

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

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

For the period ended April 28, 1996

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA 56-1001967
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or other organization)

101 S. Main St., High Point, North Carolina 27261-2686
(Address of principal executive offices) (zip code)

(910) 889-5161
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value \$.05/Share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for at least the past 90 days. YES X NO

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

As of July 11, 1996, 11,302,613 shares of common stock were outstanding. The aggregate market value of the voting stock held by non-affiliates of the registrant on that date was \$95,546,810 based on the closing sales price of such stock as quoted through the National Association of Securities Dealers, Inc. Automated Quotation System (NASDAQ), assuming, for purposes of this report, that all executive officers and directors of the registrant are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Part II

Portions of the company's Annual Report to Shareholders for the fiscal year ended April 28, 1996 are incorporated by reference into Items 5, 6, 7 and 8.

Part III

The company's Proxy Statement dated July 19, 1996 in connection with its Annual Meeting of Shareholders to be held on September 17, 1996 is incorporated by reference into Items 10, 11, 12 and 13.

Exhibits listed beginning on page 23

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PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT

THE COMPANY. Culp, Inc. (the company) manufactures and markets upholstery fabrics and mattress tickings primarily for use in the furniture, bedding and institutional furnishings (contract) industries. The company's products are marketed throughout the United States by its own sales staff and internationally by a combination of a small internal sales staff and a network of outside sales agents. The company ships directly to customers from its manufacturing facilities. In addition, under its National Warehouse Program, the company inventories popular patterns of its fabrics in its regional distribution facilities for immediate delivery to customers. The company's executive offices are located in High Point, North Carolina, and its ten (10) manufacturing facilities are located in, or near, Burlington and Stokesdale, North Carolina, Anderson and Pageland, South Carolina, West Hazleton, Pennsylvania, Rossville, Georgia and St. Jerome, Canada. The company was organized as a North Carolina corporation in 1972.

CAPITAL EXPENDITURES. During the year ended April 28, 1996, the company spent approximately \$14.4 million in capital expenditures. These included planned expenditures of approximately \$8.5 million relating to continued expansion of vertical integration and yarn manufacturing, expansion of weaving capacity, and additional hardware purchases in connection with upgrading the company's information systems. The acquisition of Rayonese Textile Inc. (completed in March of 1995) included a plan for \$6 million of additional capital expenditures to substantially increase jacquard weaving capacity at the Rayonese plant, of which \$2.5 million was incurred in fiscal 1996. Additionally, during fiscal 1996, the company increased its capital spending plans by \$3.4 million from the planned amount of \$11.0 million in order to accelerate two projects previously scheduled for fiscal 1997. These projects involve expanding the company's production capacity for its jacquard and wet prints product lines. The company's capital expenditure budget for fiscal 1997 is approximately \$16.5 million. Capital expenditures are being funded by internally generated funds and bank borrowings.

INDUSTRY SEGMENT

The company operates in one segment and is principally involved in the designing, manufacturing and marketing of upholstery fabrics and mattress ticking used in the home and commercial furnishings (contract) industry on a world-wide basis.

PRODUCTS

The company's products include principally upholstery fabrics and mattress ticking. The company is expanding its production of home textile fabrics, including fabrics used in comforters and bedspreads, but these products did not constitute a material part of the company's business in fiscal 1996.

UPHOLSTERY FABRICS. The company derives the majority of its revenues from the sale of upholstery fabrics primarily to the residential and commercial (contract) furniture markets. Sales of upholstery fabrics were 81% of sales in fiscal 1996, 83% in 1995 and 84% in 1994. The company has emphasized fabrics and patterns that have broad appeal at promotional to medium prices, generally ranging from \$2.25 per yard to \$7.00 per yard.

Principal types of upholstery fabrics sold include flat wovens (both jacquard and dobby constructions) velvets (woven, tufted and flocks), and prints (jacquards and dobby overprints).

MATTRESS TICKING. The company manufactures mattress ticking (fabric used for covering mattresses and box springs) for sale to bedding manufacturers. Sales of mattress ticking constituted 19% of sales in fiscal 1996, 17% in 1995 and 16% in 1994.

MANUFACTURING

GENERAL. The company manufactures substantially all of the products it sells. Manufactured fabrics constituted approximately 99% of sales in fiscal 1996, 1995 and 1994.

CULP WEAVING. The Culp Weaving operation has two manufacturing plants. Its largest facility, located in Graham, North Carolina, houses upholstery jacquard weaving looms, ticking jacquard weaving looms, a package dye house and yarn preparation equipment. The second Culp Weaving plant, located in Pageland, South Carolina, manufactures flat woven dobby fabrics.

UPHOLSTERY PRINTS. The Upholstery Prints plant, near Burlington, North Carolina, uses a heat-transfer printing process to print primarily flocked upholstery fabrics and to print paper for heat-transfer upholstery fabrics and mattress ticking. This plant also uses a wet printing process for velvet fabrics. In addition, Upholstery Prints produces tufted velvets and operates finishing ranges for back-coating and print preparation of fabric and several surface-finishing lines for its tufted velvet fabrics. The plant also houses a distribution facility which distributes upholstery fabrics to "direct ship" customers and to the company's regional distribution facilities for fabrics from the Upholstery Prints and Culp Woven Velvets facilities.

CULP FINISHING. The Culp Finishing plant, located in Burlington, North Carolina, contains finishing ranges for finishing woven upholstery fabrics. The plant also houses significant distribution facilities, which handle distribution of upholstery fabrics to "direct-ship" customers and to the company's regional distribution facilities for the Culp Weaving facilities.

CULP WOVEN VELVETS. The Culp Woven Velvets plant, in Anderson, South Carolina, contains weaving machines for the production of woven velvets. In addition, the plant houses yarn preparation equipment, a finishing range and surface finishing equipment.

CULP TICKING. The Culp Ticking plant, in Stokesdale, North Carolina, produces mattress ticking. It utilizes both pigment and heat-transfer printing methods to print ticking material. The plant contains a rotary screen print operation, heat-transfer equipment and a finishing range. In addition, the plant houses finished goods for distribution of mattress ticking.

ROSSVILLE. The Rossville plant, located in Rossville, Georgia, is part of the Rossville/Chromatex business unit, which was acquired by the company in November 1993. This facility contains yarn preparation equipment, dobby looms, and finishing equipment, all of which are used to produce flat woven dobby fabric. This plant also contains its own distribution and shipping facilities.

CHROMATEX. The Chromatex plant is located in West Hazleton, Pennsylvania, and it comprises the remainder of the Rossville/Chromatex business unit. This plant produces jacquard upholstery fabrics, and it contains all of the yarn preparation equipment, looms, finishing equipment and distribution facilities used by the Rossville/Chromatex business unit for woven jacquard fabrics.

RAYONESE. The Rayonese plant is owned by the company's subsidiary, Rayonese Textile Inc., and is located in St. Jerome, Canada. Rayonese was acquired by the company in March 1995. This plant produces comforter fabrics, upholstery fabrics and mattress ticking and also contains yarn spinning equipment. The plant also contains its own distribution facilities.

PRODUCT DESIGN AND STYLING

The company has a staff of designers that specializes in development of new patterns for upholstery fabrics and mattress tickings. The company also purchases some fabric designs from independent artists. The company believes styling and design are key elements to its success and has increased significantly the number of people and other resources dedicated to this area in recent years. The company's design staff works closely with marketing personnel to identify and respond to market trends.

SALES AND DISTRIBUTION

UPHOLSTERY FABRICS. The company markets upholstery fabrics in the United States through two primary methods: (i) a "direct-ship" operation from its fabric-manufacturing facilities and (ii) a National Warehouse Program whereby inventory is stocked in regional distribution facilities located in High Point, North Carolina, Tupelo, Mississippi and Los Angeles, California. The "direct-ship" program permits customers to arrange for direct shipments from the company's manufacturing facilities. This method generally permits lower pricing, but requires longer delivery times than the National Warehouse Program, which is dependent upon maintenance of current pattern inventories. The company closely monitors current demand in each distribution territory and believes it is therefore able to respond quickly to the needs of customers. The company receives higher prices for products sold through its National Warehouse Program to compensate it for the cost of maintaining inventories and local distribution facilities. In addition, the company markets contract upholstery fabric lines. A small sales staff is responsible for sales and marketing of products for the company's "direct ship" program.

RAYONESE. Rayonese has its own sales staff and distribution facilities (both upholstery and ticking).

MATTRESS TICKING. The company distributes mattress ticking from its facility in Stokesdale, North Carolina, and from the company's Los Angeles, California warehouse.

INTERNATIONAL SALES. In addition to its U. S. operations, the company sells and distributes upholstery fabrics and mattress ticking in many countries abroad. International sales are handled both by the company's internal sales staff and independent sales agents. The largest volume of international sales during fiscal 1996 was to North America. In the year ended April 28, 1996, international sales outside of the U.S., including sales to exporters, totaled \$77,397,000, or approximately 22% of the company's net sales. International sales were \$57,971,000, or approximately 19% of net sales, in fiscal 1995 and \$44,038,000, or approximately 18% of net sales, in fiscal 1994.

Additional information relating to international sales may be found in note 14 of the company's consolidated financial statements, included in the Annual Report to Shareholders.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The company purchases various types of primarily man-made yarns, greige goods and fibers for the manufacture of upholstery fabrics and mattress ticking. Future price levels of raw materials will depend upon supply and demand conditions and general inflation. Generally, the company has not had significant difficulty in obtaining raw materials.

PATENTS, TRADEMARKS, AND LICENSES

The company believes that its patents, trademarks and licenses are not material to its business.

CUSTOMERS

The company is not dependent upon a single customer or a group of customers, the loss of which would have a materially adverse effect upon the business of the company. No single customer accounted for more than 10% of the company's net sales in fiscal 1996. The company sells upholstery fabrics primarily to domestic upholstered furniture manufacturers, institutional furnishings manufacturers and foreign distributors and manufacturers of upholstered furniture. The company markets its mattress ticking principally to bedding manufacturers. The company's domestic customers are distributed throughout the nation; however, its greatest sales are in areas where there is a heavy concentration of furniture manufacturing.

BACKLOG

Because a large portion of the company's customers have an opportunity to cancel orders, it is difficult to predict the amount of the backlog that is "firm." Many customers may cancel orders before goods are placed into production, and some may cancel at a later time. In addition, the company markets a significant portion of its sales through its National Warehouse Program from in-stock order positions. On April 28, 1996, the portion of the backlog with confirmed shipping dates prior to June 3, 1996 was \$34,467,000.

COMPETITION

The upholstery fabrics market is highly fragmented and competitive and no one firm dominates the United States market. The company believes its principal upholstery fabrics competitors are the Burlington House Fabrics division of Burlington Industries, Inc., Joan Fabrics Corporation, Malden Mills, Inc., the Mastercraft Division of Collins & Aikman Company, Microfibers, Inc., and Quaker Fabric Corporation.

The mattress ticking market is concentrated in a few relatively large suppliers. The company believes its principal mattress ticking competitors are Blumenthal Print Works, Inc., Burlington Industries, Inc., and Tietex, Inc.

Competition for the company's products is based primarily on design, quality, timing of delivery, service, and price. Some of the company's competitors have greater resources than the company. Although U.S. statistics for the upholstery fabric and mattress ticking markets are not generally available, the company believes it is the largest supplier of upholstery fabrics to the furniture trade and one of the three largest suppliers of mattress ticking to the bedding trade. To date, the company has experienced no significant competition from imports.

RESEARCH AND DEVELOPMENT

The company's only material research and development is done in the product design and styling area previously described in this report under the subheading "Product Design and Styling".

GOVERNMENTAL REGULATIONS

The company is subject to various federal and state laws and regulations, including the Occupational Safety and Health Act and federal and state environmental laws. Rayonese is subject to similar laws and regulations in Canada. The company is not aware of any material violation of such laws and regulations. Continued compliance is not expected to have a material effect upon capital expenditures, earnings or the competitive position of the company.

EMPLOYEES

At April 28, 1996 the company had 2,966 employees. A small portion (approximately 15%) of the company's work force is represented by a union. This includes all of the hourly employees at the Chromatex facility and all of the hourly employees at the Rayonese facility. The company is not aware of any attempt to organize any more of its employees and believes its employee relations are good.

FOREIGN AND DOMESTIC OPERATIONS AND INTERNATIONAL SALES

Information concerning the company's U.S. operations and international sales is included in this report under the subheading "Sales and Distribution".

Rayonese Textile Inc., which was acquired in March 1995, is located in St. Jerome, Canada, and constitutes the company's only operation outside of the U.S. During fiscal 1996, Rayonese had revenues of approximately \$12,256,000, of which \$4,548,000 were intercompany shipments. This compares to the 56 days that the company owned Rayonese during fiscal 1995, for which Rayonese had revenues of approximately \$2,272,000, of which \$894,000 were intercompany shipments.

SEASONALITY

The company's business is only slightly seasonal, with increased sales during the second and fourth quarters of each year. This seasonality results primarily from one-week closings of the company's manufacturing facilities, and the facilities of most of its customers, during the first and third quarters for the July 4th and Christmas holiday weeks.

INFLATION

The extent to which the company has been affected by inflation is discussed in Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations under the caption "Inflation."

ITEM 2. PROPERTIES

As of April 28, 1996, the company operated in ten (10) manufacturing facilities, three (3) additional distribution facilities and a corporate headquarters. One (1) of the manufacturing facilities, two (2) of the distribution facilities and the corporate headquarters are leased from entities related to the company or its shareholders and directors. The related party leases are described in Item 13 of this report.

Following is a summary of the company's principal administrative, manufacturing and distribution facilities as of April 28, 1996.

Location	Principal Use	Total Area (Sq. Ft.)	Expiration Date (1)
High Point, NC (2)	Corporate headquarters	33,440	2015
High Point, NC (2)	Distribution	65,000	2003
Los Angeles, CA(4)	Distribution	45,000	2002
Tupelo, MS (2)	Distribution	35,000	2002
Burlington, NC (2)	Manufacturing	242,000	2009
Anderson, SC (3)	Manufacturing	99,000	N/A
Burlington, NC (3)	Manufacturing and distribution	302,000	N/A
Graham, NC (3)	Manufacturing	341,000	N/A
Stokesdale, NC (3)	Manufacturing and distribution	140,000	N/A
Pageland, SC (3)	Manufacturing	96,000	N/A
Rossville, GA (4)	Manufacturing and distribution	396,000	2001
W. Hazleton, PA (4)	Manufacturing and distribution	100,000	2013
W. Hazleton, PA (4)	Manufacturing	110,000	2008
St. Jerome, Canada (3)	Manufacturing and distribution	202,000	N/A

- (1) Includes all options to renew
- (2) Leased from related party
- (3) Owned by the company
- (4) Leased from unrelated party

The company also leases showrooms in Tupelo, Mississippi and High Point, North Carolina.

The company believes its manufacturing and distribution facilities, and its equipment, are generally in excellent condition, suitable and adequate for its current operations. The company's productive capacity has expanded to meet growing needs.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings to which the company, or its subsidiaries, is a party or of which any of their property is the subject that are required to be disclosed under this item.

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

There were no matters submitted to a vote of shareholders during the fourth quarter ended April 28, 1996.

PART II

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

Information with respect to the market for the company's common stock and related shareholder matters is included in the company's Annual Report to Shareholders for the year ended April 28, 1996, in the Consolidated Statements of Shareholders' Equity (dividend information), in the Selected Quarterly Data under the caption "Stock Data," in the Selected Annual Data under the caption "Stock Data," and on the back cover page, in the Corporate Directory, under the caption "Stock Listing," which information is herein incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA

This information is included in the company's above referenced Annual Report to Shareholders, under the caption "Selected Annual Data," and is herein incorporated by reference.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations is included in the company's above referenced Annual Report to Shareholders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations", and is herein incorporated by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data are included in the company's above referenced Annual Report to Shareholders, and are herein incorporated by reference. Item 14 of this report contains specific page number references to the consolidated financial statements and supplementary data included in the Annual Report.

EXCEPT FOR SUCH PORTIONS OF THE COMPANY'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED APRIL 28, 1996 THAT ARE EXPRESSLY INCORPORATED BY REFERENCE INTO THIS REPORT, SUCH REPORT IS NOT TO BE DEEMED FILED AS PART OF THIS FILING.

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

During the two years ended April 28, 1996 and any subsequent interim periods, there were no changes of accountants and/or disagreements on any matters of accounting principles or practices or financial statement disclosures.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to executive officers and directors of the company is included in the company's definitive Proxy Statement to be filed on or about July 19, 1996 pursuant to Regulation 14A of the Securities and Exchange Commission, under the caption "Nominees, Directors and Executive Officers" and "Reports Of Securities Ownership", which information is herein incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is included in the company's definitive Proxy Statement to be filed on or about July 19, 1996 pursuant to Regulation 14A of the Securities and Exchange Commission, under the caption "Executive Compensation", which information is herein incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL
OWNERS AND MANAGEMENT

Information with respect to the security ownership of certain beneficial owners and management is included in the company's definitive Proxy Statement to be filed on or about July 19, 1996, pursuant to Regulation 14A of the Securities and Exchange Commission, under the caption "Voting Securities", which information is herein incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions is included in the company's definitive Proxy Statement to be filed on or about July 19, 1996, pursuant to Regulation 14A of the Securities and Exchange Commission, under the subcaption "Certain Relationships and Related Transactions", which information is herein incorporated by reference.

PART IV

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

a) Documents Filed as Part of this Report:

1. Consolidated Financial Statements

The following consolidated financial statements of Culp, Inc. from the company's Annual Report to Shareholders for the year ended April 28, 1996, are incorporated by reference into this report.

Item	Page of Annual Report to Shareholders [Exhibit 13(a)]
Balance sheets - April 28, 1996 and..... April 30, 1995	10
Statements of Income - for the years ended April 28, 1996, April 30, 1995 and May 1, 1994	11
Statements of Shareholders' Equity - for the years ended April 28, 1996, April 30, 1995 and May 1, 1994	12
Statements of Cash Flows - for the years ended April 28, 1996, April 30, 1995 and May 1, 1994	13
Notes to Financial Statements	14
Report of independent auditors for the years ended April 28, 1996, April 30, 1995 and May 1, 1994.....	21

2. Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable, or not

required, or because the required information is included in the consolidated financial statements or notes thereto.

With the exception of portions expressly incorporated by reference into this report in Items 5, 6, 7 and 8, the company's Annual Report to Shareholders for the year ended April 28, 1996 is not to be deemed filed as a part of this report.

3. Exhibits

The following exhibits are attached at the end of this report, or incorporated by reference herein. Management contracts, compensatory plans, and arrangements are marked with an asterisk (*).

(a) The following exhibits are filed as part of this report or incorporated by reference.

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 January 29, 1995, filed March 15, 1995, and are incorporated herein by reference.

3(ii) Restated and Amended Bylaws of the company, as amended, were filed as Exhibit 3(b) to the company's Form 10-K for the year ended April 28, 1991, filed July 25, 1991, and are incorporated herein by reference.

4(a) Form of Common Stock Certificate of the company was filed as Exhibit 4(a) to Amendment No. 1 to the company's registration statement No. 2-85174, filed on August 30, 1983, and is incorporated herein by reference.

10(a) Loan Agreement dated December 1, 1988 with Chesterfield County, South Carolina relating to Series 1988 Industrial Revenue Bonds in the principal amount of \$3,377,000 and related Letter of Credit and Reimbursement Agreement dated December 1, 1988 with First Union National Bank of North Carolina were filed as Exhibit 10(n) to the company's Form 10-K for the year ended April 29, 1989, and are incorporated herein by reference.

10(b) Loan Agreement dated November 1, 1988 with the Alamance County Industrial Facilities and Pollution Control Financing Authority relating to Series A and B Industrial Revenue Refunding Bonds in the principal amount of \$7,900,000, and related Letter of Credit and Reimbursement Agreement dated November 1, 1988 with First Union National Bank of North Carolina were filed as exhibit 10(o) to the company's Form 10-K

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for the year ended April 29, 1990, and are incorporated herein by reference.

10(c) Loan Agreement dated January, 1990 with the Guilford County Industrial Facilities and Pollution Control Financing Authority, North Carolina, relating to Series 1989 Industrial Revenue Bonds in the principal amount of \$4,500,000; and related Letter of Credit and Reimbursement Agreement dated January 5, 1990 with First Union National Bank of North Carolina was filed as Exhibit 10(d) to the company's Form 10-K for the year ended April 19, 1990, filed on July 15, 1990, and is incorporated herein by reference.

