modification of Agreement. Subject to the provisions of the Plan, this Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto.

13. Severability. Each provision of this Agreement is intended to be severable. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

14. Governing Law; Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina, without regard to the principles of conflicts of law, except to the extent governed by federal law. Each party hereby irrevocably submits to the jurisdiction of the state and federal courts sitting in Guilford County, State of North Carolina, for the adjudication of any dispute hereunder.

15. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Holder's legal representatives. All obligations imposed upon the Holder and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Holder's heirs, executors, administrators and successors.

[signatures are on the next page]

IN WITNESS WHEREOF, this Agreement has been executed by the Corporation and the Holder effective as of the date and year first written above.

CULP, INC.

By: ____
Name: _____________________
Title: _____________________

EMPLOYEE

By: ____
Name: _____________________
Title: _____________________

EXHIBIT 10.10

FORM OF
RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (the **"Agreement"**), dated as of ________________, is between **CULP, INC.**, a North Carolina corporation (the **"Corporation"**), and **_____________________** ("**Employee**").

Background Statement

The Corporation desires to grant to Employee Restricted Stock Units (the **"Units"**) pursuant to the Culp, Inc. 2007 Equity Incentive Plan (the **"Plan"**). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, **THEREFORE**, the parties hereby agree as follows:

Section 1. Grant of Units. The Corporation hereby grants to Employee _________ Units. Each Unit shall entitle Employee to receive, upon vesting thereof in accordance with this Agreement and the Plan, one (1) share of common stock, par value $0.05 per share, of the Corporation (**"Common Stock"**). Except as permitted by the Plan, the Units may not be assigned, pledged, hypothecated or transferred in any manner. Employee shall not have, with respect to any Units, any rights of a shareholder of the Corporation, including without limitation any right to vote as a shareholder of the Corporation or any right to receive distributions from the Corporation in respect of the Units.

Section 2. Vesting. Except as may otherwise be provided in the Plan or this Agreement, the Units shall vest as set forth in the table below if the Division shall achieve the following Return on Capital performance targets:

Performance Level	Return on Capital Targets	Number of Units to Vest
Tier 1 Level	≥ ____% but < ____%	_______ Units
Tier 2 Level	≥ ____% but < ____%	_______ Units
Tier 3 Level	≥ ____%	_______ Units

For purposes of this Agreement, vesting of Units in respect of a Performance Period shall be determined in accordance with the following guidelines:

(a) No more than _______ Units (or _______ Units, as applicable) shall vest in respect of any one Performance Period.

(b) A Performance Period that would result in the vesting of Units (but for this clause (b)) may not overlap with another Performance Period that resulted in the vesting of any Units.

(c) There may be only one (1) Tier 1 Performance Period that results in the vesting of Units (a "**Tier 1 Vesting Period**"). Following the occurrence of a Tier 1 Vesting Period, no Units shall vest in respect of any subsequent Tier 1 Performance Period(s).

(d) There may be only one (1) Tier 2 Performance Period that results in the vesting of Units (a "**Tier 2 Vesting Period**"). Following the occurrence of a Tier 2 Vesting Period, no Units shall vest in respect of any subsequent Tier 2 Performance Period(s); provided, however, that if there has been no Tier 1 Vesting Period prior to the second Tier 2 Performance Period, then _______ Units shall vest in respect of the second Tier 2 Performance Period, and no Units shall vest in respect of any subsequent Tier 1 Performance Period or Tier 2 Performance Period.

(e) There may be only one (1) Tier 3 Performance Period that results in the vesting of Units (a "**Tier 3 Vesting Period**"). Following the occurrence of a Tier 3 Vesting Period, no Units shall vest in respect of any subsequent Tier 3 Performance Period(s); provided, however, that if there has been no Tier 1 Vesting Period or Tier 2 Vesting Period prior to the second Tier 3 Performance Period (the "**Second Tier 3 Period**"), then (i) _______ Units shall vest in respect of the Second Tier 3 Period and (ii) _______ Units shall vest upon the next Performance Period occurring after the Second Tier 3 Period in which Return on Capital for the Division is at the Tier 1 Level, Tier 2 Level or Tier 3 Level (after which all Units shall be vested in full).

Notwithstanding the foregoing, all unvested Units shall immediately vest upon (a) the occurrence of a Change of Control or (b) the termination by the Corporation of the employment of Employee without Cause or by reason of the death or Disability of Employee.

Section 3. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

"Cause" shall mean (i) the commission by Employee of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Employee of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self dealing); (iii) intentional, grossly negligent or unlawful misconduct by Employee that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

“Change of Control” shall have the meaning given to such term in the Plan. In addition, a “**Change of Control**” shall be deemed to have occurred upon consummation of a sale of the Division by the Corporation to an unaffiliated third party.