10(d) Loan Agreement dated as of December 1, 1993 between Anderson County, South Carolina and the company relating to \$6,580,000 Anderson County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993, and related Letter of Credit and Reimbursement Agreement dated as of December 1, 1993 by and between the company and First Union National Bank of North Carolina were filed as Exhibit 10(o) to the Company's Form 10-Q for the quarter ended January 30, 1994, filed March 16, 1994, and is incorporated herein by reference.

10(e) Severance Protection Agreement, dated September 21, 1989, was filed as Exhibit 10(f) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25 1990, and is incorporated herein by reference. (*)

10(f) Lease Agreement, dated January 19, 1990, with Phillips Interests, Inc. was filed as Exhibit 10(g) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference.

10(g) Management Incentive Plan of the company, dated August 1986 and amended July 1989, filed as Exhibit 10(o) to the company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference. (*)

10(h) Lease Agreement, dated September 6, 1988, with Partnership 74 was filed as Exhibit 10(h) to the company's Form 10-K for the year ended April 28, 1991, filed on July 25, 1990, and is incorporated herein by reference.

10(i) Amendment and Restatement of the Employees's Retirement Builder

Plan of the company dated May 1, 1981 with amendments dated January 1, 1990 and January 8, 1990 were filed as Exhibit 10(p) to the company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference. (*)

- 10(j) First Amendment of Lease Agreement dated July 27, 1992 with Partnership 74 Associates was filed as Exhibit 10(n) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(k) Second Amendment of Lease Agreement dated April 16, 1993, with Partnership 52 Associates was filed as Exhibit 10(1) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(l) 1993 Stock Option Plan was filed as Exhibit 10(o) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference. (*)
- 10(m) First Amendment to Loan Agreement dated as of December 1, 1993 by and between The Guilford County Industrial Facilities and Pollution Control Financing Authority and the company was filed as Exhibit 10(p) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(n) First Amendment to Loan Agreement dated as of December 16, 1993 by and between The Alamance County Industrial Facilities and Pollution Control Financing Authority and the company was filed as Exhibit 10(q) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(o) First Amendment to Loan Agreement dated as of December 16, 1993 by and between Chesterfield County, South Carolina and the company was filed as Exhibit 10(r) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(p) Amendment to Lease dated as of November 4, 1994, by and between the company and RDC, Inc. was filed as Exhibit 10(w) to the company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.
- 10(q) Amendment to Lease Agreement dated as of December 14, 1994, by and between the company and Rossville Investments, Inc. (formerly

known as A & E Leasing, Inc.) was filed as Exhibit 10(y) to the company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.

- 10(r) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina dated April 17, 1995, was filed as Exhibit 10(aa) to the company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference.
- 10(s) Performance-Based Stock Option Plan, dated June 21, 1994, was filed as Exhibit 10(bb) to the company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference. (*)
- 10(t) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina, dated May 31, 1995 was filed as exhibit 10(w) to the company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.
- 10(u) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina, dated July 7, 1995 was filed as exhibit 10(x) to the company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.
- 10(v) Second Amendment of Lease Agreement dated June 15, 1994 with Partnership 74 Associates was filed as Exhibit 10(v) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(w) Lease Agreement dated November 1, 1993 by and between the company and Chromatex, Inc. was filed as Exhibit 10(w) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(x) Lease Agreement dated November 1, 1993 by and between the company and Chromatex Properties, Inc. was filed as Exhibit 10(x) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

- 10(y) Amendment to Lease Agreement dated May 1, 1994 by and between the company and Chromatex Properties, Inc. was filed as Exhibit 10(y) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(z) Canada-Quebec Subsidiary Agreement on Industrial Development (1991), dated January 4, 1995, was filed as Exhibit 10(z) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(aa) Loan Agreement between Chesterfield County, South Carolina and the company dated as of April 1, 1996 relating to Tax Exempt Adjustable Mode Industrial Development Bonds (Culp, Inc. Project) Series 1996 in the aggregate principal amount of \$6,000,000.
- 10(bb) 1996 Amended and Restated Credit Agreement dated as of April 1, 1996 by and among the company, First Union National Bank of North Carolina and Wachovia Bank of North Carolina, N.A.
- 13(a) Copy of the company's 1996 Annual Report to Shareholders, for the year ended April 28, 1996, furnished for information only except with respect to those portions incorporated by reference into this report.
- 22 List of subsidiaries of the company.
- 24(a) Consent of Independent Public Auditors in connection with the registration statements of Culp, Inc. on Form S-8 (File Nos. 33-13310, 33-37027, 33-80206 and 33-62843), dated March 20, 1987, September 18, 1990, June 13, 1994, and September 21, 1995.
- 25(a) Power of Attorney of Andrew W. Adams, dated June 14, 1996
- 25(b) Power of Attorney of Judith C. Walker, dated June 16, 1996.
- 25(c) Power of Attorney of Howard L. Dunn, Jr., dated June 16, 1996.
- 25(d) Power of Attorney of Baxter P. Freeze, dated June 18, 1996.
- 25(e) Power of Attorney of Earl M. Honeycutt, dated June 16, 1996.
- 25(f) Power of Attorney of Patrick H. Norton, dated June 17, 1996.
- 25(g) Power of Attorney of Earl N. Phillips, Jr., dated June 17, 1996.

25(h) Power of Attorney of Bland W. Worley, dated June 18, 1996.

27 Financial Data Schedule

b) Reports on Form 8-K:

The company filed the following report on Form 8-K during the quarter ended April 28, 1996:

- (1) Form 8-K dated February 9, 1996, included under Item 5, Other Events, disclosure of the company's press release for quarterly earnings and Financial Information Release relating to financial information for the quarter ended January 28, 1996.

c) Exhibits:

The exhibits to this Form 10-K are filed at the end of this Form 10-K immediately preceded by an index. A list of the exhibits begins on page 23-under the subheading "Exhibits Index".

d) Financial Statement Schedules:

See Item 14(a)(2)

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, CULP, INC. has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 25th day of July, 1996.

CULP, INC.

By: /s/ Robert G. Culp, III
Robert G. Culp, III
(Chairman and Chief Executive Officer)

By: /s/ Franklin N. Saxon
Franklin N. Saxon
(Vice President and Chief
Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 25th day of July, 1996.

/s/ Robert G. Culp, III Robert G. Culp, III (Chairman of the Board of Directors)	/s/ Franklin N. Saxon Franklin N. Saxon (Director)
/s/ Earl N. Phillips, Jr.* Earl N. Phillips, Jr. (Director)	/s/ Judith C. Walker * Judith C. Walker (Director)
/s/ Howard L. Dunn, Jr.* Howard L. Dunn, Jr. (Director)	/s/ Baxter P. Freeze * Baxter P. Freeze (Director)
/s/ Andrew W. Adams* Andrew W. Adams (Director)	/s/ Patrick H. Norton* Patrick H. Norton (Director)
/s/ Earl M. Honeycutt* Earl M. Honeycutt (Director)	/s/ Bland W. Worley* Bland W. Worley (Director)

* By Franklin N. Saxon, Attorney-in-Fact, pursuant to Powers of Attorney filed with the Securities and Exchange Commission.

EXHIBITS INDEX

Exhibit No.	Exhibit
10(aa)	Loan Agreement between Chesterfield County, South Carolina and the company dated as of April 1, 1996 relating to Tax Exempt Adjustable Mode Industrial Development Bonds (Culp, Inc. Project) Series 1996 in the aggregate principal amount of \$6,000,000.
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27	Financial Data Schedule

LOAN AGREEMENT

between

CHESTERFIELD COUNTY, SOUTH CAROLINA

and

CULP, INC.

Dated as of April 1, 1996

Relating to
Tax-Exempt Adjustable Mode
Industrial Development Revenue Bonds
(Culp, Inc. Project)
Series 1996

in the aggregate principal amount of \$6,000,000

CERTAIN RIGHTS OF THE ISSUER UNDER THIS AGREEMENT HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF FIRST-CITIZENS BANK & TRUST COMPANY, AS TRUSTEE UNDER AN INDENTURE OF TRUST, DATED AS OF THE DATE FIRST ABOVE WRITTEN, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM THE TRUSTEE AT 2917 HIGHWOODS BOULEVARD, RALEIGH, NORTH CAROLINA 27604, ATTENTION: CORPORATE TRUST DEPARTMENT

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of April 1, 1996, is made and entered into by and between CHESTERFIELD COUNTY, SOUTH CAROLINA (the "Issuer"), a political subdivision duly organized and existing under the Constitution and laws of the State of South Carolina (the "State"), and CULP, INC. (the "Company"), a North Carolina corporation;

W I T N E S S E T H:

WHEREAS, the Issuer is a body corporate and politic and a political subdivision of the State and is authorized pursuant to the Title 4, Chapter 29 of the Code of Laws of South Carolina, as amended (the "Act"), to make loans to private persons for the acquisition, construction, and equipping of manufacturing facilities for industry in Chesterfield County, South Carolina and to issue its bonds from time to time for such purpose; and

WHEREAS, in order to further the purposes of the Act, the Issuer will issue and sell its Tax-Exempt Adjustable Mode Industrial Revenue Bonds (Culp, Inc. Project) Series 1996 in an aggregate principal amount of \$6,000,000 (the "Bonds"); and

WHEREAS, the proceeds from the sale of Bonds will be used to make a loan (the "Loan") to the Company to finance, or to reimburse to the Company, a portion of the cost of the acquisition and installation of equipment in an existing manufacturing facility in Chesterfield County owned by the Company (the "Project"); and

WHEREAS, the Issuer intends to issue the Bonds under an Indenture of Trust dated as of even date herewith between First-Citizens Bank & Trust Company (the "Trustee") and the Issuer (the "Indenture") and to assign to the Trustee as security for the Bonds certain of the Issuer's rights under this Agreement and the Company's Note of even date herewith, in the form attached hereto as Exhibit C; and

WHEREAS, the Issuer and the Company desire to set forth certain terms and conditions with respect to the issuance of the Bonds;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant, agree and bind themselves as follows;

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Definitions. In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Indenture shall have the same meanings when used herein as assigned in the Indenture unless the context or use clearly indicates another or different meaning or intent:

"Acquisition", when used with reference to the Project, means acquisition, construction, installation and equipping.

"Agreement" shall mean this Loan Agreement between the Issuer and the Company and any modifications, alterations and supplements hereto made in accordance with the provisions hereof and of the Indenture.

"Bond Documents" means, collectively, the Bonds, this Agreement, the Note, the Indenture, the Credit Facility, the Credit Agreement, the Placement Agreement, the Remarketing Agreement and the Offering Memorandum.

"Bond Proceeds" means the principal of the Bonds and any investment earnings thereon while on deposit in the Initial Fund.

"Company Representative" means any one of the persons at the time designated to act on behalf of the Company by written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such persons and signed on behalf of the Company by the President or any Vice President of the Company.

"Completion Date" means, with respect to the Project, the date on which the Company Representative delivers a completion certificate to the Trustee pursuant to Section 3.3.

"Cost(s) of the Project", "Cost" or "Costs" means all costs and allowances which the Issuer or the Company may properly pay or accrue for the Project and which, under generally accepted accounting principles, are chargeable to the capital account of the Project or could be so charged either with a proper election to capitalize such costs or, but for a proper election, to expense such costs, including (without limitation) the following costs:

(a) fees and expenses incurred in preparing the plans and specifications for the Project (including any preliminary study or planning or any aspect thereof); any labor, services, materials and supplies used or furnished in site improvement and construction; any equipment for the Project; and any acquisition necessary to provide utility services or other services, including trackage to provide the Project with public transportation

facilities, roadways, parking lots, water supply, sewage and waste disposal facilities; and all real and tangible personal property deemed necessary by the Company and acquired in connection with the Project;

(b) fees for architectural, engineering, supervisory and consulting services;

(c) any fees and expenses incurred in connection with perfecting and protecting title to the Project and any fees and expenses incurred in connection with preparing, recording or filing such documents, instruments or financing statements as either the Company or the Issuer may deem desirable to perfect or protect the rights of the Issuer or the Trustee under the Bond Documents;

(d) any legal, accounting or financing advisory fees and expenses, including, without limitation, fees and expenses of Bond Counsel and counsel to the Issuer, the Company, the Credit Issuer, the Placement Agent, the Remarketing Agent or the Trustee, any fees and expenses of the Issuer, Trustee, Remarketing Agent, Placement Agent, Credit Issuer, Tender Agent, Paying Agent or any rating agency, filing fees, and printing and engraving costs, incurred in connection with the authorization, issuance, sale and purchase of the Bonds, and the preparation of the Bond Documents and all other documents in connection with the authorization, issuance and sale of the Bonds;

(e) interest to accrue on the Bonds during construction of the Project;

(f) any administrative or other fees charged by the Issuer or reimbursement thereto of expenses in connection with the Project until the Completion Date; and

(g) any other costs and expenses relating to the Project which could constitute costs or expenses for which the Issuer may expend Bond proceeds under the Act.

"Eminent Domain" means the taking of title to, or the temporary use of, the Project or any part thereof pursuant to eminent domain or condemnation proceedings, or by any settlement or compromise of such proceedings, or any voluntary conveyance of the Project or any part thereof during the pendency of, or as a result of a threat of, such proceedings.

"Event of Default" shall have the meaning set forth in Section 10.1.

"Governing Body" means the board, commission, council or other body in which the general legislative powers of the Issuer are vested.

"Issuer Representative" means any one of the persons at the time designated to act on behalf of the Issuer by written

certificate furnished to the Company and the Trustee containing the specimen signatures of such persons and signed on behalf of the Issuer by the Chairman or Vice Chairman of the Chesterfield County Council.

"Net Proceeds", when used with respect to any proceeds of insurance or proceeds resulting from Eminent Domain, means the gross proceeds therefrom less all expenses (including attorneys' fees) incurred in realization thereof.

"Offering Memorandum" means the Preliminary Offering Memorandum and the final Offering Memorandum prepared and used in connection with the initial placement of the Bonds on the Issue Date.

"Plans and Specifications" shall mean the plans and specifications used in the Acquisition of the Project, as the same may be revised from time to time by the Company in accordance with Section 3.8.

"Project" means the project more fully described in Exhibit A hereto, as the same may at any time exist.

"Remarketing Agreement" means the Remarketing and Interest Services Agreement, dated as of April 1, 1996, between the Company and the Remarketing Agent.

"Tax Regulations" means the applicable treasury regulations promulgated under the Code or under Section 103 of the Internal Revenue Code of 1954, as amended, whether at the time proposed, temporary, final or otherwise.

Section 1.2. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Capitalized terms used but not defined in this Agreement shall have the meaning ascribed to them in the Indenture.

(b) Words importing the singular number shall include the plural number and vice versa.

(c) The table of contents, captions and headings herein are solely for convenience of reference only and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

(d) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

(e) All references in this Agreement to particular Articles or Sections are references to Articles and Sections of this Agreement, unless otherwise indicated.

ARTICLE II
REPRESENTATIONS

Section 2.1. Representations by the Issuer. The Issuer represents and warrants as follows:

(a) The Issuer is a duly constituted public body corporate and politic of the State.

(b) Under the provisions of the Act, the Issuer is authorized to execute and to enter into this Agreement and to undertake the transactions contemplated herein and to carry out its obligations hereunder.

(c) The Issuer has all requisite power, authority and legal right to execute and deliver the Bond Documents to which it is a party and all other instruments and documents to be executed and delivered by the Issuer pursuant thereto, to perform and observe the provisions thereof and to carry out the transactions contemplated by the Bond Documents. All corporate action on the part of the Issuer which is required for the execution, delivery, performance and observance by the Issuer of the Bond Documents has been duly authorized and effectively taken, and such execution, delivery, performance and observation by the Issuer do not contravene applicable law or any contractual restriction binding on or affecting the Issuer.

(d) The Issuer has duly approved the issuance of the Bonds and the loan of the proceeds thereof to the Company for the Acquisition of the Project; no other authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required as a condition to the performance by the Issuer of its obligations under any Bond Documents.

(e) This Agreement is, and each other Bond Document to which the Issuer is a party when delivered will be, legal valid and binding special obligations of the Issuer enforceable against the Issuer in accordance with its terms.

(f) There is no default of the Issuer in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Bond Documents or the ability of the Issuer to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or

agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

(g) With respect to the Bonds, there are no other obligations of the Issuer that have been, are being or will be sold (i) at substantially the same time, (ii) under a common plan of marketing, and (iii) at substantially the same rate of interest.

(h) There is pending or, to the knowledge of the undersigned officers of the Issuer, threatened no action or proceeding before any court, governmental agency or arbitrator (i) to restrain or enjoin the issuance or delivery of the Bonds or the collection of any revenues pledged under the Indenture, (ii) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of any of the Bond Documents, or (iii) in any way contesting the existence or powers of the Issuer.

(i) In connection with the authorization, issuance and sale of the Bonds, the Issuer has complied with all provisions of the Constitution and laws of the State, including the Act.

(j) The Issuer has not assigned or pledged and will not assign or pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture. The Bonds constitute the only bonds or other obligations of the Issuer in any manner payable from the revenues to be derived from this Agreement, and except for the Bonds, no bonds or other obligations have been or will be issued on the basis of this Agreement.

(k) The Issuer is not in default under any of the provisions of the laws of the State, where any such default would affect the issuance, validity or enforceability of the Bonds or the transactions contemplated by this Agreement or the Indenture.

Section 2.2. Representations by the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the state of North Carolina, is in good standing under the laws of the State, and has corporate and other legal power and authority to enter into and to perform the agreements and covenants on its part contained in the Bond Documents to which it is a party, and has duly authorized the execution, delivery and performance of the Bond Documents to which it is a party and has duly approved the Bond Documents.

(b) The execution and delivery of the Bond Documents to which it is a party, consummation of the transactions contemplated hereby and thereby and by the Bond Documents to which it is not a party, and the fulfillment of or compliance with the terms and conditions hereof and thereof will not conflict with or constitute a breach of or a default under the Company's articles of incorporation or bylaws or any agreement or instrument to which the

Company is a party or any existing law, administrative regulation, court order or consent decree to which the Company is subject, or by which it or any of its property is bound.

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or threatened against or affecting the Company or any of its officers, nor to the best knowledge of the Company is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement or that would adversely affect, in any way, the validity or enforceability of any of the Bond Documents or any other agreement or instrument to which the Company is a party and that is to be used or contemplated for use in the consummation of the transactions contemplated hereby.

(d) No further authorizations, consents or approvals of governmental bodies or agencies are required in connection with the execution and delivery by the Company of this Agreement or the other Bond Documents to which the Company is a party or in connection with the carrying out by the Company of its obligations under this Agreement or the other Bond Documents to which the Company is a party.

(e) The financing of the Project as provided under this Agreement, and commitments therefor made by the Issuer have induced the Company to expand or locate its operations in the jurisdiction of the Issuer.

(f) The Company anticipates that upon completion of the Acquisition of the Project, the Company will operate the Project as a "project" within the meaning of the Act until the Bonds have been paid in full.

(g) The Project is of the type authorized and permitted by the Act, and the Project is substantially the same in all material respects to that described in the notice of public hearing published on December 19, 1995.

(h) The Project will be acquired and installed and will be operated by the Company in such manner as to conform with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction over the Project.

(i) The Company will cause all of the proceeds of the Bonds to be applied solely to the payment of Costs of the Project.

(j) The Company has taken no action, and has not omitted to take any action, which action or omission to take action would in any way affect or impair the excludability of interest on the Bonds from gross income of the Holders thereof for federal income tax purposes.

(k) The Company presently in good faith estimates the Cost of the Project to equal or exceed the original principal amount of the Bonds.

(l) The Project will be located wholly within Chesterfield County, South Carolina.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Agreement to Undertake and Complete the Project. The Company covenants and agrees to undertake and complete the Acquisition of the Project. Upon written request of the Issuer or the Trustee, the Company agrees to make available to the Issuer and the Trustee (for review and copying) all the then current Plans and Specifications for the Project.

The Company agrees to cause the Project to be completed as soon as may be practicable and to cause all proceeds of the Bonds, including investment earnings, to be expended no later than three years from the Issue Date. For Costs of the Project incurred prior to receipt by the Issuer of the proceeds of the Bonds, the Company agrees to advance all funds necessary for such purpose. Such advances may be reimbursed from the Initial Fund to the extent permitted by Section 3.2.

The Company shall obtain or cause to be obtained all necessary permits and approvals for the Acquisition, operation and maintenance of the Project.

Section 3.2. Disbursements from the Initial Fund. In the Indenture, the Issuer has authorized and directed the Trustee to use the moneys in the Initial Fund for payment or reimbursement to the Company of the Costs of the Project.

Each payment for a Cost of the Project shall be made only upon the receipt by the Trustee and, upon written request therefor, the Issuer of a requisition and certificate, substantially in the form attached hereto as Exhibit B and signed by the Company Representative, certifying:

(a) the requisition and certificate number;

(b) the payee, which may be the Issuer or the Trustee for the payment of the fees and expenses of the Issuer or the Trustee, as the case may be, and which may be the Company in the case of (i) work performed by the Company's personnel, or (ii) payments advanced by the Company for the Project;

(c) the amount to be paid;

(d) that the payment is due, is a proper charge against the Initial Fund, and has not been the basis for any previous withdrawal from the Initial Fund;

(e) that all funds being requisitioned shall be used in compliance with the Code and the Tax Regulations promulgated thereunder, and that substantially all such funds shall be used for the acquisition, construction or installation of property of a character subject to the allowance for depreciation as prescribed by Section 144(a)(1)(A) of the Code and the Tax Regulations promulgated thereunder. The Company agrees, however, that it will not request any such disbursement which, if paid, would result in (i) less than substantially all (at least ninety-five percent (95%)) of the proceeds of the Bonds being used to provide land or property subject to the allowance for depreciation under Section 167 of the Code, constituting the Project, (ii) less than all of the proceeds of the Bonds being used to provide the Project under the Act, or (iii) the inclusion of the interest on any of the Bonds in the gross income of any Holder for purposes of federal income taxation (as long as such Holder is not a "related person" or a "substantial user" of the Project as such terms are used in Section 144 of the Code); and

(f) that no Event of Default, as defined in Section 10.1 of this Agreement, has occurred which has not been waived and that the Company is not aware of any then existing event or condition which, with the passage of time, would constitute an Event of Default under Section 10.1.

Interest on the Bonds and all legal, consulting and issuance expenses shall be set forth separately in any requisition and certificate requesting payment therefor. Such requisitions and certificates shall be consecutively numbered. Upon request, the Company shall furnish the Issuer or the Trustee with copies of invoices or other appropriate documentation supporting payments or reimbursements requested pursuant to this Section. The Issuer and the Trustee may rely conclusively upon any statement made in any such requisition and certificate.

Section 3.3. Establishment of Completion Date and Certificate as to Completion. The Completion Date shall be the date on which the Company Representative signs and delivers to the Trustee a certificate stating that, except for amounts retained by the Trustee for Costs of the Project not then due and payable, or the liability for which the Company is, in good faith, contesting or disputing, (a) the Project has been completed to the satisfaction of the Company, and all labor, services, materials and supplies used in such Acquisition have been paid for, and (b) the Project is suitable and sufficient for the efficient operation as a "project" (as defined in the Act).

Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third

parties which exist at the date of such certificate or which may subsequently come into being.

Section 3.4. Closeout of Initial Fund; Disposition of Balance in Initial Fund. All moneys and any unliquidated investments remaining in the Initial Fund on the Completion Date and after payment in full of the Costs of the Project (except for costs not then due and payable for the payment of which the Trustee shall have retained amounts as hereinafter provided) shall, as soon as practicable after the Completion Date, and no later than ninety days thereafter, at the direction of the Company, be delivered to the Trustee for deposit in the Surplus Fund. The Trustee shall, at the direction of the Company Representative, retain moneys in the Initial Fund for payment of Costs of the Project not then due and payable. Any balance of such retained funds remaining after full payment of such Costs of the Project shall at the direction of the Company be delivered to the Trustee for deposit in the Surplus Fund to be applied to the redemption of Bonds in accordance with the terms of the Indenture.

Section 3.5. Company Required to Pay Costs in Event Initial Fund Insufficient. If the moneys in the Initial Fund available for payment of the Costs of the Project should not be sufficient to make such payments in full, the Company agrees to pay directly (or to deposit moneys in the Initial Fund for the payment of) such costs of completing the Project as may be in excess of the moneys available therefor in the Initial Fund. THE ISSUER DOES NOT MAKE ANY WARRANTY OR REPRESENTATION (EITHER EXPRESS OR IMPLIED) THAT THE MONEYS DEPOSITED INTO THE INITIAL FUND AND AVAILABLE FOR PAYMENT OF THE COSTS OF THE PROJECT, UNDER THE PROVISIONS OF THIS AGREEMENT, WILL BE SUFFICIENT TO PAY ALL OF THE COSTS OF THE PROJECT. If, after exhausting the moneys in the Initial Fund for any reason (including, without limitation, losses on investments made by the Trustee under the Indenture), the Company pays, or deposits moneys in the Initial Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of this Section, the Company shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee, nor shall it be entitled to any diminution of the amounts payable under Section 5.2.

Section 3.6. Company and Issuer Representatives and Successors. At or prior to the initial sale of the Bonds, the Company and the Issuer shall appoint a Company Representative and an Issuer Representative, respectively, for the purpose of taking all actions and delivering all certificates required to be taken and delivered by the Company Representative and the Issuer Representative under the provisions of this Agreement. The Company and the Issuer, respectively, may appoint alternate Company Representatives and alternate Issuer Representatives to take any such action or make any such certificate if the same is not taken or made by the Company Representative or the Issuer Representative. In the event any of such persons, or any successor appointed pursuant to the provisions of this Section, should resign or become

unavailable or unable to take any action or deliver any certificate provided for in this Agreement, another Company Representative or alternate Company Representative, or another Issuer Representative or alternate Issuer Representative, shall thereupon be appointed by the Company or the Issuer, respectively. If the Company or the Issuer fails to make such designation within ten (10) days following the date when the then incumbent Company Representative or Issuer Representative resigns or becomes unavailable or unable to take any such actions, the President or any Vice President of the Company, or the Chairman of the Chesterfield County Council, shall serve as the Company Representative or the Issuer Representative, respectively.

Whenever the provisions of this Agreement require the Company's approval or require the Issuer or the Trustee to take some action at the request or direction of the Company, the Company Representative shall make, in writing, such approval or such request or direction unless otherwise specified in this Agreement. The Company shall have no complaint against the Issuer or the Trustee as a result of any action so taken with the written approval of or at the written direction of the Company Representative.

Section 3.7. Investment of Moneys in Funds. The Trustee may invest or reinvest any moneys held pursuant to the Indenture to the extent permitted by Section 4.7 of the Indenture and by law (but subject to the provisions of Section 8.9(a) hereof), in Permitted Investments, as defined in the Indenture, as directed by a Company Representative.

Any such securities may be purchased at the offering or market price thereof at the time of such purchase.

The Trustee may make any and all such investments through its own bond department or trust investments department. Any interest accruing on or profit realized from the investment of any moneys held as part of the Initial Fund shall be credited to the Initial Fund, and any loss resulting from such investment shall be charged to the Initial Fund. Any interest accruing on or profit realized from the investment of any moneys held as a part of the Bond Fund shall be credited to the Bond Fund, and any loss resulting from such investment shall be charged to the Bond Fund. Neither the Issuer nor the Trustee shall be liable for any loss resulting from any such investments, provided the Trustee has performed its respective obligations under Section 4.7 of the Indenture in accordance with Section 7.1(b) of the Indenture. For the purposes of this Section, any interest-bearing deposits, including certificates of deposit, issued by or on deposit with the Trustee shall be deemed to be investments and not deposits.

Section 3.8. Plans and Specifications. The Company shall maintain a set of Plans and Specifications at the Project which shall be available to the Issuer and the Trustee for inspection and examination during the Company's regular business

hours. The Issuer, the Trustee and the Company agree that the Company may supplement, amend and add to the Plans and Specifications, and that the Company shall be authorized to omit or make substitutions for components of the Project, without the approval of the Issuer and the Trustee, provided that no such change shall be made which, after giving effect to such change, would cause any of the representations and warranties set forth in Section 2.2 hereof to be false or misleading in any material respect, or would result in a violation of the covenant set forth in Section 8.5. If any such change would render materially incorrect or inaccurate the description of the initial components of the Project as set forth in Exhibit A to this Agreement, the Company shall deliver to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such change will not cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes, and thereafter, the Company and the Issuer shall amend such Exhibit A to reflect such change. No approvals of the Issuer and the Trustee shall be required for the Acquisition of the Project or for the solicitation, negotiation, award or execution of contracts relating thereto.

ARTICLE IV

ISSUANCE OF THE BONDS

Section 4.1. Agreement to Issue the Bonds. To provide funds for the Acquisition of the Project, the Issuer agrees that it will sell, issue and deliver the Bonds in the aggregate principal amount of \$6,000,000 to the initial purchasers thereof and will cause the proceeds of the Bonds to be applied as provided in Section 4.5 of the Indenture.

Section 4.2. No Third-Party Beneficiary. It is specifically agreed between the parties executing this Agreement that it is not intended by any of the provisions of any part of this Agreement to establish in favor of the public or any member thereof, other than as expressly provided herein or as contemplated in the Indenture, the rights of a third-party beneficiary hereunder, or to authorize anyone not a party to this Agreement to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of this Agreement. The duties, obligations and responsibilities of the parties to this Agreement with respect to third parties shall remain as imposed by law.

ARTICLE V

LOAN; PAYMENT PROVISIONS

Section 5.1. Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Company the proceeds received by the

Issuer from the sale of the Bonds. The loan shall be made by depositing the accrued interest, if any, from the initial sale of the Bonds into the Bond Fund and the remainder of said proceeds in the Initial Fund in accordance with Section 4.5 of the Indenture. Such proceeds shall be disbursed to or on behalf of the Company as provided in Section 3.2. The Company's obligation to repay the loan shall be evidenced by a Promissory Note, the form of which is attached hereto as Exhibit C, dated the Issue Date.

Section 5.2. Amounts Payable. The Company hereby agrees to pay the Note and repay the loan made pursuant to this Agreement by making the following payments:

(a) The Company shall pay to the Trustee in immediately available funds for the account of the Issuer for deposit into the Bond Fund on or before any Interest Payment Date for the Bonds or any other date that any payment of interest, premium, if any, or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, a sum which, together with any Eligible Funds available for such payment in the Bond Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the Bonds as provided in the Indenture; provided, however, that the obligation of the Company to make any payment hereunder shall be deemed satisfied and discharged to the extent of the corresponding payment made by the Credit Issuer under the Credit Facility.

It is understood and agreed that the Note and all payments payable by the Company under this subsection are assigned by the Issuer to the Trustee for the benefit of the Holders. The Company assents to such assignment. The Issuer hereby directs the Company and the Company hereby agrees to pay to the Trustee at the principal corporate trust office of the Trustee all payments payable by the Company pursuant to the Note and this subsection.

(b) The Company will also pay the reasonable fees and expenses of the Issuer, the Trustee, the Tender Agent, the Paying Agent, the Placement Agent, the Remarketing Agent and the Registrar under the Indenture and all other amounts which may be payable to the Trustee, Paying Agent, Registrar or the Tender Agent under Section 7.2 of the Indenture, and the reasonable fees and expenses of the Remarketing Agent, such fees and expenses to be paid when due and payable by the Company directly to the Trustee, Tender Agent, Paying Agent, Registrar and Remarketing Agent, respectively, for their own account.

(c) The Company will also pay when due and payable the reasonable fees and expenses of the Issuer related to the issuance of the Bonds, including without limitation, attorneys' fees and expenses.

(d) The Company covenants, for the benefit of the Holders, to pay or cause to be paid, to the Paying Agent, such amounts as shall be necessary to enable the Paying Agent to pay the Purchase Price of Bonds delivered to the Tender Agent or the Remarketing Agent, as the case may be, for purchase, all as more particularly described in Section 2.6 of the Indenture; provided, however, that the obligation of the Company to make any such payment under this subsection shall be reduced by the amount of moneys available for such payment described in Section 2.6(g)(i) and (ii) of the Indenture; and provided, further, that the obligation of the Company to make any payment under this subsection shall be deemed to be satisfied and discharged to the extent of the corresponding payment made by the Credit Issuer under the Credit Facility.

(e) In the event the Company shall fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid.

Section 5.3. Unconditional Obligations. The obligation of the Company to make the payments required by Section 5.2 shall be absolute and unconditional. The Company shall pay all such amounts without abatement, diminution or deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Company may have or assert against the Issuer, the Trustee or any other Person.

Section 5.4. Prepayments. The Company may prepay all or any part of the amounts required to be paid by it under Section 5.2, at the times and in the amounts provided in Article XI for redemption of the Bonds, and in the case of mandatory redemptions of the Bonds, the Company shall cause to be furnished to the Issuer such amounts on or prior to the applicable redemption dates. Prepayment of amounts due hereunder pursuant to this Section shall be deposited in the Bond Fund.

Section 5.5. Credits Against Payments. To the extent that principal of or premium, if any, or interest on the Bonds shall be paid, there shall be credited against payments required by Section 5.2, an amount equal to the principal of or premium, if any, or interest on the Bonds so paid. If the principal of and premium, if any, and interest on the Bonds shall have been paid sufficiently that payment of the Bonds shall have occurred in accordance with Article V of the Indenture, then the obligations of the Company pursuant to Section 5.2, ipso facto, shall be deemed to have been paid in full, and the Company's obligations under Section 5.2 and this Agreement shall be discharged. Notwithstanding the foregoing to the extent that principal of or premium, if any, or interest on the Bonds is paid from drawings under the Credit Facility, there shall be credited against the unpaid loan payments required by Section 5.2 hereof, an amount

equal to the principal of or premium, if any, or interest on the Bonds so paid.

Section 5.6. Credit Facility and Alternate Credit Facility. The Company shall provide for the payment of amounts payable pursuant to Section 5.2(a) and (d) herein, by the delivery to the Trustee on the Issue Date of the Original Credit Facility. The Company shall be entitled to terminate the Credit Facility as provided therein and in the Indenture and shall be entitled to provide an Alternate Credit Facility under certain circumstances as provided in the Indenture.

Section 5.7. Interest Rate Determination Method. The Company is hereby granted the right to designate from time to time changes in the Interest Rate Determination Method (as defined in the Indenture) in the manner and to the extent set forth in Section 2.4 of the Indenture.

Section 5.8. Company Approval of Indenture. A copy of the Indenture has been submitted to the Company for its examination and review. By its execution of this Agreement, the Company acknowledges that it has approved, has agreed to and is bound by the provisions of the Indenture. The Company agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement that relate to it notwithstanding the fact that it is not a signatory hereto.

ARTICLE VI

MAINTENANCE AND TAXES

Section 6.1. Company's Obligations to Maintain and Repair. The Company agrees that during the term of this Agreement it will keep and maintain the Project in good condition, repair and working order, ordinary wear and tear excepted, at its own cost, and will make or cause to be made from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereto.

Section 6.2. Taxes and Other Charges. The Company will promptly pay and discharge or cause to be promptly paid and discharged, as the same become due, all taxes, assessments, governmental charges or levies and all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project imposed upon it or in respect of the Project before the same shall become in default, as well as all lawful claims which, if unpaid, might become a lien or charge upon such property and assets or any part thereof, except such that are contested in good faith by the Company for which the Company has maintained adequate reserves satisfactory to the Credit Issuer, or in the absence of any Credit Issuer, satisfactory to the Issuer and the Trustee.

ARTICLE VII

INSURANCE, EMINENT DOMAIN AND DAMAGE AND DESTRUCTION

Section 7.1. Insurance. The Company will during the term of this Agreement and at all times while any Bonds are outstanding continuously insure the Project against such risks as are customarily insured against by businesses of like size and type, paying as the same become due all premiums in respect thereof. In addition the Company shall comply, or cause compliance, with applicable worker's compensation laws of the State.

Section 7.2. Provisions Respecting Eminent Domain. In case of any damage to or destruction of all or any part of the Project exceeding \$50,000, the Company shall give prompt written notice thereof to the Issuer and the Trustee. In case of a taking or proposed taking of all or any part of the Project or any right therein by Eminent Domain, the party upon which notice of such taking is served shall give prompt written notice to the other and to the Trustee. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 7.3. Damage and Destruction. If at any time while any of the Bonds are Outstanding, the Project, or any portion thereof, shall be damaged or destroyed by fire, flood, windstorm or other casualty, or title to, or the temporary use of, the Project, or any portion thereof, shall have been taken by the power of Eminent Domain, the Company (unless it shall have exercised its option to prepay all of the Bonds) shall cause the Net Proceeds from insurance or condemnation or an amount equal thereto to be used for the repair, reconstruction, restoration or improvement of the Project. Notwithstanding the above, so long as the Credit Facility is outstanding, the Company shall comply with the terms of the Credit Agreement related to the use of insurance proceeds.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1. Access to the Property and Inspection. The Issuer and the Trustee, and their respective agents and employees, shall have the right, at all reasonable times during normal business hours of the Company upon the furnishing of reasonable notice to the Company under the circumstances, to enter upon and examine and inspect the Project and to examine and copy the books and records of the Company insofar as such books and records relate to the Project or the Bond Documents.

Section 8.2. Financial Statements. The Company shall, upon request, deliver to the Trustee and the Issuer as soon as practicable and in any event within 120 days after the end of each

fiscal year of the Company, the financial reports of the Company for such fiscal year.

Section 8.3. Further Assurances and Corrective Instruments.

(a) Subject to the provisions of the Indenture, the Issuer and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Agreement.

(b) The Company shall cause this Agreement to be kept recorded and filed in such manner and in such places as may be required by law to fully preserve and protect the security of the Holders and the rights of the Trustee and to perfect the security interest created by the Indenture.

Section 8.4. Recording and Filing; Other Instruments.

(a) The Company covenants that it will cause continuation statements to be filed as required by law in order fully to preserve and to protect the rights of the Trustee or the Issuer in the assignment of certain rights of the Issuer under this Agreement and otherwise under the Indenture. The Company covenants that it will cause Counsel to render an opinion to the Issuer and to the Trustee not earlier than 60 nor later than 30 days prior to each anniversary date occurring at five-year intervals after the issuance of the Bonds to the effect that all Financing Statements, notices and other instruments required by applicable law, including this Agreement, have been recorded or filed or re-recorded or refiled in such manner and in such places required by law in order to fully preserve and protect the rights of the Trustee in the assignment of certain rights of the Issuer under this Agreement and otherwise under the Indenture.

(b) The Company and the Issuer shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable in order to enable the Company to fulfill its obligations as provided in subsection (a) of this Section. The Company shall file and re-file and record and rerecord or shall cause to be filed and re-filed and recorded and rerecorded all instruments required to be filed and re-filed and recorded or re-recorded and shall continue or cause to be continued the liens of such instruments for so long as any of the Bonds shall be Outstanding.

Section 8.5. Exclusion from Gross Income for Federal Income Tax Purposes of Interest on the Bonds. The Company covenants and agrees that it has not taken and will not take or cause to be taken, and has not omitted and will not omit or cause to be omitted, any action which results in interest paid on the

Bonds being included in gross income of the Holders of the Bonds for the purposes of federal income taxation.

The Company covenants and agrees that it will take or cause to be taken all required actions necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds; and the Issuer covenants and agrees that it will take or cause to be taken all required actions to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 8.6. Indemnity Against Claims. The Company will pay and discharge and will indemnify and hold harmless the Issuer and the Trustee from any taxes, assessments, impositions and other charges in respect of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Issuer will give prompt written notice to the Company and the Trustee; provided, however, that the failure to provide such notice will not relieve the Company of the Company's obligations and liability under this Section and will not give rise to any claim against or liability of the Issuer. The Company shall have the sole right and duty to assume, and shall assume, the defense thereof, with counsel acceptable to the person on behalf of which the Company undertakes a defense, with full power to litigate, compromise or settle the same in its sole discretion.