“Disability” shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Employee participates. In the absence of any such plan, **“Disability”** shall mean any physical or mental impairment that renders Employee unable to perform the essential functions of his job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation’s request, Employee shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Employee for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Employee’s examination to the Corporation.

“Division” shall mean the Corporation’s __________________ division.

“Performance Period” shall mean any period of two (2) consecutive fiscal quarters in the period commencing with the fourth fiscal quarter in the Corporation’s 2008-2009 fiscal year and ending as of the end of the Corporation’s 2011-2012 fiscal year.

“Return on Capital” for the Division shall be the same amount as determined by the Corporation for purposes of its annual cash incentive bonus plan.

“Tier 1 Performance Period” shall mean a Performance Period in which Return on Capital is at the Tier 1 Level.

“Tier 2 Performance Period” shall mean a Performance Period in which Return on Capital is at the Tier 2 Level.

“Tier 3 Performance Period” shall mean a Performance Period in which Return on Capital is at the Tier 3 Level.

Section 4. Settlement. As soon as reasonably practicable following a determination by the Corporation that all or part of the Units have vested pursuant to the terms of this Agreement, the Corporation shall issue to Employee shares of Common Stock with respect to all such Units that have vested. Such shares of Common Stock shall not be treated as issued and outstanding until such shares have been issued by the Corporation in accordance with all applicable laws and the Corporation’s bylaws and articles of incorporation. Any certificate(s) evidencing shares of Common Stock shall bear such legends as the Corporation shall determine to be necessary to comply with all laws, including all applicable federal and state securities laws. All such shares of Common Stock issued pursuant to this Agreement shall be fully paid and nonassessable.

Section 5. Forfeiture. All Units that do not vest pursuant to **Section 2** shall automatically be cancelled and forfeited by Employee effective as of the earlier to occur of (a) the first day of the Corporation's 2012-2013 fiscal year (to the extent that Return on Capital for the Division during any Performance Period is not sufficient to cause such Units to vest pursuant to the terms of this Agreement), (b) the termination by Employee of his employment with the Corporation or its Subsidiaries for any reason or (c) the termination by the Corporation of Employee's employment with the Corporation or its Subsidiaries for Cause (each such event being referred to herein as a "**Forfeiture Event**"). Upon the occurrence of a Forfeiture Event, all unvested Units shall automatically, without further action by the Corporation or Employee, be cancelled and forfeited.

Section 6. Tax Matters.

(a) Employee shall promptly pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of any Units and the issuance of shares of Common Stock in respect thereof. Subject to the approval of the Committee, Employee may elect to satisfy this obligation by having the Corporation withhold shares of Common Stock that would otherwise be issued to Employee with respect to any Units that have vested, which shares of Common Stock shall have a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Employee fails to make such payments as required (whether in cash or having shares of Common Stock withheld), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Employee all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of Units and the issuance of shares of Common Stock in respect thereof.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Employee is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Employee that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Employee's "base amount," all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Employee from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 7. Miscellaneous.

(a) **Governing Law**. This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver**. This Agreement and the Units granted hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as though set forth in full herein. Employee hereby acknowledges receipt of a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect**. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **No Right to Employment**. Nothing in this Agreement shall confer on Employee any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e) **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f) **Notices**. Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office, Attention: Compensation Committee, and any notice hereunder to Employee shall be addressed to Employee at his last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[Signature page is the next page.]

IN WITNESS WHEREOF, this Agreement has been duly executed on the __ day of ___________, 20__.

CULP, INC.,
a North Carolina corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

EMPLOYEE

____

____

Exhibit 31.1

CERTIFICATIONS

I, Franklin N. Saxon, certify that:

1. I have reviewed this Form 10-Q of Culp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Franklin N. Saxon
Franklin N. Saxon
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 13, 2009

Exhibit 31.2

CERTIFICATIONS

I, Kenneth R. Bowling, certify that:

1. I have reviewed this Form 10-Q of Culp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth R. Bowling
Kenneth R. Bowling
Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 13, 2009

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Culp, Inc. (the “Company”) on Form 10-Q for the period ended February 1, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Franklin N. Saxon, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Franklin N. Saxon
Franklin N. Saxon
President and Chief Executive Officer

March 13, 2009

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Culp, Inc. and will be retained by Culp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Culp, Inc. (the "Company") on Form 10-Q for the period ended February 1, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth R. Bowling, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Kenneth R. Bowling
Kenneth R. Bowling
Vice President and Chief Financial Officer

March 13, 2009

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Culp, Inc. and will be retained by Culp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.