Section 8.7. Release and Indemnification. The Company shall at all times protect, indemnify and hold the Issuer, the members of the Governing Body, and the attorneys, agents and employees of the Issuer and the Trustee and its officers, attorneys, agents and employees harmless against any and all liability, losses, damages, costs, expenses, taxes, causes of action, suits, claims, demands and judgments of any nature arising from or in connection with the Project or the financing of the Project, including, without limitation, all claims or liability resulting from, arising out of or in connection with the acceptance or administration of the Bond Documents or the trusts thereunder or the performance of duties under the Bond Documents or any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof, including without limitation any lease thereof or assignment of its interest in this Agreement, such indemnification to include the reasonable costs and expenses of defending itself or investigating any claim of liability and other reasonable expenses and attorneys' fees incurred by the Issuer, its directors, members, officers, attorneys, agents and employees and the Trustee and its officers, attorneys, agents and employees in connection therewith, provided that the benefits of this Section shall not inure to any person other than the Issuer, its directors, members, officers, attorneys, agents and employees and the Trustee and its officers, attorneys, agents and employees, and provided further that such loss, damage, death, injury, claims, demands or causes shall not have resulted from the gross negligence or willful misconduct of,

the Issuer or such directors, member, officer, attorneys, agent or employee or the Trustee or its officers, attorneys, agents or employees. The obligations of the Company under this Section shall survive the termination of this Agreement and the Indenture. Notwithstanding any other provision of this Agreement or the Indenture to the contrary, the Company agrees (i) not to assert any claim or institute any action or suit against the Trustee or its employees arising from or in connection with any investment of funds made by the Trustee in good faith as directed by a Company Representative, and (ii) to indemnify and hold the Trustee and its employees harmless against any liability, losses, damages, costs, expenses, causes of action, suits, claims, demands and judgment of any nature arising from or in connection with any such investment.

Section 8.8. Compliance with Laws. The Company agrees to comply with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Project during the Company's operation of the Project.

Section 8.9. Non-Arbitrage Covenant.

(a) The Company and the Issuer covenant that they will (i) not take any action or make any investment or use of the proceeds of the Bonds that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and (ii) comply with the requirements of Section 148 of the Code.

(b) In the event that all of the proceeds of the Bonds, including the investment proceeds thereof, are not expended by the date which is six (6) months following the Issue Date, or if for any other reason a rebate is payable to the United States pursuant to Section 148 of the Code, the Company shall calculate, or cause to be calculated, the Rebate Amount (as defined in the Indenture). The Company agrees to pay the amount so calculated, together with supporting documentation, to the Trustee so as to permit the Trustee to pay such rebate to the United States at the times required by the Code. The amount paid by the Company to the Trustee shall be deposited into the Rebate Fund. The Company shall maintain or cause to be maintained records of the determinations of the rebate, if any, pursuant to this Section until six (6) years after the retirement of the Bonds. This Section shall be construed in accordance with Section 148(f) of the Code, including, without limitation, any applicable tax regulations promulgated under the Code. Nothing contained in this Agreement or in the Indenture shall be interpreted or construed to require the Issuer to pay any applicable rebate, such obligation being the sole responsibility of the Company.

Section 8.10. Notice of Determination of Taxability. Promptly after the Company first becomes aware of any Determination of Taxability or an event that could trigger a Determination of Taxability, the Company shall give written notice thereof to the Issuer, the Remarketing Agent and the Trustee.

Section 8.11. No Purchase of Bonds by Company or Issuer. During the time a Credit Facility is in effect neither the Company, the Issuer nor any affiliates of any of them shall purchase any of the Bonds from the Remarketing Agent except under the circumstances under which the Remarketing Agent may remarket Bonds to the Company or the Issuer as provided in Section 2.7(d) of the Indenture.

Section 8.12. Maintenance of Corporate Existence.

So long as a Credit Facility is in effect the Company agrees that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except either with the consent of the Credit Issuer or as provided in the original Credit Agreement; if a Credit Facility is not in effect, the Company agrees that it will continue to be a corporation either organized under the laws of or duly qualified to do business as a foreign corporation in the State, will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, that the Company may, without violating the foregoing, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another such corporation (and thereafter dissolve or not dissolve, as the Company may elect) if the corporation surviving such merger or resulting from such consolidation, or the corporation to which all or substantially all of the assets of the Company are transferred, as the case may be:

(i) is a corporation organized under the laws of the United States of America, or any state, district or territory thereof, and qualified to do business in the State;

(ii) shall expressly in writing assume all of the obligations of the Company contained in this Agreement;

(iii) has a consolidated tangible net worth (after giving effect to such consolidation, merger or transfer) of not less than the consolidated tangible net worth of the Company and its consolidated subsidiaries immediately prior to such consolidation, merger or transfer; and

(iv) provided that no Event of Default has occurred and is continuing hereunder.

The term "consolidated tangible net worth," as used in this Section, shall mean the difference obtained by subtracting total consolidated liabilities (not including as a liability any capital or surplus item) from total consolidated tangible assets of the Company and all of its consolidated subsidiaries, computed in

accordance with generally accepted accounting principles. Prior to any such consolidation, merger or transfer the Trustee shall be furnished a certificate from the chief financial officer of the Company or his/her deputy stating that in the opinion of such officer none of the covenants in this Agreement will be violated as a result of said consolidation, merger or transfer.

Section 8.13. Duties and Obligations. The Company covenants and agrees that it will fully and faithfully perform all the duties and obligations that the Issuer has covenanted and agreed in the Indenture to cause the Company to perform and any duties and obligations that the Company is required in the Indenture to perform. The foregoing shall not apply to any duty or undertaking of the Issuer that by its nature cannot be delegated or assigned.

Section 8.14. Undertaking to Provide Continuing Disclosure. The Issuer covenant to comply with Section 11-2-85 of the Code of Laws of South Carolina, 1976, as amended. The Company covenants to furnish all information requested by the Issuer to comply with such Section. Notwithstanding any provisions in the Indenture to the contrary, no conversion to a Money Market Rate or a Long-Term Rate shall be permitted unless the Trustee, the Issuer and the Remarketing Agent shall have received, at least two (2) Business Days prior to the proposed Conversion Date, a copy of a continuing disclosure agreement imposing upon the Company, the Trustee or any other responsible party to comply with the regulations of SEC Rule 15c-12, as it may be amended or supplemented from time to time, with respect to the Bonds, together with such disclosure documents as the Remarketing Agent shall require in order to comply with such Rule.

ARTICLE IX

ASSIGNMENT, LEASE AND SALE

Section 9.1. Restrictions on Transfer of Issuer's Rights. The Issuer agrees that, except for the assignment of its rights under this Agreement to the Trustee pursuant to the Indenture, it will not during the term of this Agreement sell, assign, transfer or convey its interests in this Agreement except as provided in Section 9.2.

Section 9.2. Assignment by the Issuer. It is understood, agreed and acknowledged that the Issuer, as security for payment of the principal of and premium, if any, and interest on the Bonds, will assign to the Trustee pursuant to the Indenture, among other things, certain of its rights, title and interests in and to this Agreement (reserving its rights, however, pursuant to sections of this Agreement providing that notices, reports and other statements be given to the Issuer and that consents be obtained from the Issuer and also reserving its rights to reimbursement and payment of costs and expenses under Sections

5.2(b) and (c), its right of access under Section 8.1, and its rights to indemnification and non-liability under Sections 8.6, 8.7, 12.6 and 12.7, all of this Agreement). The Company consents to such assignment and agrees that the Trustee shall be entitled to enforce this Agreement directly against the Company as a third party beneficiary hereof.

Section 9.3. Assignment, Lease or Sale of Project or Assignment of Agreement by Company. With the prior written consent of the Trustee, the Issuer and if a Credit Facility is then in effect, the issuer of such Credit Facility (a) the rights of the Company under this Agreement may be assigned by the Company and (b) the Project may be leased or sold as a whole or in part by the Company; provided, however, that (i) no such assignment, lease or sale shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any assignment, lease or sale, the Company shall continue to remain primarily liable for payments to be made pursuant to the Note and hereunder and for the performance and observance of the other agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment, lease or sale had been made, (ii) each lessee, purchaser or assignee of the Company's interest in this Agreement shall assume the obligations of the Company hereunder to the extent of the interest assigned, leased or sold, and the Company shall, not more than 60 nor less than 30 days prior to the effective date of any such assignment, lease or sale, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment, lease or purchase contract and assumption of obligations and (iii) prior to any lease or sale, the Company shall have caused to be delivered to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such leasing or sale will not cause interest on the Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1. Events of Default Defined. The term "Event of Default" shall mean any one or more of the following events:

(a) Failure by the Company to make any payments required to be paid pursuant to Section 5.2(a) or to pay the Purchase Price of Bonds as required pursuant to Section 5.2(d) herein;

(b) The occurrence of an Event of Default under the Indenture;

(c) Any representation by or on behalf of the Company contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or the Indenture

proves false or misleading in any material respect as of the date of the making or furnishing thereof;

(d) Failure by the Company to observe or perform any of its other covenants, conditions, payments or agreements under this Agreement for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee;

(e) The Company shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, assignee, sequestrator, trustee, liquidator or similar official of the Company or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other federal or state law relating to bankruptcy, insolvency, reorganization, arrangement, winding-up or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against the Company in an involuntary case under said Federal Bankruptcy Code, or (vii) take any corporate action for the purpose of effecting any of the foregoing;

(f) A proceeding or case shall be commenced, without the application or consent of the Company, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, arrangement, dissolution, winding-up or composition or adjustment of debts of the Company, (ii) the appointment of a trustee, receiver, custodian, assignee, sequestrator, liquidator or similar official of the Company or of all or any substantial part of its assets, or (iii) similar relief in respect of the Company under any law relating to bankruptcy, insolvency, reorganization, arrangement, winding-up or composition or adjustment of debts and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 90 days from the commencement of such proceeding or case or the date of such order, judgment or decree, or an order for relief against the Company shall be entered in an involuntary case under said Federal Bankruptcy Code;

(g) If a Credit Facility is in effect, the Trustee shall have received a written notice from the Credit Issuer of the occurrence and continuance of an "Event of Default" (as defined in the Credit Agreement); or

(h) If a Credit Facility is in effect, the Trustee shall have received a written notice from the Credit Issuer that amounts which may be drawn upon under the Credit Facility with respect to interest (other than interest corresponding to the principal amount

of Bonds which have been redeemed) will not be reinstated following any drawing for such interest.

Section 10.2. Remedies on Default. Upon the occurrence of an Event of Default under this Agreement, the Trustee, as assignee of the Issuer, but only if acceleration of the principal amount of the Bonds has been declared pursuant to Section 6.2 of the Indenture, shall take any one or more of the following remedial steps:

(a) By written notice declare all payments hereunder immediately due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest or any other notice whatsoever, all of which are hereby expressly waived by the Company.

(b) Take whatever other action at law or in equity may appear necessary or desirable to collect the amounts payable pursuant hereto then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the Company under this Agreement, including the making of any drawing under the Credit Facility.

In the enforcement of the remedies provided in this Section, the Issuer and the Trustee may treat all reasonable expenses of enforcement, including, without limitation, legal, accounting and advertising fees and expenses, as additional amounts payable by the Company then due and owing.

Section 10.3. Application of Amounts Realized in Enforcement of Remedies. Any amounts collected pursuant to action taken under Section 10.2 shall be paid to the Trustee and applied in accordance with Section 6.7 of the Indenture.

Section 10.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon an Event of Default under this Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 10.5. Agreement to Pay Attorneys' Fees and Expenses. Upon the occurrence of an Event of Default under this Agreement, if the Issuer or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable hereunder or for the enforcement of the performance or observance of any covenants or agreements on the part of the Company herein contained, whether or not suit is commenced, the Company agrees that it will on demand therefor pay to the Issuer or the Trustee or

any combination thereof, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

Section 10.6. Issuer and Company to Give Notice of Default. The Issuer and the Company severally covenant that they will, at the expense of the Company, promptly give to the Trustee, the Tender Agent, the Remarketing Agent, the Paying Agent and the Credit Issuer, and to each other, written notice of any Event of Default under this Agreement of which they shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

ARTICLE XI

PREPAYMENTS; PURCHASE OF BONDS

Section 11.1. Optional Prepayments.

(a) The Company shall have, and is hereby granted, the option to prepay the unpaid principal amount hereunder and under the Note in whole, together with interest thereon to the date of redemption of the Bonds, at any time by taking, or causing the Issuer to take, the actions required by the Indenture for the redemption of all Bonds then outstanding, upon the occurrence of any of the events set forth in Section 2.18(b) of the Indenture.

(b) The Company shall have, and is hereby granted, the option to prepay all or any portion of the unpaid balance hereunder and under the Note, together with interest thereon to the date of redemption of the Bonds, at any time by taking, or causing the Issuer to take, the actions required by the Indenture (i) to discharge the lien thereof through the redemption, or provision for payment of redemption of all Bonds then outstanding or (ii) to effect the redemption, or provision for payment or redemption, of less than all Bonds then outstanding, pursuant to Section 2.18(a) of the Indenture.

(c) To make a prepayment pursuant to this Section, the Company shall give written notice to the Issuer, the Trustee and the Registrar which shall specify therein (i) the date of the intended prepayment, which shall not be less than 45 days from the date any Bonds are to be redeemed from such prepayment, and (ii) the principal amount to be prepaid and the date or dates on which the prepayment is to occur. All such prepayments shall be in the amount of the unpaid amount hereunder and under the Note if made pursuant to Section 11.1(a) or in the amount of an Authorized Denomination if made pursuant to Section 11.1(b) and the Company shall furnish additional funds, if necessary, to make such prepayments in such amounts. In addition, the Company shall make such additional payments as shall be necessary to pay any redemption premium on the Bonds in connection with such redemption.

Section 11.2. Mandatory Prepayment Upon a Determination of Taxability. In the event of a Determination of Taxability, the Company shall forthwith, and in any event within 45 days of any such Determination of Taxability, pay the entire unpaid principal balance hereunder and under the Note plus accrued interest thereon to the date of payment, provided, that, if the Company delivers to the Trustee the opinion of Bond Counsel described in Section 2.18(c) of the Indenture, which opinion states that interest on the Bonds will not be includable in the gross income of the owners thereof if less than all of the Bonds are redeemed, then the Company shall prepay the Loan in the amount necessary to redeem the amount of Bonds stated in such opinion.

The Company hereby agrees to give prompt written notice to the Issuer and the Trustee of (a) the occurrence of an event that gives or may give rise to a Determination of Taxability or (b) its receipt of any oral or written advice from the Internal Revenue Service that an event giving rise to a Determination of Taxability shall have occurred.

Section 11.3. Optional Purchase of Bonds. Subject to the terms of the Indenture regarding the use of Eligible Funds, the Company may at any time, and from time to time, furnish moneys to the Tender Agent accompanied by a notice directing such moneys to be applied to the purchase of Bonds delivered for purchase pursuant to the terms thereof, which Bonds shall be delivered to the Trustee for cancellation in accordance with Section 2.8 of the Indenture. The Company shall deliver to the Remarketing Agent and the Credit Issuer a copy of any such notice.

Section 11.4. Relative Priorities. The obligations of the Company under Section 11.2 shall be and remain superior to the rights, obligations and options of the Company under Section 11.1.

Section 11.5. Prepayment to Include Fees and Expenses. Any prepayment under this Article shall also include any expenses of prepayment, as well as all expenses and costs provided for herein.

Section 11.6. Purchase of Bonds.

(a) In consideration of the issuance of the Bonds by the Issuer, but for the benefit of the Holders, the Company has agreed, and does hereby covenant, to cause the necessary arrangements to be made and to be thereafter continued whereby the Holders from time to time may deliver, or may be required to deliver Bonds for purchase and whereby such Bonds shall be so purchased. In furtherance of the foregoing covenant of the Company, the Issuer, at the request of the Company, has set forth in the Bonds the terms and conditions relating to the delivery of Bonds by the Holders thereof for purchase, has set forth in the Indenture the duties and responsibilities of the Tender Agent with respect to the purchase of Bonds, and of the Remarketing Agent with respect to the remarketing of Bonds and has therein provided for the appointment

of the Tender Agent and Remarketing Agent. The Company hereby authorizes and directs the Tender Agent and the Remarketing Agent to purchase, offer, sell and deliver Bonds in accordance with the provisions of the Indenture.

Without limiting the generality of the foregoing covenant of the Company, and in consideration of the Issuer's having set forth in the Bonds and the Indenture the aforesaid provisions, the Company covenants, for the benefit of the Holders, to provide for arrangements to pay, or cause to be paid, such amounts as shall be necessary to effect the payment of the Purchase Price of Bonds delivered for purchase, all as more particularly described in the Indenture.

(b) Notwithstanding the provisions of subsection (a) of this Section, the obligations of the Company under subsection (a) of this Section with respect to the purchase of Bonds shall be terminated on the date the Bonds begin to bear interest at the Fixed Rate in accordance with the Indenture.

(c) In furtherance of the obligations of the Company under subsection (a) of this Section, the Company shall provide for the payment of its obligations under said subsection (a) by the delivery of the Original Credit Facility simultaneously with the original delivery of the Bonds. In order to implement such undertaking of the Company, the Issuer, at the direction of the Company, has set forth in the Indenture the terms and conditions relating to drawings under the Credit Facility to provide moneys for the purchase of Bonds. The Company hereby authorizes and directs the Trustee to draw moneys under the Credit Facility in accordance with the provisions of the Indenture to the extent necessary to provide moneys payable under Section 2.7 of the Indenture if and when due.

(d) The Issuer shall have no obligation or responsibility, financial or otherwise, with respect to the purchase of Bonds or the making or continuation of arrangements therefor other than as expressly set forth in subsection (a) of this Section, except that the Issuer shall generally cooperate with the Company, the Tender Agent and the Remarketing Agent as contemplated in Section 2.7 of the Indenture.

ARTICLE XII

MISCELLANEOUS

Section 12.1. Amounts Remaining in Funds. Subject to the provisions of Article V of the Indenture and as provided in Article IV of the Indenture, it is agreed by the parties hereto that amounts remaining in the Bond Fund, Initial Fund or Bond Purchase Fund upon expiration or earlier termination of this Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in

accordance with the provisions of the Indenture) and all other amounts owing under the Indenture, shall be paid to the Credit Issuer (if a Credit Facility is in effect and there is any amount then owing by the Company to the Credit Issuer) and otherwise shall belong to and be paid to the Company by the Trustee.

Section 12.2. No Implied Waiver. In the event any provision of this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder or hereunder.

Section 12.3. Issuer Representative. Whenever under the provisions of this Agreement the approval of the Issuer is required or the Issuer is required to take some action at the request of the Company, such approval shall be made or such action shall be taken by the Issuer Representative; and the Company and the Trustee shall be authorized to rely on any such approval or action.

Section 12.4. Company Representative. Whenever under the provisions of this Agreement the approval of the Company is required or the Company is required to take some action at the request of the Issuer, such approval shall be made or such action shall be taken by the Company Representative; and the Issuer, the Tender Agent, the Remarketing Agent, the Paying Agent and the Trustee shall be authorized to rely on any such approval or action.

Section 12.5. Notices. Notice under this Agreement shall be given in accordance with Section 9.4 of the Indenture.

Section 12.6. Issuer, Directors, Attorneys, Officers, Employees and Agents of Issuer Not Liable. To the extent permitted by law, no recourse shall be had for the enforcement of any obligation, promise or agreement of the Issuer contained herein or in the other Bond Documents to which the Issuer is a party or for any claim based hereon or thereon or otherwise in respect hereof or thereof against any director, officer, agent, attorney or employee, as such, in his/her individual capacity, past, present or future, of the Issuer or of any successor entity, either directly or through the Issuer or any successor entity whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise. No personal liability whatsoever shall attach to, or be incurred by, any director, officer, agent, attorney or employee as such, past, present or future, of the Issuer or any successor entity, either directly or through the Issuer or any successor entity, under or by reason of any of the obligations, promises or agreements entered into between the Issuer and the Company, whether herein contained or to be implied herefrom as being supplemental hereto; and all personal liability of that character against every such director, officer, agent, attorney and employee is, by the execution of this Agreement and as a condition of, and as part of the consideration for, the execution of this Agreement, expressly waived and released.

Notwithstanding any other provision of this Agreement, the Issuer shall not be liable to the Company or the Trustee or any other person for any failure of the Issuer to take action under this Agreement unless the Issuer (a) is requested in writing by an appropriate person to take such action, (b) is assured of payment of, or reimbursement for, any reasonable expenses in such action, and (c) is afforded, under the existing circumstances, a reasonable period to take such action. In acting under this Agreement, or in refraining from acting under this Agreement, the Issuer may conclusively rely on the advice of its counsel.

Section 12.7. No Liability of Issuer; No Charge Against Issuer's Credit. Any obligation of the Issuer created by, arising out of, or entered into in contemplation of this Agreement, including the Bonds, shall not impose a debt or pecuniary liability upon the Issuer, the State or any political subdivision thereof or constitute a charge upon the general credit or taxing powers of any of the foregoing. Any such obligation shall be payable solely out of the revenues and any other moneys derived hereunder and under the Indenture and the Credit Facility, except (as provided in the Indenture and in this Agreement) to the extent it shall be paid out of moneys attributable to the proceeds of the Bonds or the income from the temporary investment thereof.

The principal of, premium, if any, and interest on the Bonds shall be payable solely from the funds pledged for their payment in accordance with the Indenture and from payments made pursuant to the Credit Facility.

Section 12.8. If Performance Date Not a Business Day. If the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day.

Section 12.9. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company, and their respective successors and assigns. No assignment of this Agreement by the Company shall relieve the Company of its obligations hereunder.

Section 12.10. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.11. Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds and prior to payment of the Bonds, this Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with the Indenture.

Section 12.12. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which, taken

together, shall be an original and all of which shall constitute but one and the same instrument.

Section 12.13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

[The remainder of this page is left blank intentionally]

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective legal names and their respective corporate seals to be hereunto affixed, and the signatures of duly authorized persons to be attested, all as of the date first above written.

CHESTERFIELD COUNTY, SOUTH CAROLINA

By: _____
Name: _____
Title: _____

[SEAL]

ATTEST:

Clerk, Chesterfield County
Council

CULP, INC.

By: _____
Franklin N. Saxon
Vice President

[SEAL]

ATTEST:

____ Secretary

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project shall consist of the purchase of machinery, apparatus and equipment for the upgrading and modernization of an existing manufacturing facility located in Pageland, Chesterfield County, South Carolina.

EXHIBIT B

\$ _____

No. _____

REQUISITION AND CERTIFICATE

_____, 19____

First-Citizens Bank & Trust Company
2917 Highwoods Boulevard
Raleigh, North Carolina 27604
Attention: Corporate Trust Department

Ladies and Gentlemen:

On behalf of Culp, Inc. (the "Company"), I hereby requisition from the funds representing the proceeds of the sale of the Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996, issued by Chesterfield County, South Carolina (the "Issuer"), and dated April 1, 1996 (the "Bonds"), which funds are held by you in the Chesterfield County, South Carolina (Culp, Inc. Project) Initial Fund in accordance with the Indenture of Trust, dated as of April 1, 1996 (the "Indenture"), from the Issuer to you the sum of \$_____ to be paid to the person or persons indicated below:

- (1) \$_____ for _____

payable to _____, and
- (2) \$_____ for _____

payable to _____.

I hereby certify that (a) the obligation to make such payment was incurred by the Issuer or the Company in connection with the Acquisition (as defined in the Agreement, of even date with the Indenture, between the Issuer and the Company, hereinafter referred to as the "Agreement") of the Project (referred to in the Agreement), is a proper charge against the Costs of the Project (as defined in the Agreement), and has not been the basis for any prior requisition which has been paid; (b) neither the Company nor, to the best of the Company's knowledge, the Issuer has received written notice of any lien, right to lien or attachment upon, or claim affecting the right of such payee to receive payment of, any of the money payable under this requisition to any of the persons, firms or corporations named herein, or if any notice of any such lien, attachment or claim has been received such lien, attachment

or claim has been released or discharged or will be released or discharged upon payment of this requisition; (c) this requisition contains no items representing payment on account of any retained percentages which the Issuer or the Company is entitled to retain at this date; (d) the payment of this requisition will not result in less than substantially all (95% or more) of the proceeds of the Bonds to be expended under this requisition and under all prior requisitions having been used for the acquisition and installation of real property or property of a character subject to the allowance for depreciation under the Internal Revenue Code of 1986, as amended; and (e) no "Event of Default" (as defined in the Agreement), or event which after notice or lapse of time or both would constitute such an "Event of Default" has occurred and not been waived.

The following paragraph is to be completed when any requisition and certificate includes any item for payment for labor or to contractors, builders or materialmen.

I hereby certify that insofar as the amount covered by the above requisition includes payments to be made for labor or to contractors, builders or materialmen, including materials or supplies, in connection with the Acquisition of the Project, (i) all obligations to make such payment have been properly incurred, (ii) any such labor was actually performed and any such materials or supplies were actually furnished or installed in or about the Project and are a proper charge against the Costs of the Project, and (iii) such materials or supplies either are not subject to any lien or security interest or, if the same are so subject, such lien or security interest will be released or discharged upon payment of this requisition.

Company Representative

EXHIBIT C

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

\$ _____, 199__

PROMISSORY NOTE

FOR VALUE RECEIVED, Culp, Inc., a corporation duly formed and existing under the laws of the State of North Carolina (the "Company"), by this promissory note hereby promises to pay to the order of Chesterfield County, South Carolina (the "Issuer") the principal sum of Six Million Dollars (\$6,000,000 together with interest on the unpaid principal amount hereof, from the Issue Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Bonds (as hereinafter defined), premium, if any, on the Bonds and Purchase Price (as defined in the Indenture). All such payments of principal, interest, premium and Purchase Price shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal corporate trust office of First-Citizens Bank & Trust Company, Raleigh, North Carolina, or its successor as trustee under the Indenture.

The principal amount, interest, premium, if any, and Purchase Price shall be payable on the dates and in the amount, that principal of, interest on the Bonds, premium, if any, and Purchase Price are payable, subject to prepayment as hereinafter provided.

The Company shall receive a credit for the amounts due and payable hereunder to the extent that payments are made by the Credit Issuer (as defined in the Indenture) pursuant to drawings under the Credit Facility (as defined in the Indenture).

This promissory note is the "Note" referred to in the Loan Agreement, dated as of April 1, 1996 (the "Agreement") between the Company and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to First-Citizens Bank & Trust Company under the Indenture of Trust, dated as of April 1, 1996 (the "Indenture"), by and between the Issuer and First-Citizens Bank & Trust Company, as Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of \$6,000,000 in aggregate principal amount of Tax-Exempt Adjustable Mode Industrial

Development Revenue Bonds (Culp, Inc. Project) Series 1996 (the "Bonds"), issued by the Issuer pursuant to the Indenture. All the terms conditions and provisions of the Indenture and the Bonds are hereby incorporated as a part of this Note.

The Company may at its option, and may under certain circumstances be required to, prepay together with accrued interest, all or any part of the amount due on this Note, as provided in the Agreement.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Company.

The Company hereby promises to pay reasonable costs of collection and reasonable attorneys' fees in case of default on this Note.

This Note shall be governed by, and construed in accordance with, the laws of the State of South Carolina.

CULP, INC.

[SEAL]

By: _____
Franklin N. Saxon
Vice President

ATTEST:

_____ Secretary

ENDORSEMENT

Pay to the order of First-Citizens Bank & Trust Company, without recourse, as Trustee under the Indenture referred to in the within mentioned Agreement, as security for such Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

CHESTERFIELD COUNTY, SOUTH CAROLINA

By: _____
Name: _____
Title: _____

Dated: April 1, 1996

1996 AMENDED AND RESTATED
 \$91,936,418.54 CREDIT FACILITY
 TO
 CULP, INC.
 BY
 FIRST UNION NATIONAL BANK OF NORTH CAROLINA
 AND
 WACHOVIA BANK OF NORTH CAROLINA, N.A.
 April 1, 1996

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1996 AMENDED AND RESTATED CREDIT AGREEMENT

THIS 1996 AMENDED AND RESTATED CREDIT AGREEMENT, dated as of April 1, 1996 (the "Credit Agreement" or "Agreement"), is made by and among CULP, INC., a North Carolina corporation (herein called the "Borrower"), FIRST UNION NATIONAL BANK OF NORTH CAROLINA, a national banking association ("First Union"), WACHOVIA BANK OF NORTH CAROLINA, N.A., a national banking association ("Wachovia") (First Union and Wachovia being referred to collectively herein as the "Banks"), and FIRST UNION, acting in the manner and to the extent described in Section 12 hereof (in such capacity, the "Agent").

RECITALS

A. The Borrower and First Union were parties to a 1988 Credit Agreement, dated as of November 11, 1988 (the "1988 Credit Agreement"), pursuant to which First Union extended certain loans to the Borrower (collectively referred to as the "Original Loan").

B. Subsequently, the Borrower and First Union executed the following amendments to the 1988 Credit Agreement (whereby the Original Loan was amended): an Amendment to 1988 Credit Agreement, dated as of October 30, 1989; a Second Amendment to 1988 Credit Agreement, dated as of January 26, 1990; a Third Amendment to 1988, Credit Agreement, dated as of February 6, 1990; a Fourth Amendment to 1988 Credit Agreement, dated as of November 27, 1990; a Fifth Amendment to 1988 Credit Agreement, dated as of August 19, 1991; a Sixth Amendment to 1988 Credit Agreement, dated as of October 24, 1991 and Amendment A to the Credit Agreement dated September 1, 1992.

C. The Borrower, First Union and Wachovia entered into a 1993 Amended and Restated Credit Agreement dated January 28, 1993 (the "1993 Credit Agreement"), which 1993 Credit Agreement amended and restated the 1988 Credit Agreement, as amended, in its entirety and further amended the Original Loan. The 1993 Credit Agreement was amended by a First Amendment to 1993 Amended and Restated Credit Agreement dated August 3, 1993, and a Second Amendment to 1993 Amended and Restated Credit Agreement dated November 1, 1993.

D. The Borrower, First Union and Wachovia entered into a 1994 Amended and Restated Credit Agreement dated April 15, 1994 (the "1994 Credit Agreement"), which 1994 Credit Agreement amended and restated the 1993 Credit Agreement, as amended, in its entirety and further amended the Original Loan. The 1994 Credit Agreement has been amended by a First Amendment to 1994 Amended and Restated Credit Agreement dated April 30, 1994; a Second Amendment to Amended and Restated Credit Agreement dated July 13, 1994; a Third Amendment to 1994 Amended and Restated Credit Agreement dated November 1, 1994; and a Fourth Amendment to 1994 Amended and Restated Credit Agreement dated March 6,

1995.

E. The Borrower, First Union and Wachovia entered into a 1995 Amended and Restated Credit Agreement dated July 1, 1995 (as amended and modified, the "1995 Credit Agreement"), which 1995 Credit Agreement amended and restated the 1994 Credit Agreement, as amended, in its entirety and further amended the Original Loan.

F. The Borrower, First Union and Wachovia desire to restate the 1995 Credit Agreement, as amended and modified, so that the parties' agreement regarding the Borrower's indebtedness and obligations will be contained in one restated agreement.

G. The parties intend that this Agreement shall restate, supersede and replace in its entirety the 1995 Credit Agreement and all amendments and modifications relating thereto. This Agreement is not intended to and does not represent the making of new loans from the Banks to the Borrower, is not a novation, and the loans described hereunder shall continue to be secured by and enjoy the benefits of all of the Loan Documents not amended or replaced hereby or hereunder.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, each of the Banks and the Agent hereby agree as follows:

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Accepted Drafts" means such term as defined in Section 4.4.

"Accepting Bank" means such terms as defined in Section 4.4.

"Acts" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sec. 9601 et seq.; the Toxic Substances Control Act, 15 U.S.C. Sec. 2601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6901 et seq.; the Clean Air Act, 42 U.S.C. Sec. 7401 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Sec. 201 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Sec. 11001 et seq.; and all other federal, state or local laws or rules and the regulations adopted and publications promulgated pursuant thereto, all as amended from time to time, regulating environmental matters.

"Adjusted LIBOR Rate" means a rate per annum (rounded upwards, if necessary, to the next higher 1/100 of 1%) determined pursuant to the following formula:

$$\text{Adjusted LIBOR Rate} = \frac{\text{LIBOR BASE RATE}}{1 - \text{LIBOR RESERVE PERCENTAGE}}$$

"Agreement" means this 1996 Credit Agreement between the Borrower, the Banks and the Agent, as it may be amended, modified, supplemented or restated from time to time.

"Applicable Margin" or "Applicable Percentage" means (i) the marginal rate of interest which shall be paid by Borrower in addition to the Prime Rate or the Adjusted LIBOR Rate, as the case may be, or (ii) the applicable Letter of Credit Fee, which in each case coincides to the ratio of Consolidated Funded Debt to Operating Cash Flow for Borrower (calculated quarterly with respect to the immediately preceding four calendar quarters), as specifically set forth in a separate letter agreement dated as of the date hereof between the Borrower and the Banks as such letter may be amended, restated, modified or supplemented from time to time.

"BA Obligations" means, at any time, the sum of (i) the maximum aggregate amount which is, or at any time thereafter may become, payable by an Accepting Bank under all Accepted Drafts then outstanding, plus (ii) the aggregate amount of reimbursement obligations owing to an Accepting Bank on a matured Accepted Draft and not theretofore reimbursed.

"Bankers' Acceptance" means an Accepted Draft hereunder.

"Bond Documents" means the Indentures and those other documents executed in connection with the bonds and obligations relating to the VRDN Programs as referenced in the respective Indentures.

"Business Day" means a banking business day of both Banks in High Point, North Carolina.

"Canada" means 3096726 Canada Inc., a Canadian corporation and a wholly-owned Subsidiary of the Borrower.

"Capital Asset" means any asset that would, in accordance with generally accepted accounting principles in the United States, be required to be classified and accounted for as a capital asset.

"Capital Expenditures" means, for any period, the aggregate cost (including repairs, replacements and improvements), less the amount of trade-in allowances included in such cost, of all Capital Assets acquired by the Borrower and any Subsidiary during such period, plus all Capital Lease Obligations of the Borrower and any Subsidiary incurred during the relevant period.

"Capital Lease" means, as to the Borrower and its Subsidiaries, any lease of any property (whether real, personal

or mixed) that would, in accordance with generally accepted accounting principles in the United States, be required to be classified and accounted for as a capital lease on a balance sheet of the lessee.

"Capital Lease Obligations" means, with respect to any Capital Lease, the amount of the obligation of the lessee thereunder that would, in accordance with generally accepted accounting principles in the United States, appear on a balance sheet as liability of such lessee in respect of such Capital Lease.

"Closing Date" means April 15, 1994.

"Commitment" or "Commitments" means, collectively, the Revolving Credit Commitments and the LOC Commitments.

"Consolidated Adjusted Current Liabilities" means the amount of all liabilities of the Borrower and its Subsidiaries which by their terms are payable within one year (including all indebtedness payable on demand or maturing not more than one year from the date of computation and the current portion of long term debt, but excluding the outstanding principal amount of the Revolving Credit Notes, except to the extent that such outstanding principal amount exceeds the amount of the Revolving Credit Commitments as they will stand one year in the future), all determined in accordance with generally accepted accounting principles in the United States.

"Consolidated Current Assets" means cash and all other assets or resources of the Borrower and its Subsidiaries which are expected to be realized in cash, sold in the ordinary course of business, or consumed within one year, all determined in accordance with generally accepted accounting principles in the United States.

"Consolidated Funded Debt" means all indebtedness for money borrowed of the Borrower and its Subsidiaries, whether direct or contingent, as determined in accordance with generally acceptable accounting principles in the United States, including (without limitation) Capital Lease Obligations, the deferred purchase price of any property or asset or indebtedness evidenced by a promissory note, bond, guaranty or similar written obligation for the payment of money (including, but not limited to, conditional sales or similar title retention agreements); minus amounts of restricted investments relating to industrial revenue bond financing ("IRB").

"Consolidated Tangible Shareholders' Equity" of the Borrower and its Subsidiaries shall mean at any time as of which the amount thereof is to be determined, the sum of the following in respect of, the Borrower and its Subsidiaries (on a consolidated basis and excluding intercompany items):

- (i) the amount of issued and outstanding share capital, plus
- (ii) the amount of additional paid-in capital, retained earnings (or, in the case of a deficit, minus the amount of such deficit), minus
- (iii) the sum of the following (without duplication or deductions in respect of items already deducted in arriving at surplus and retained earnings): (a) all reserves, except legal reserves and other contingency reserves (i.e., reserves not allocated by specific purposes and not deducted from assets) which are properly treated as appropriations or surplus or retained earnings; (b) the book value of all assets which would be treated as intangibles under generally accepted accounting principles in the United States including, without limitation, capitalized expenses, goodwill, trademarks, trade names, franchises, copyrights, patents and unamortized debt discount and expense; and (c) any treasury stock.

"Consolidated Total Liabilities" means the sum of the aggregate amount of all liabilities of the Borrower and its Subsidiaries, all determined in accordance with generally accepted accounting principles in the United States plus all guaranties of the obligations of third parties other than Subsidiaries; provided, however, that for the purposes of this definition, the amount of the Consolidated Funded Debt of the Borrower and its Subsidiaries relating to industrial revenue bond financing, and the amount of all guaranties of the Borrower and its Subsidiaries in connection with such financing, shall be deemed reduced by the amount of any, unspent project funds held in trust for use in any industrial revenue bond project.

"Current Maturities" means, at any time, the aggregate amount of all payments coming due and payable by the Borrower within the next twelve months in respect of indebtedness that by its terms matures more than one year from the date of creation thereof.

"Default" means any occurrence, event, condition or omission that, with the giving of notice or the passage of time, or both, would constitute an Event of Default if the Borrower did not correct the same within the permitted time period, if any.

"Environmental Indemnity Agreement" means that certain Certificate and Agreement Regarding Environmental Matters dated

as of April 15, 1994, among the Borrower, the Agent and the Banks, as amended, modified, restated or replaced from time to time.

"Environmental Reports" means written reports as delivered to the Banks prior to the Closing Date, relating to environmental matters, including, without limitation, full information as to the presence of Hazardous Substances, with respect to certain of the Real Property, such reports to be in form and substance satisfactory to the Agent.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" shall have the meaning specified in Section 11.1 hereof.

"Existing Letters of Credit" means those Letters of Credit outstanding on the Restatement Date and identified on Exhibit 9.

"Extension of Credit" means, as to any Bank, the making of a Loan (including a Tender Advance) by such Bank, or the issuance or acceptance of Bankers' Acceptances by such Bank, or the issuance of, or participation in, a Letter of Credit by such Bank.

"Federal Funds Effective Rate" means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve Bank of New York, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or, if such rate is not so released for any day which is a Business Day, the arithmetic average (rounded upwards to the next 1/100th of 1%), as determined by the Agent, of the quotations for the day of such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"FIRPTA Affidavit" means the affidavit of Borrower, satisfactory to the Banks, that Borrower is not a "foreign person" as contemplated by Section 1445 of the Internal Revenue Code of 1986.

"First Union Revolving Credit Commitment" means the commitment of First Union to make revolving loans to the Borrower pursuant to Section 4 hereof.

"First Union Revolving Credit Note" means the amended and restated promissory note evidencing the First Union Revolving Loan, substantially in the form of Exhibit 2-A hereto, with appropriate insertions of amount and date as such promissory note may be amended, restated, modified or supplemented from time to time.

"First Union Revolving Loan" means the Revolving Loan made by First Union to the Borrower pursuant to Section 4 hereof.

"First Union Term Loan" means the Term Loan of the principal amount indicated on Annex 1 hereto from First Union to the Borrower pursuant to Section 3 hereof.

"First Union Term Note" means the amended and restated promissory note evidencing the First Union Term Loan, substantially in the form of Exhibit 1-A hereto, with appropriate insertions of amount and date as such promissory note may be amended, restated, modified or supplemented from time to time.

"Fiscal Month" means a fiscal month of the Borrower, which is a 4- or 5-week period. The first Fiscal Month of each Fiscal Quarter is a 5-week period and the other two Fiscal Months in each Fiscal Quarter are 4-week periods.

"Fiscal Quarter" means a fiscal quarter of the Borrower which is a 13-week period, the first of which begins on the first day of the Borrower's fiscal year.

"Fiscal Year" means the fiscal year of the Borrower, which ends on the Sunday closest to April 30 of each calendar year.

"Governmental Authorities" means collectively, the United States of America, the State of North Carolina, the State of South Carolina and any other political subdivision, agency, commission, bureau, court or any public or quasi-public instrumentality exercising jurisdiction over Borrower or any portion of the Mortgaged Property.

"Governmental Requirements" means all laws, ordinances, decisions, judgements, decrees, rules, orders, writs, injunctions, permits, and regulations of any Governmental Authority applicable to, or the decisions or orders of any courts having jurisdiction over, Borrower or any portion of the Mortgaged Property, now or hereinafter in force, including but not limited to all land use, zoning, subdivision, building, setback, health, traffic flood control fire safety, Hazardous Substances, underground storage tanks, handicap and other applicable codes, rules, regulations and ordinance and the Americans with Disabilities Act of 1990 (Public Law 101-336, 42 U.S.C. ss.12101).

"Hazardous Substances" means petroleum, petroleum byproducts (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas products and/or any hazardous, dangerous or toxic substance, material waste, pollutant or contaminate defined as such in (or for the purposes of) the Acts. The term Hazardous Substances shall include,

without limitation, substances now or hereinafter defined as "hazardous substances", "toxic substances," "hazardous materials" or "contaminated waste" or similar terms in the Acts.

"Indenture" means any of those trust agreements and indentures of trust pursuant to which bonds have been issued in connection with VRDN Programs supported by Letters of Credit issued hereunder or subject hereto, as amended and modified from time to time.

"Interest Expense" means, with respect to the Borrower and its Subsidiaries on a consolidated basis for any period, the sum of gross interest expense of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles in the United States, plus capitalized interest of the Borrower and its Subsidiaries on a consolidated basis.

"Interest Rate Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, currency hedge agreement or other similar agreement or arrangement designed to protect the Borrower against fluctuations in interest rates or currency exchange rates, including, without limitation, any "swap agreement" as defined in 11 U.S.C. ss.101(55).

"Issuing Bank" means either Bank, as the Borrower may request from time to time.

"Letter of Credit" means the Existing Letters of Credit and any letter of credit issued by the Issuing Bank pursuant to the terms hereof, as such Letters of Credit may be amended, modified, extended, renewed or replaced from time to time.

"LIBOR Base Rate" means that rate per annum at which, in the good faith opinion of the Agent, United States Dollars in the amount of the principal balance of the applicable outstanding indebtedness and for a maturity equal to one Fiscal Month are currently being offered on the London Interbank market to major top credit quality banks, for immediate settlement, at 11:00 a.m. London time.

"LIBOR Rate Loan" means a loan bearing interest based upon the Adjusted LIBOR Rate.

"LIBOR Reserve Percentage" means the daily reserve percentage required of national banks on "Eurocurrency liabilities" pursuant to Regulation D of the Board of Governors of the Federal Reserve System. For purposes of calculation of the LIBOR Reserve Percentage, the reserve requirement shall be as set forth in Regulation D without benefit of or credit for proratations, exemptions or offsets under Regulation D and further, without regard to whether the applicable Bank elects to actually

fund the loan with "Eurocurrency liabilities. The Agent may elect from time to time, to waive application of the LIBOR Reserve Percentage on specified maturities with the approval of each Bank.

"LOC Commitment" means the commitment of the Issuing Banks to issue Letters of Credit and with respect to each Bank, the commitment of such Bank to purchase participation interests in the Letters of Credit up to such Bank's LOC Committed Amount as specified in Annex I, as such amount may be reduced from time to time in accordance with the provisions hereof.

"LOC Commitment Percentage" means, for each Bank, the percentage identified as its Commitment Percentage on Annex I.

"LOC Committed Amount" means, collectively, the aggregate amount of all of the LOC Commitments of the Banks to issue and participate in Letters of Credit as referenced in Section 4.5 and, individually, the amount of each Bank's LOC Commitment as specified in Annex I.

"LOC Documents" means, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

"LOC Obligations" means, at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Bank but not theretofore reimbursed.

"Loan Documents" means this Agreement, the Notes and all other documents, agreements or instruments which evidence or secure the Loans or which are exhibits to this Agreement, including, but not limited to, the LOC Documents, FIRPTA Affidavit, Environmental Indemnity Agreement and Environmental Reports delivered to the Agent and the Banks in connection with the 1994 Credit Agreement. In addition, "Loan Documents" shall refer to any Interest Rate Agreement that may exist between the Borrower and any of the Banks.

"Loans" means the Term Loans, the Revolving Loans and Tender Advances, collectively. "Loan" means one of the Term Loans, Revolving Loans or Tender Advances, as appropriate.

"Net Income" means, for any period, the net income (or loss)

of the Borrower and its Subsidiaries on a consolidated basis for such period, determined in accordance with generally accepted accounting principles in the United States.

"Notes" means the collective reference to the Revolving Credit Notes and the Term Notes.

"Obligations" means, collectively, Loans, BA Obligations and LOC Obligations.

"Operating Cash Flow" (or "EBITDA") means, for any period of four consecutive quarters, Net Income for such period plus the sum of the following consolidated expenses of the Borrower and its Subsidiaries for such period, to the extent included in the calculation of such Net Income: (i) depreciation expense, (ii) amortization of intangible assets, (iii) Interest Expense for such period and (iv) income taxes for such period, all determined in accordance with generally accepted accounting principles in the United States.

"Participation Interest" means the purchase by a Bank of a participation interest in Letters of Credit as provided in Section 4.5(c), or in Revolving Loans as provided in Section 13.2.

"Permitted Encumbrances" shall mean and include:

(a) those liens and encumbrances listed on Exhibit 4 hereof;

(b) liens granted to financial institutions in connection with the Borrower's tax exempt bond financing arrangements listed on Exhibit 6 attached hereto and any extensions, modifications, refinancings, refundings or replacements, thereto or thereof;

(c) (i) liens securing non interest-bearing purchase money obligations payable over a term of no more than two (2) years given to vendors of equipment and (ii) other liens securing purchase-money obligations not exceeding \$1,000,000 in the aggregate at any one time;

(d) liens on the accounts receivable, general intangibles, documents, contract rights, instruments, chattel paper and cash and noncash proceeds thereof, including returned, rejected or repossessed goods related thereto and billed and held inventory, of the Borrower or its Subsidiaries granted in connection with factoring arrangements; provided, however, that all such factoring arrangements shall be without recourse and the Borrower shall not incur any Consolidated Funded Debt in connection therewith;

(e) liens granted from time to time pursuant to the prior written consent of the Banks;

(f) liens for taxes, assessments or similar governmental charges not in default or being contested in good faith;

(g) worker's, mechanic's and materialmen's liens and similar liens incurred in the ordinary course of business remaining undischarged for not longer than 45 days from the attachment thereof, and easements which are not substantial in character and do not materially detract from the value or interfere with the intended use of the properties subject thereto and affected thereby;

(h) attachments remaining undischarged for not longer than 10 days from the making thereof;

(i) liens in respect of final judgments or awards remaining undischarged for not longer than 10 days from the making thereof, unless execution on such judgment shall have been stayed pending appeal; and

(j) liens in respect of pledges or deposits under worker's compensation laws, unemployment insurance or similar legislation and in respect of pledges or deposits to secure bids, tenders, contracts (other than contracts for the payment of money) leases or statutory obligations, or in connection with surety, appeal and similar bonds incidental to the conduct of litigation.

"Person" means an individual, partnership, corporation, trust, unincorporated organization, association, joint venture or a government or agency or political subdivision thereof.

"Pledge Obligations" means such term as defined in Section 14.1.

"Pledged Bonds" means those bonds under VRDN Programs supported by Letters of Credit issued hereunder or subject hereto which have been purchased with proceeds from a drawing under a Letter of Credit hereunder and not remarketed or redeemed.

"Pledged Collateral" means such term as defined in Section 14.1.

"Prime Rate" shall be that rate announced by First Union from time to time as its Prime Rate (which is one of several interest rates used by First Union) as that rate may change from time to time, with said changes to occur at the opening of business on the date the Prime Rate changes. First Union lends at rates both above and below the Prime Rate and such rate is not represented or intended to be the lowest or most favorable rate

of interest offered by First Union.

"Prime Rate Loan" means a loan bearing interest based upon the Prime Rate.

"Rayonese" means Rayonese Textile Inc., a Canadian corporation.

"Rayonese Acquisition" means the acquisition of the stock of Rayonese by Canada pursuant to the Share Purchase Agreement dated as of December 22, 1994 between Canada and certain shareholders of Rayonese.

"Real Property" means any real property owned or leased by Borrower or any of its Subsidiaries.

"Required Banks" means at any time prior to the occurrence of an Event of Default, termination of the Commitments hereunder and acceleration pursuant to Section 11.2 hereof, Persons having at least 60% of the aggregate Revolving Credit Commitments, and at any time thereafter Persons holding 60% of the Obligations outstanding hereunder (taking into account participation interests therein); provided that for so long as First Union or Wachovia shall not have assigned all or any of its rights and obligations under this Agreement and the Notes pursuant to Section 13.3(c) hereof, "Required Banks" shall mean such Bank (Wachovia and/or First Union) and the foregoing requisite Persons.

"Restatement Date" means the date of this Amended and Restated Credit Agreement.

"Revolving Credit Commitments" means the aggregate of the First Union Revolving Credit Commitment and the Wachovia Revolving Credit Commitment, collectively. "Revolving Credit Commitment" means either the First Union Revolving Credit Commitment or the Wachovia Revolving Credit Commitment, individually, as appropriate.

"Revolving Credit Notes" means the First Union Revolving Credit Note and the Wachovia Revolving Credit Note, collectively. "Revolving Credit Note" means either the First Union Revolving Credit Note or the Wachovia Revolving Credit Note, individually, as appropriate.

"Revolving Loans" means the First Union Revolving Loan and the Wachovia Revolving Loan, collectively. "Revolving Loan" means either the First Union Revolving Loan or the Wachovia Revolving Loan, individually, as appropriate.

"Revolving Loan Interest Rate" has the meaning set forth in Section 4.2 hereof.

"Revolving Loan Maturity Date" shall mean March 1, 2001.

"Revolving Loan Termination Date" means, as to either of the Revolving Credit Commitments, the date on which the termination of all or a portion of such Revolving Credit Commitment, pursuant to Section 4.3 hereof, becomes effective.

"Subsidiary" or "Subsidiaries" means any corporation of which more than 50% of voting stock at any time is owned or controlled directly or indirectly by the Borrower.

"Tender Advance" means such term as defined in Section 4.5(c).

"Tender Drawing" means a drawing under a Letter of Credit made to repurchase bonds upon an elective tender by a bondholder on account of an inability or failure by the remarketing agent therefor to remarket the bonds which are the subject of the elective tender.

"Term Loan Interest Rate" has the meaning set forth in Section 3.3 hereof.

"Term Loans" means the First Union Term Loan and the Wachovia Term Loan, collectively. "Term Loan" means either the First Union Term Loan or the Wachovia Term Loan, individually, as appropriate.

"Term Loan Maturity Date" shall mean March 1, 2001.

"Term Notes" means the First Union Term Note and the Wachovia Term Note, collectively. "Term Note" means either the First Union Term Note or the Wachovia Term Note, individually, as appropriate.

"Total Capitalization" is defined as Consolidated Funded Debt plus Consolidated Tangible Shareholders' Equity.

"Trustee" means those trustees under Indentures relating to bonds issued in connection with VRDN Programs supported by Letters of Credit issued hereunder or subject hereto.

"VRDN Program" means those variable rate demand note or bond programs relating to industrial development revenue bonds or similar tax-advantaged obligations of benefit to the Borrower and supported by Letters of Credit existing or issued hereunder.

"Wachovia Revolving Credit Commitment" means the commitment of Wachovia to make revolving loans to the Borrower pursuant to Section 4 hereof.

"Wachovia Revolving Credit Note" means the promissory note evidencing the Wachovia Revolving Loan, substantially in the form

of Exhibit 2-B hereto, with appropriate insertions of amount and date as such promissory note may be amended, restated, modified or supplemented from time to time.

"Wachovia Revolving Loan" means the revolving credit loan made by Wachovia to the Borrower pursuant to Section 4 hereof.

"Wachovia Term Loan" means the term loan of the principal amount indicated on Annex I hereto from Wachovia to the Borrower pursuant to Section 2 hereof.

"Wachovia Term Note" means the promissory note evidencing the Wachovia Term Loan, substantially in the form of Exhibit 1-B hereto, with appropriate insertions of amount and date as such promissory note may be amended, restated, modified or supplemented from time to time.

"Working Capital" means Consolidated Current Assets less Consolidated Adjusted Current Liabilities.

SECTION 2. Commitment and Security.

2.1. Commitment. Each of the Banks severally agrees, upon the terms and conditions of this Agreement, to make Loans to the Borrower for the period and in the amounts herein set forth, so long as no Default or Event of Default exists under this Agreement.

2.2. Security. Each of the Banks hereby agrees to release, and hereby does release, the liens and security interests in their favor with respect to the Borrower's (i) equipment, inventory, accounts and fixtures as described in and as granted pursuant to the Security Agreement dated as of April 15, 1994, between the Borrower and the Agent for the benefit of the Banks and (ii) liens on the Mortgaged Property, as such relate to the Term Loans and the Revolving Loans under the 1994 Credit Agreement. Each of the Banks further agrees, as issuer of various letters of credit issued for the account of the Borrower in support of industrial revenue bonds or qualified tax-exempt variable demand rate notes or similar programs, to release their liens with respect to the real and personal property of the Borrower (other than in the bonds or variable demand rate notes which might be repurchased with the proceeds of a draw under the letter of credit relating thereto, which security interests shall be retained and not released hereby) where such liens run solely in its favor as issuer of the letter of credit and not also in favor of the bondholders or noteholders. Each of the Banks hereby authorizes and directs the Agent to execute such instruments of release and to take such other action as may be necessary to give effect to the provisions of this Section 2.2.

SECTION 3. Loans Evidenced by Term Notes.

3.1. Term Loans. Each Bank hereby severally agrees, on the terms and conditions of this Agreement and in reliance upon the representations and warranties made hereunder, to make a Term Loan to the Borrower in the principal amount indicated on Annex I attached hereto. The aggregate principal amount of the Term Loans as of the date hereof is THIRTY-SIX MILLION DOLLARS (\$36,000,000). The Term Loans shall be evidenced by the Term Notes, and the proceeds of the Term Loans have been advanced to the Borrower by the Banks.

3.2. Term Notes. On the date hereof, the Borrower shall execute and deliver to each Bank an amended, restated and substituted Term Note payable to the order of such Bank for the full amount of such Bank's Term Loan.

3.3. Repayment of Term Loans. Each of the Term Loans shall bear interest at the Borrower's option at a rate per annum equal to (i) the Prime Rate or (ii) the Adjusted LIBOR Rate, in either case plus the Applicable Margin.

The rate selected by the Borrower as provided in this Section 3.3 is sometimes herein referred to as the "Term Loan Interest Rate."

Interest accruing with respect to the Term Loans shall be paid each Fiscal Month of the Borrower to the Agent for the ratable benefit of the Banks. The Agent shall exercise its best efforts to submit an invoice to the Borrower for a Fiscal Month's interest payment by the fourth Business Day of the next succeeding month; provided, however, that no failure on the part of the Agent to so deliver such invoice by such date will relieve the Borrower of its obligation to make such interest payment for such Fiscal Month. Each such invoice shall state the amount payable to each of the Banks under such invoice. The amount so accruing will be payable on the tenth Business Day of each Fiscal Month, following the date hereof, and continuing until payment in full of the Term Notes. The Agent is hereby authorized by the Borrower (but only on or after the tenth Business Day of such Fiscal Month of the Borrower) to debit an account of the Borrower (for the benefit of the Banks) with either of the Banks as designated by the Borrower in an amount equal to the amount then due and payable under this Section 3.3 by the Borrower to the Banks for such Fiscal Month. No late charge will be assessed against the Borrower with respect to any payment due hereunder until after the fifteenth day after the due date therefor.

From time to time, the Borrower will select the applicable Term Loan Interest Rate based on quotes from the Agent. The Adjusted LIBOR Rate will be a fixed rate for one Fiscal Month. This rate option may be designated as of the first Business Day of a Fiscal Month, and such rates shall be effective as of the

first day of the Fiscal Month and shall be in effect through the final day of the Fiscal Month. If the Term Loan Interest Rate is being calculated based on the Prime Rate, the rate shall adjust daily as changes occur in the Prime Rate.

On or before 11:00 a.m. (Charlotte, North Carolina time) on the first Business Day of each Fiscal Month at the Borrower's request, the Agent shall notify the Borrower of the Term Loan Interest Rate options, and the Borrower may before 12:00 noon on such day designate to the Agent the applicable Term Loan Interest Rate which shall apply for such Fiscal Month. If the Borrower fails to designate an applicable Term Loan Interest Rate by 12:00 noon on such date, each of the Term Notes will bear interest for such Fiscal Month at the lower of the Term Loan Rate options on such date.

The aggregate principal amount of the Term Loans shall be due and payable and shall be repaid by the Borrower to the Agent for the ratable benefit of the Banks in fifty-nine (59) consecutive monthly installments, each in the amount of Five Hundred Thousand Dollars (\$500,000.00), each such payment being due and payable on the tenth Business Day of each Fiscal Month for which such payment is due, commencing on April 12, 1996, and one installment in the amount of Six Million Five Hundred Thousand Dollars (\$6,500,000.00), due and payable on March 1, 2001. The final maturity date of each of the Term Notes is March 1, 2001.

3.4. Optional and Mandatory Prepayment of Term Loans.

(a) Optional Prepayments. The Borrower shall have the right at any time, or from time to time, upon at least one (1) days' prior notice to the Agent, to prepay to the Agent the Term Loans in whole or in part, without premium or penalty; provided, however, that (i) each partial prepayment of the Term Loans shall be in the aggregate principal amount of at least \$100,000; (ii) interest on the amount prepaid, accrued to the date of prepayment, shall be paid on such date of prepayment; and (iii) each such prepayment shall be applied, pro rata, to the First Union Term Note and to the Wachovia Term Note.

(b) Mandatory Prepayments. The Borrower will make prepayment on the Term Loan and the Revolving Loans hereunder as hereafter provided in an amount equal to 100% of the net proceeds received on the loan, sale or placement of indebtedness permitted pursuant to Section 10.12(3). Upon the loan, sale or placement of any such indebtedness, prepayment shall first be made on the Term Loan until the Term Loan is paid in full, and then the Revolving Credit Commitments shall be permanently reduced in the amount of the excess. To the extent that outstanding Revolving Loans exceed the Revolving Credit Commitments after giving effect

to any such reduction in the Revolving Credit Commitments, the Borrower will immediately make payment on the Revolving Loans in the amount of the difference. Each such prepayment hereunder shall be made promptly after, but in any event within three (3) Business Days of, receipt by the Borrower of the net proceeds therefrom.

(c) Application. Any prepayments of the principal amounts of the Term Loans shall be applied, pro rata between each of the Banks, to the scheduled payments on the Term Loan in the inverse order of maturity.

SECTION 4. Loans Evidenced by Revolving Credit Notes.

4.1 Revolving Loans. Each of the Banks severally agrees, upon the terms and conditions set forth herein, and only so long as no Default or Event of Default exists hereunder, to make loans to the Borrower under the Revolving Credit Notes on a pro rata basis up to the amount of such Bank's Revolving Credit Commitment (as specified on Annex I hereto) during the period from the Restatement Date until the applicable Revolving Loan Termination Date. As to each of the Revolving Credit Commitments, during the period from the Restatement Date to the Revolving Loan Termination Date applicable to such Revolving Loan, the Borrower may use such Revolving Loan by borrowing, paying or repaying the principal amount thereof, and reborrowing, paying or repaying the principal amount thereof, all in accordance with the terms and conditions of this Agreement; provided, however, that the outstanding principal amount of the Revolving Credit Notes shall not at any time exceed the aggregate amount of the Revolving Credit Commitments less the amount of Accepted Drafts (as hereinafter defined) then outstanding; and provided, further, that the amount advanced by a Bank pursuant to this Section 4.1 shall not exceed such Bank's Revolving Credit Commitment at any time. The Revolving Credit Notes, when duly executed and delivered by the Borrower, shall represent the obligations of the Borrower to pay the amounts of the Revolving Loans or the aggregate unpaid principal amount of all Revolving Loans made by the Banks, and interest due thereon. Borrowings under the Revolving Loans may be made on any Business Day (but not more frequently than three times during each calendar week) and are to be made in amounts of not less than \$400,000 and in integral amounts of \$100,000. The Borrower shall make requests for advances under the Revolving Loans by giving the Agent oral or written notice of the amount of such desired borrowing and the date the funds are to be received by the Borrower on or before 10:30 a.m. of the date such funds are to be received. The Agent shall promptly advise each Bank of the information contained in such notice and its proportionate share of such borrowing. No later than 12:00 noon on the date specified in such notice, each Bank shall make available to the Agent, in immediately available funds, its proportionate share of such borrowings.

4.2. Payments of Interest and Principal. Loans made under the Revolving Credit Notes shall bear interest at the Borrower's option at a rate per annum equal to: (i) the Prime Rate or (ii) the Adjusted LIBOR Rate, in either case plus the Applicable Margin.

The rate selected by the Borrower as provided in this Section 4.2 is sometimes herein referred to as the "Revolving Loan Interest Rate."

Interest accruing with respect to the Revolving Loans shall be paid each Fiscal Month of the Borrower to the Agent for the ratable benefit of the Banks. The Agent shall exercise its best efforts to submit an invoice to the Borrower for a Fiscal Month's interest payment by the fourth Business Day of the next succeeding month (but after the end of the Borrower's previous Fiscal Month); provided, however, that no failure on the part of the Agent to so deliver such invoice by such date will relieve the Borrower of its obligation to make such interest payment for such Fiscal Month. Each such invoice shall state the amount payable to each of the Banks under such invoice. The amount so accruing will be payable on the tenth Business Day of each Fiscal Month, commencing on the first such interest payment date following the date of the first Revolving Loan, and continuing until payment in full of the Revolving Credit Notes. The Agent is hereby authorized by the Borrower (but only on or after the tenth Business Day of such Fiscal Month of the Borrower) to debit an account of the Borrower (for the benefit of the Banks) with either of the Banks as designated by the Borrower in an amount equal to the amount then due and payable under this Section 4.2 by the Borrower to the Banks for such Fiscal Month. No late charge will be assessed against the Borrower with respect to any payment due hereunder until after the fifteenth day after the due date therefor. Borrower shall immediately pay to the Agent, for the pro rata benefit of the Banks, on the date the Revolving Credit Notes become due and payable, the entire outstanding principal amount of the Revolving Loans, together with the accrued interest thereon through and including such date. The Borrower may make payments of principal on the Revolving Loans at any time and from time to time, provided that such payments must be in amounts of not less than \$100,000 and in integral amounts of \$100,000, and provided further that the Borrower may not make either a borrowing under Section 4.1 hereof or a payment of principal pursuant to this Section 4.2 more often than three times during any calendar week.

From time to time Borrower will select the applicable Revolving Loan Interest Rate based on quotes from the Agent. The Adjusted LIBOR Rate will be a fixed rate for one Fiscal Month. This rate option may be designated as of the first Business Day of a Fiscal Month and such rates shall be effective as of the first day of the Fiscal Month and shall be in effect through the final day of the Fiscal Month. If the Revolving Loan Interest

Rate is being calculated based on the Prime Rate, the rate shall adjust daily as changes occur in the Prime Rate.

On or before 11:00 a.m. (Charlotte, North Carolina time) on the first Business Day of each Fiscal Month at the Borrower's request, the Agent shall notify the Borrower of the Revolving Loan Interest Rate options, and the Borrower may before 12:00 noon on such day designate to the Agent the applicable Revolving Loan Interest Rate which shall apply to such Fiscal Month. If the Borrower fails to designate an applicable Revolving Loan Interest Rate by 12:00 noon on such date, the Revolving Credit Notes will bear interest for such Fiscal Month at the lower of the Revolving Loan Rate options on such date.

4.3. Termination or Reduction of Revolving Credit Commitments. Borrower shall have the right, upon written notice (effective upon receipt) to the Agent and each of the Banks, to terminate, or from time to time, to reduce, the Revolving Credit Commitments without premium or penalty, except as provided below. Any such reduction in the Revolving Credit Commitments shall in turn reduce, pro rata, the amount of the First Union Revolving Credit Commitment and the Wachovia Revolving Credit Commitment. Each partial reduction of the Revolving Credit Commitments shall be in an aggregate amount equal to \$1,000,000 or any integral multiple thereof. Each such reduction shall be accompanied by prepayment of the Revolving Credit Notes (each such payment being applied, pro rata, to the First Union Revolving Credit Note and the Wachovia Revolving Credit Note), together with accrued interest thereon, to the extent that the aggregate principal amount thereof then outstanding exceeds the Revolving Credit Commitments as so reduced. Any such prepayments shall be made to the Agent, for the ratable benefit of the Banks. In any event, all Revolving Credit Commitments will terminate on March 1, 2001, at which time the Revolving Credit Notes shall be due and payable in full.

4.4. Bankers' Acceptances.

(a) Drafts. Subject to the terms and conditions hereof and in its sole discretion, either Bank may accept (in which case such Bank shall be referred to herein as an "Accepting Bank"), for the account of the Borrower and at the Borrower's request and without regard to the amount of the Accepting Bank's Revolving Credit Commitment, such drafts as the Borrower may from time to time designate (such drafts, upon being accepted by either such Bank, are referred to herein as "Accepted Drafts"); provided, however, that the Borrower shall not request either Bank to accept a draft if (i) the amount of such draft is less than \$1,000,000 or is not in an integral multiple of \$1,000,000; (ii) upon such Bank's acceptance of such draft the aggregate stated amount of outstanding Accepted Drafts would exceed the lesser of \$33,500,000 or the then aggregate amount of the Revolving Credit Commitments; (iii) upon the Bank's acceptance of such draft the sum of the outstanding aggregate principal amount of the Revolving Loans plus the aggregate stated amount of outstanding Accepted Drafts would exceed the lesser of \$33,500,000 or the then aggregate amount of the Revolving Credit Commitments; (iv) the date the draft is to mature is later than either (A) a Revolving Loan Termination Date on which all of such Bank's Revolving Loans will terminate or (B) ninety (90) days after the date the draft is presented to such Bank for acceptance; or (v) a Default or an Event of Default has occurred and is continuing. All such drafts requested pursuant to this Section 4.1 shall be substantially in the customary form of the Accepting Bank. The Accepting Bank shall promptly, upon the acceptance of a draft, notify the Agent and the other Bank of such Accepted Draft, specifying the date, amount and maturity thereof. The Accepting Bank shall also notify the Agent and the other Bank at such time as such Accepted Draft has matured and been paid in full by the Borrower.

(b) Request for a Draft. Whenever the Borrower desires the acceptance of a draft it shall, in addition to providing such documents as the Accepting Bank may require, including a detailed statement describing the transaction, if any, to be financed by the draft, deliver the draft and accompanying information to the Accepting Bank no later than 11:00 A.M. (Charlotte, North Carolina time) at least two (2) Business Days in advance of the proposed date of acceptance.

(c) Repayment. The Borrower shall pay to the Accepting Bank, in United States currency same-day-available funds, the amount of each Accepted Draft on or prior to its date of maturity. In the event that the Borrower fails to make timely such payment, the Accepting Bank may, on the Borrower's behalf, request a Loan under the Revolving Loans in the amount of such Accepted Draft by notice to the Agent,

and such request for a Loan by the Accepting Bank shall be deemed to have been made by the Borrower pursuant to Section 4.1 hereof, whereupon the Banks shall, subject to the conditions set forth in this Agreement, honor such request and disburse such Loan to the Accepting Bank for and on behalf of the Borrower. For purposes of the immediately preceding sentence, however, the failure of the Borrower to pay to the Accepting Bank the amount of the Accepted Draft on or prior to its date of maturity shall not be considered a Default or Event of Default. The Borrower hereby irrevocably appoints such Accepting Bank as its attorney-in-fact for and on behalf of the Borrower to request such Loan. The power-of-attorney granted by this Section is coupled with an interest and is irrevocable as long as the Revolving Credit Commitments are outstanding.

(d) Acceptance Rate. The Borrower agrees to pay the Accepting Bank, on demand, interest in respect of each Accepted Draft at a rate equal to the rate for bankers' acceptances of a term of 30, 60 or 90 days and of the proposed draft amount quoted by the Accepting Bank to the Borrower at the time of acceptance of the Accepted Draft and all reasonable out-of-pocket expenses incurred by such Bank in connection with the Accepted Draft. Because the Accepting Bank's rate for bankers' acceptances is subject to frequent change, any quotation of such a rate by the Accepting Bank to the Borrower shall not be valid if the Borrower does not present the Accepting Bank with a draft for acceptance immediately upon such quotation.

(e) Compliance with Laws. The Borrower agrees to comply with all requirements of law in connection with the transaction financed by an Accepted Draft and shall perform such transaction in accordance with the description of the transaction, if any, submitted by the Borrower to the Accepting Bank upon the Borrower's request for acceptance of a draft.

(f) Termination of Revolving Credit Commitment. Notwithstanding anything to the contrary herein, upon the acceleration of any of the Borrower's obligations hereunder after an Event of Default or upon the termination of a Revolving Credit Commitment hereunder, an amount equal to the aggregate amount of the outstanding Accepted Drafts shall, at the Accepting Bank's option and without demand upon or further notice to the Borrower, be deemed (as between such Bank and the Borrower) to have been paid or disbursed by the Bank under the Accepted Drafts (notwithstanding that such amounts may not in fact have been so paid or disbursed), and a Loan to the Borrower in the amount of such Accepted Drafts to have been made and accepted, which Loan shall be due and payable as provided herein.

(g) Notwithstanding the foregoing, the Bankers Acceptances option described in this Section 4.4 shall be available to the Borrower only in the event that, and so long as, the ratio of Consolidated Funded Debt to Operating Cash Flow shall be no greater than 2.25 to 1.0.

4.5. Letters of Credit.

(a) Issuance. Subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the Issuing Bank may reasonably require, the Issuing Bank shall issue, and the Banks shall participate in, Letters of Credit for the account of the Borrower from time to time upon request from the Restatement Date until the Revolving Loan Maturity Date in a form acceptable to the Issuing Bank; provided, however, that (i) the aggregate amount of LOC Obligations shall not at any time exceed TWENTY-TWO MILLION FOUR HUNDRED THIRTY-SIX THOUSAND FOUR HUNDRED EIGHTEEN AND 54/100 DOLLARS (\$22,436,418.54) (the "LOC Committed Amount"). Letters of Credit will be issued solely for the purpose of supporting industrial development revenue bonds or similar tax-advantaged programs for the benefit of the Borrower. Except as otherwise expressly agreed upon by all the Banks, Letters of Credit shall not have an original expiry date later than the Revolving Loan Maturity Date. Each Letter of Credit shall comply with the related LOC Documents. The issuance and expiry date of each Letter of Credit shall be a Business Day.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted to the Issuing Bank, with a copy to the Agent, at least three (3) Business Days prior to the requested date of issuance. The Issuing Bank will, at least quarterly and more frequently upon request, provide to the Agent for dissemination to the Banks a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the account party, the beneficiary, the face amount, expiry date as well as any payments or expirations which may have occurred. The Issuing Bank will further provide to the Agent promptly upon request copies of the Letters of Credit, and the Agent shall provide to the other Banks promptly upon request copies of the Letters of Credit.

(c) Reimbursement.

(i) Drawings other than Tender Drawings. The Borrower hereby agrees to pay to the Issuing Bank:

(A) except as set forth in subsection (ii) hereof applicable to Tender Drawings that are paid from the proceeds of a Tender Advance made pursuant to subsection (b) hereof, immediately after (and on the same Business Day as) any amount is drawn under a Letter of Credit, a sum (and interest on such amount as provided in subsection (iii) hereof) equal to the amount so drawn; and

(B) any and all expenses incurred by the Issuing Bank in enforcing any rights under this Agreement.

(ii) Tender Drawings.

(A) In the case of a Tender Drawing, subject to the conditions in Section 8.2 for an Extension of Credit hereunder, then unless the Borrower shall have given notice of its election to reimburse the Issuing Bank in immediately available funds for the full amount of the Tender Drawing prior to the end of the Business Day thereof, the proceeds of the amount of each Tender Drawing (other than a Tender Drawing upon conversion of the interest rate on the underlying bonds to a fixed rate, and other than the portion of the Tender Drawing representing interest accrued on the underlying bond which shall not be subject to repayment with the proceeds of a Tender Advance hereunder) shall, as provided in subsection (c) hereof, constitute an advance made by the Issuing Bank to the Borrower on the date and in the amount of such drawing, each such advance being referred to as a "Tender Advance". Where availability exists under the Revolving Credit Commitment, the Issuing Bank may request a Revolving Loan advance under Section 4.1 to repay the Tender Advance. Where the Issuing Bank does not request a Revolving Loan advance in accordance with the terms hereof or where availability does not exist under the Revolving Credit Commitment or Revolving Loan advances may not be made, the Tender Advance shall remain outstanding in accordance with terms hereof. Any amounts drawn to pay the portion of the purchase price of the underlying bonds constituting accrued interest shall be reimbursed as provided in subsection (i) hereof and shall not be reimbursed from the proceeds of a Tender Advance.

(B) Acceptance by the Borrower of each Tender Advance shall constitute a representation and warranty by the Borrower as of the date thereof that the conditions of Section 8.2 to each Extension of Credit have been satisfied.

(iii) Unreimbursed Drawings. The Borrower shall pay to the Issuing Bank upon demand interest at a per annum rate equal to the Prime Rate plus two percent (2%) on any and all amounts (other than Tender Advances referred to in subsection (ii) hereof) unpaid by the Borrower when due hereunder (in the case of amounts in respect of interest, to the maximum extent permitted by law) commencing the day after such amounts first became due until payment is made. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of set-off, counterclaim or defense to payment the Borrower may claim or have against the Issuing Bank, the Agent, the Banks, the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of the Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The Issuing Bank will promptly notify the other Banks of the amount of any unreimbursed drawing and each Bank shall promptly pay to the Agent for the account of the Issuing Bank in Dollars and in immediately available funds, the amount of such Bank's LOC Commitment Percentage of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Bank from the Issuing Bank if such notice is received at or before 2:00 P.M. (Charlotte, North Carolina time), otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. If such Bank does not pay such amount to the Issuing Bank in full upon such request, such Bank shall, on demand, pay to the Agent for the account of the Issuing Bank interest on the unpaid amount during the period from the date of such drawing until such Bank pays such amount to the Issuing Bank in full at a rate per annum equal to, if paid within two (2) Business Days of the date of drawing, the Federal Funds Rate and thereafter at a rate equal to the Prime Rate. Each Bank's obligation to make such payment to the Issuing Bank, and the right of the Issuing Bank to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Credit Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the Obligations hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever.

(d) Tender Advances.

(i) The Issuing Bank hereby agrees, on the terms and conditions of this Agreement, to make Tender Advances to the Borrower for the purpose of paying Tender Drawings arising from time to time during the period from the Restatement Date to the Revolving Loan Termination Date.

The Bank agrees that upon any Tender Drawing under a Letter of Credit the Issuing Bank shall, without any notice or other action on the part of the Borrower but subject to satisfaction of the conditions of Section 8.2 hereof, make a Tender Advance in an amount equal to such Tender Drawing, the proceeds of which shall automatically be applied by the Issuing Bank to the payment in full of the Tender Drawing. The Borrower hereby agrees to pay to the Issuing Bank the aggregate unpaid principal amount of the Tender Advances together with all accrued and unpaid interest thereon as provided in subparagraph 4.5(d)(iii) below. The Tender Advances may, but need not, be made against and evidenced by such promissory notes or instruments as the Issuing Bank may deem appropriate. Where a Tender Advance is evidenced by a promissory note or other instrument, the Borrower authorizes the Issuing Bank to endorse on any schedule which may be attached thereto the amount of each Tender Advance made by the Issuing Bank to the Borrower hereunder, the date of the Tender Advance and the amount of each payment or prepayment of principal of such Tender Advance received by the Issuing Bank; provided, however, that any failure by the Issuing Bank to make any such endorsement shall not limit, modify or affect the obligations of the Borrower hereunder or under any promissory note or instrument relating thereto in respect of such Tender Advances.

(ii) The Borrower hereby promises to pay to the Issuing Bank interest at a rate per annum equal to the rate selected by the Borrower and applicable to Revolving Loans under Section 4.2 hereof for the period commencing on the date of such Tender Advance to, but excluding, the date such Tender Advance is paid in full. Accrued interest on each Tender Advance shall be payable (A) on the dates provided for payment of interest on Revolving Loans in Section 4.2 hereof, (B) upon the payment or prepayment thereof, and (C) on the Revolving Loan Termination Date.

(iii) Each Tender Advance shall be payable on the earlier of (A) the date of remarketing of the underlying bonds relating to such Tender Advance, or (B) the Revolving Loan Termination Date. All Tender Advances may be prepaid in whole or in part (in multiples of \$5,000) at any time by the Borrower on one (1) Business Day's notice stating the amount to be prepaid (which if in part shall be \$5,000 or a whole multiple thereof), and at any time on behalf of the Borrower on one (1) Business Day's notice from the Borrower directing the Issuing Bank to deliver a specified principal amount of pledged bonds held by the Issuing Bank or its designated pledge agent for remarketing pursuant to the terms of the Indenture relating thereto. Each such notice of prepayment shall be irrevocable and shall specify the Tender Advance to be prepaid and the amount of the Tender Advance to be prepaid and the date of prepayment (which date

shall be a Business Day). Upon payment to the Issuing Bank of amounts hereunder in payment or prepayment on the Tender Advances, together with accrued interest thereon, the Issuing Bank shall release from the pledge and security interest relating thereto a principal amount of Pledged Bonds (consisting of the underlying Bonds relating to such Tender Advance) equal to the amount of such payment or prepayment.

(e) Participations. Each Bank, with respect to the Existing Letters of Credit, hereby purchases a participation interest in such Existing Letters of Credit and with respect to Letters of Credit issued on or after the Restatement Date, upon issuance of a Letter of Credit, shall be deemed to have purchased without recourse a risk participation from the Issuing Bank in such Letter of Credit, and in each case in any Tender Advances relating thereto and in the other obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its LOC Commitment Percentage of the obligations under such Letter of Credit and shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and be obligated to pay to the Issuing Bank therefor and discharge when due, its LOC Commitment Percentage of the obligations arising under such Letter of Credit (including, for purposes hereof, Tender Advances). Without limiting the scope and nature of each Bank's participation in any Letter of Credit and in Tender Advances relating thereto, to the extent that the Issuing Bank has not been reimbursed as required hereunder or under any such Letter of Credit (or, in the case of a Tender Advance, in accordance with the terms hereof), each such Bank shall pay to the Issuing Bank its LOC Commitment Percentage of such unreimbursed drawing (or Tender Advance) in same day funds on the day of notification by the Issuing Bank of an unreimbursed drawing pursuant to the provisions of subsection (d) hereof. The obligation of each Bank to so reimburse the Issuing Bank shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Bank under any Letter of Credit, together with interest as hereinafter provided.

(f) Modification, Extension. The issuance of any supplement, modification, amendment, renewal, or extension to any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(g) Uniform Customs and Practices. The Issuing Bank may have the Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits, as published

as of the date of issue by the International Chamber of Commerce (the "UCP"), in which case the UCP may be incorporated therein and deemed in all respects to be a part thereof.

(h) Letter of Credit Fees.

(i) Letter of Credit Fee. In consideration of the issuance of Letters of Credit hereunder, the Borrower agrees to pay a fee (the "Letter of Credit Fee") equal to the Applicable Percentage per annum on the average daily maximum amount available to be drawn under each such Letter of Credit from the date of issuance to the date of expiration. The Borrower agrees to pay to the Issuing Bank for its own account, without sharing by the other Banks such additional fee, if any, as may from time to time be agreed upon by the Borrower and the Issuing Bank. The Letter of Credit Fee shall be payable to the Agent annually in advance on April 1, of each year. The Agent shall pay over to the Banks (including the Issuing Bank) their respective ratable share of the Letter of Credit Fee promptly upon receipt.

(ii) Issuing Bank Fees. In addition to the Letter of Credit Fees payable pursuant to subsection (i) hereof, the Borrower agrees to pay to the Issuing Bank for its own account, without sharing by the other Banks such additional fee, if any, as may from time to time be agreed upon by the Borrower and the Issuing Bank and also customary charges from time to time of the Issuing Bank, with respect to the issuance, amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit (collectively, the "Issuing Bank Fees").

(i) Existing Reimbursement Agreement. Reference is hereby made to that \$4,500,000 Guilford County, North Carolina, Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1988, to the Existing Letter of Credit relating thereto as referenced on Exhibit 9, and to the Reimbursement Agreement dated as of December 1, 1993 between Wachovia Bank of North Carolina, N.A. and the Borrower, as amended (the "Existing Reimbursement Agreement"). Plans have been made to replace the foregoing letter of credit with a new Letter of Credit issued by Wachovia under this Credit Agreement, but until such time as the new Letter of Credit has been issued hereunder and the foregoing Existing Letter of Credit has been terminated and surrendered, the Existing Reimbursement Agreement shall remain in effect, provided, however, that the provisions of such Reimbursement Agreement which contrast with or are in conflict with the provisions of this Agreement shall be deemed amended and modified to conform with the provisions of this Agreement.

SECTION 5. The Notes.

5.1. Computation of Interest. Interest on each of the Revolving Credit Notes and the Term Notes (the "Notes") shall be computed on the actual number of days elapsed, based on a year of 360 days.

5.2. Payments. All payments (including prepayments) made by the Borrower on account of principal, interest and fees shall be made at the office of the Agent referred to in Section 13.10 hereof, for the benefit of the Banks as appropriate, prior to 11:00 a.m., Charlotte, North Carolina time on the date of payment in immediately available funds and, when due or upon instruction from the Borrower, may be made by debit to the Borrower's account with the Agent (for the benefit of the Banks) or with either Bank as contemplated herein. Promptly upon receipt of any such payments the Agent shall remit each Bank's pro rata portion thereof to such Bank in immediately available funds or credit such amounts to an account which such Bank then maintains with the Agent.

5.3. Facility Fee. The Borrower shall pay a facility fee equal to \$100,500 (0.30%) per annum in respect of the Revolving Credit Commitments. Such fee shall be paid annually to the Agent for the ratable benefit of the Banks (based upon the Revolving Credit Commitments of each Bank), the first such annual payment being due on April 1, 1996 and subsequent annual payments being due on the anniversary dates thereof. The Agent shall submit an invoice to the Borrower with respect to each annual payment due hereunder, and each such invoice shall state the amount payable to each of the Banks under such invoice. In the event of the termination of the Revolving Credit Commitments pursuant to the second paragraph of Section 4.3 hereof, such fee shall be payable only with respect to that portion of a twelve-month period during which the Revolving Credit Commitments are in effect, and each Bank shall refund to the Borrower such Bank's pro rata share of any such excess facility fee payment. In the event of a reduction in the Revolving Credit Commitments at the election of the Borrower pursuant to the first paragraph of Section 4.3 hereof, no part of, the facility fee paid by the Borrower for the year in which the notice of such a reduction is given shall be refunded, but the amount of the facility fee shall be adjusted as of the next anniversary date of the Closing Date after such reduction to an amount that bears the same proportion (0.30%) to the total Revolving Credit Commitments following such reduction as \$100,500 bears to the total Revolving Credit Commitments as of the date hereof.

5.4. Default Rate of Interest. Upon the occurrence of and during the continuance of an Event of Default, the principal amount outstanding under the Notes shall, at the option of the Required Banks (but only upon and after written notice to the

Borrower of the Required Bank's exercise of their rights under this Section 5.4), bear interest at a rate per annum equal to the Prime Rate plus 2% (the "Default Rate"). Upon the occurrence and during the continuance of an Event of Default by reason of the failure by the Borrower to pay to the Accepting Bank any amounts due the Accepting Bank pursuant to Section 4.4(c) hereof, such amounts shall bear interest from the date due until paid at the rate per annum equal to the Default Rate.

5.5. Late Charge. A late charge of four percent (4%) of each payment past due for more than fifteen (15) days shall be added to the amount due with respect to such payment.

SECTION 6. Use of Proceeds. The proceeds of the Revolving Loans shall be used by the Borrower for Capital Expenditures, for normal working capital requirements and to repay from time to time Accepted Drafts. The proceeds of the Term Loans, other than the proceeds made available by the Banks pursuant to the Third Amendment, shall be used by the Borrower to refinance and restructure existing indebtedness of the Borrower to First Union and Wachovia and for ongoing corporate purposes.

SECTION 7. Representations and Warranties. In order to induce each of the Banks to enter into this Agreement and to make the Extensions of Credit herein provided for, the Borrower, as of the date hereof, represents and warrants to the Banks (which representations and warranties shall survive the delivery of the documents mentioned herein and the making of the initial Extensions of Credit contemplated hereby) as follows:

7.1. Incorporation. Borrower and each Subsidiary are corporations duly organized, existing and in good standing under the laws of their respective Jurisdictions of incorporation, and have the corporate power to own their respective properties and to carry on their respective businesses as now being conducted, and, to the best of their knowledge, are duly qualified as foreign corporations to do business in every jurisdiction in which the nature of their respective businesses makes such qualification necessary (except such jurisdictions, if any, in which the failure to be so qualified will not have a material adverse effect on their respective businesses) and are in good standing in such jurisdictions. Exhibit 3 contains a complete list of all of the Borrower's Subsidiaries and all of the Borrower's investments in other Persons.

7.2. Power and Authority. Borrower is duly authorized under all applicable provisions of law to execute and deliver this Agreement, the Notes and the other Loan Documents and to execute, deliver and perform under this Agreement, and all corporate action on its part required for the lawful execution, delivery and performance thereof has been duly taken; and this Agreement, the Notes and the other Loan Documents upon due execution and delivery thereof, will be the valid and enforceable instruments

and obligations of Borrower in accordance with their terms. Neither the execution of this Agreement nor the creation or issuance of the Notes or the other Loan Documents, nor the fulfillment of or compliance with their provisions and terms, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a violation of or default under any applicable law, regulation, writ or decree or the articles of incorporation or bylaws of Borrower or any subsidiary, or any agreement or instrument to which Borrower or any Subsidiary is now a party, or create any lien, charge or encumbrance upon any of the property or assets of Borrower or any Subsidiary except for the liens created pursuant to the Loan Documents.

7.3. Financial Condition. The consolidated balance sheet of Borrower and its Subsidiaries for the Fiscal Year ended as of April 30, 1995, and the related consolidated statements of income and retained earnings and consolidated statements of cash flow for the year then ended, certified by independent public accountants, copies of which have been furnished to the Banks, are correct, complete and fairly present the financial condition of Borrower and its Subsidiaries as at the date of said balance sheet and the results of their operations for such period. The interim consolidated balance sheet and interim consolidated statement of income and retained earnings and statements of cash flow as of or for the period ended January 28, 1996, prepared by the chief financial officer of the Borrower, copies of which have been furnished to the Banks, are true and correct and present fairly, subject to normal recurring year-end adjustments, the financial condition of Borrower and its Subsidiaries as of such date and the results of their operations for such period. The Borrower and its Subsidiaries do not have any material direct or contingent liabilities as of the date of this Agreement which are not provided for or reflected in the consolidated balance sheets dated January 28, 1996, or referred to in notes thereto or set forth in Exhibit 4 hereto. All such financial statements have been prepared in accordance with generally accepted accounting principles in the United States applied on a consistent basis throughout the period involved. There has been no material adverse change in the business, properties, or condition, financial or otherwise, of Borrower or any Subsidiary since January 28, 1996. No statement contained in this Agreement or in any schedule or exhibit hereto or in any certificate delivered (or to be delivered) pursuant hereto contains (or will contain) any material misstatement of fact or omit (or will omit) to state a material fact or any fact necessary to make the statement contained therein not materially misleading.

7.4. Title to Assets. Borrower and its Subsidiaries have good and marketable title to their respective properties and assets, both real and personal property, including the properties and assets reflected in the financial statements and notes thereto described in Section 7.3 (the "Financial Statements"),

except for such assets as have been disposed of since the date of the Financial Statements in the ordinary course of business or as are no longer useful in the conduct of their respective businesses, and all such properties and assets are free and clear of all liens, mortgages, pledges, encumbrances or charges of any kind except for Permitted Encumbrances.

7.5. Absence of Pending Actions. There are no suits or proceedings pending before any court, quasi-judicial or administrative body or regulatory agency or, to the knowledge of Borrower, threatened against or affecting Borrower or the Real Property, or involving the validity or enforceability of the Loan Documents or relating to Borrower's actual use of the Real Property or involving any risk of a judgment or a liability the likely outcome of which would have a material adverse effect on the financial condition, business or properties of Borrower or Borrower's ability to perform its obligations under the Loan Documents, or any Lease respecting the Real Property, except as described in Exhibit 4 hereto.

7.6. Contingent Liabilities. The Borrower, and its, Subsidiaries have not guaranteed any obligations of others and are not, to the best of their knowledge, contingently liable in any manner, direct or indirect, except as otherwise permitted under Section 10.2 hereof or as disclosed in the Financial Statements or Exhibit 4 hereto.

7.7. Taxes. Borrower and its Subsidiaries have filed all tax returns required to be filed by them and all taxes due with respect thereto have been paid, and, except as described in Exhibit 4 hereto, no material controversy in respect of additional taxes, state, federal or foreign, of Borrower or its Subsidiaries is pending, or, to the knowledge of Borrower, threatened. The federal and state income taxes of Borrower and its Subsidiaries have been examined and reported on or closed by applicable statutes for all Fiscal Years to and including the Fiscal Year ending April 30, 1993, and adequate reserves have been established for the payment of all such taxes for periods ended subsequent to April 30, 1993.

7.8. Contract or Restriction Affecting Borrower. Neither the Borrower nor its Subsidiaries are parties to, nor are legally bound by any contract or agreement, or subject to any charter or other corporate restrictions, or subject to the renegotiation of any contract which does or may materially and adversely affect the business, properties or condition, financial or otherwise, of Borrower or its Subsidiaries, except as disclosed or reflected in the Financial Statements or on Exhibit 4.

7.9. [INTENTIONALLY LEFT BLANK]

7.10. Permits and Licenses. Borrower has obtained, or will obtain, all required federal, state and local permits, licenses,

approvals and authorizations, including those required by the Federal Environmental Protection Agency and any state or local authority charged with the enforcement or regulation of environmental and land use matters, and has complied in all material respects, or will comply in all material respects, with all building, safety, division, zoning, land use and other requirements of any state, municipal or other governmental authority, pertaining to the construction or operation of the Improvements.

7.11. Trademarks, Franchises and Licenses. Borrower and its Subsidiaries own, possess, or have the right to use all necessary patents, licenses, franchises, trademarks, trademark rights, trade names, trade name rights and copyrights to conduct their respective businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, or copyright of any other Person.

7.12. [INTENTIONALLY LEFT BLANK]

7.13. [INTENTIONALLY LEFT BLANK]

7.14. ERISA. Borrower and each Subsidiary are in compliance in all material respects with all material requirements of ERISA applicable to it, and no Reportable Event (as defined in ERISA) has occurred and is continuing with respect to any Plan (as defined in ERISA).

7.15. Environmental Matters. Except as set forth in Exhibit 4:

(a) the Real Property of Borrower and each Subsidiary is in compliance in all material respects with all Acts that are applicable to the Borrower, and the Borrower and each Subsidiary have obtained and currently maintain all licenses, permits and approvals required with respect to Hazardous Substances and are in compliance in all material respects with all such licenses, permits and approvals;

(b) as of this date, none of the Real Property has been used to illegally treat, store or dispose of Hazardous Substances, and no Hazardous Substances are illegally located on, in or under any of the Real Property or used or emitted in connection therewith, except to the extent that Borrower has fully disclosed to the Banks in writing the existence, extent and nature of any such Hazardous Substances on, in or under any of the Real Property or used or emitted in connection therewith;

(c) to the best of Borrower's knowledge and belief, no portion of any of the Real Property is part of a flood plain or flood hazard area or protected wetlands, except to the extent that Borrower has fully disclosed to the Banks in

writing the existence, extent and nature of such flood plain, flood hazard area or wetlands; and

(d) Borrower has notified the Banks of Borrower's receipt of any citations, orders, notices, consent agreements, lawsuits, claims, or similar communication from a Governmental Authority or third party alleging a violation of any Acts (including allegations of a violation of the common law).

7.16. No Default. Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of its material obligations, covenants or conditions contained in any agreement or instrument to which it is a party.

SECTION 8. Conditions.

8.1. Conditions of Closing. The obligation of the Banks to make the Loans herein provided for is subject to the continuing accuracy of all representations and warranties of the Borrower herein (except to the extent such representations and warranties shall become inaccurate solely as a result of subsequent occurrences permitted under this Agreement or otherwise disclosed to the Banks) and the performance of all agreements by Borrower contained herein, including the following:

(a) Legal Opinions. On the date hereof, and to the extent required by the Banks upon any further closing hereunder, the Banks shall have received the favorable opinion of Robinson, Bradshaw & Hinson, P.A., counsel for Borrower, addressed to the Banks, in form and substance satisfactory to the Banks.

(b) Closing Documents. Borrower shall have delivered to the Banks on or prior to the date hereof:

(i) the executed Term Notes and Revolving Credit Notes and executed counterparts of this Agreement;

(ii) corporate resolutions of the Board of Directors of the Borrower, in form satisfactory to the Banks, approving this Agreement, the Notes and the other Loan Documents and the transactions contemplated thereby and authorizing execution, delivery and performance thereof; and

(iii) a copy of the Borrower's articles of incorporation and bylaws certified by the Secretary or Assistant Secretary of the Borrower to be true and correct copies as currently in effect.

8.2. Conditions to Each Extension of Credit. The obligation of the Banks to make any Extension of Credit hereunder is subject to satisfaction of the following conditions on the date of the making thereof:

(a) Representations and Warranties. The representations and warranties made by the Borrower herein or in any certificate furnished to the Banks in connection herewith shall be true and correct in all material respects on and as of such date (except as to those matters which by these terms relate to a prior period).

(b) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Extension of Credit to be made thereby.

Each acceptance by the Borrower of an Extension of Credit hereunder shall be deemed to constitute a representation and warranty by the Borrower as of the date of the Extension of Credit that the foregoing conditions have been satisfied.

SECTION 9. Affirmative Covenants. Borrower covenants that, so long as any portion of the indebtedness evidenced by the Notes or any other obligation hereunder remains unpaid and unless the Banks otherwise consent in writing, it will:

9.1. Financial Reports and Other Data.

(a) As soon as practicable and in any event within 45 days after the end of each of the first three Fiscal Quarters of Borrower, deliver to each of the Banks (i) a consolidated and, if requested by the Banks, a consolidating balance sheet of Borrower and its Subsidiaries as at the end of such Fiscal Quarter, and related statements of income and retained earnings and statements of cash flow for such Fiscal Quarter and for the period from the beginning of the current Fiscal Year to the end of such Fiscal Quarter, setting forth in comparative form figures for the corresponding periods in the preceding Fiscal Year, all in reasonable detail and certified by either the chief executive officer or the chief financial officer of Borrower to have been prepared in accordance with generally accepted accounting principles in the United States applied on a consistent basis, subject only to changes resulting from normal, recurring year-end adjustments and (ii) a Form 10-Q as filed by the Borrower with the Securities and Exchange Commission with respect to such Fiscal Quarter.

(b) As soon as practicable and in any event within 120 days after the end of each Fiscal Year, deliver to each of the Banks (i) a consolidated and a consolidating balance sheet of Borrower and its Subsidiaries as at the end of such Fiscal Year, and related statements of income and retained earnings and statements of cash flow for such Fiscal Year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable

detail, and certified by and containing an opinion, reasonably acceptable to the Banks, from a firm of nationally recognized independent certified public accountants, and (ii) a Form 10-K as filed by the Borrower with the Securities and Exchange Commission with respect to such Fiscal year.

(c) Furnish, at the reasonable request of either of the Banks, opinions of legal counsel, independent public accountants and officers' certificates satisfactory to such Bank, regarding matters incident to this Agreement. Upon delivery of the financial statements as required in Sections 9.1(a) and (b), the Borrower will furnish the Banks, with a certificate in the form of Exhibit 5 attached hereto as of the end of the preceding Fiscal Quarter, signed by Borrower's chief executive officer or chief financial officer. In addition, the Borrower shall give each of the Banks prompt written notice of a default or failure of performance under any material agreement or contract to which either the Borrower or a Subsidiary is a party or by which it is bound.

(d) Promptly deliver to each of the Banks a copy of all (i) proxy materials submitted to the shareholders of the Borrower, (ii) reports and registration statements (including, without limitation, forms 10-K and 10-Q as required above) furnished to the Securities and Exchange Commission, or any governmental authority which is substituted therefor, or with any national securities exchange, and (iii) all reports relating to any "Reportable Event" as defined under ERISA.

(e) With reasonable promptness, deliver such additional financial or other data as either of the Banks may from time to time reasonably request. Each of the Banks is hereby authorized (but only if required to do so) to deliver a copy of any financial statements or other information relating to the business operations or financial condition of the Borrower and its Subsidiaries which may be furnished to it or come to its attention pursuant to this Agreement or otherwise, to any regulatory body or agency having jurisdiction over such Bank.

9.2. Taxes and Liens. Promptly pay, or cause to be paid, all taxes, assessments or other governmental charges which may lawfully be levied or assessed upon the income or profits of Borrower, or any Subsidiary, or upon any property, real, personal or mixed, belonging to Borrower or any Subsidiary, or upon any part thereof, and also any lawful claims for labor, material and supplies which, if unpaid, might become a lien or charge against any such property; provided, however, neither the Borrower nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim so long as (i) the Borrower contests the

amount to be paid; (ii) the amount contested is \$10,000 or more; (iii) the Borrower or such Subsidiary shall first deposit with the Agent for the benefit of the Banks a bond or other security satisfactory to the Agent on behalf of the Banks in the amount being contested and (iv) the Borrower shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged.

9.3. Business and Existence. Do or cause to be done all things necessary to preserve and to keep in full force and effect its corporate existence; and, if the failure to do or cause to be done so would have a material adverse effect upon its business, do or cause to be done all things necessary to preserve and to keep in full force and effect its rights in any franchises, trade names, patents, trademarks and permits; and continue to engage principally in the business currently conducted by the Borrower.

9.4. Insurance on Properties. Keep its business and properties insured at all times with responsible insurance companies and carry such types and amounts of insurance as are reasonably acceptable to the Banks and as are usually carried by corporations engaged in the same or similar businesses similarly situated and upon the request of either of the Banks furnish such Bank a certificate as to such insurance and such other information or documentation as may be required by the Agent or the Banks.

During the term of the Loans, the premium on each insurance policy described above shall be prepaid and the policy term renewed annually in the same form and with at least the same coverage as the preceding year, with the Agent on behalf of the Banks to receive evidence of renewal satisfactory to the Agent on behalf of the Banks at least thirty (30) days prior to expiration. Further, no such policy shall be subject to cancellation, nonrenewal or reduction of coverage unless the insurer has given the Banks at least thirty (30) days' prior written notice of such action.

9.5. Maintain Property. Maintain those of its properties necessary for the conduct of its business in good order and repair, and, from time to time, make all needful repairs, renewals, replacements, additions and improvements thereto.

9.6. Right of Inspection. Permit any person designated by either Bank, at such Bank's expense, to visit and inspect any of the properties, corporate books and financial reports of Borrower and its Subsidiaries and to discuss their affairs, finances and accounts with their principal officers, all at such reasonable times and as often as such Bank may reasonably request.

9.7. [INTENTIONALLY LEFT BLANK]

9.8. Covenant Extended to Subsidiaries. Cause each Subsidiary to do with respect to itself, its business and its assets, each of the things required of Borrower in Section 9.2 through 9.6, inclusive.

9.9. Borrower's Knowledge of Default. Immediately give notice to each of the Banks of the occurrence of any Default or Event of Default hereunder, specifying the nature thereof, the period of existence thereof and what action Borrower proposes to take with respect thereto.

9.10. Suits or Other Proceedings. Upon Borrower's obtaining knowledge thereof, immediately give to each of the Banks written notice (i) of any litigation, dispute or proceeding involving a claim for \$500,000 or more, instituted against Borrower or any Subsidiary, (ii) of all pending litigations, disputes and proceedings instituted against the Borrower or a Subsidiary if all such claims aggregate \$500,000 or more, or (iii) of any attachment, levy, execution, or other process being instituted against any assets of Borrower or any Subsidiary with respect to a claim of \$250,000 or more.

9.11. Observe All Laws. Conform to and duly observe and cause each Subsidiary to conform to and duly observe in all material respects all laws, regulations and other valid requirements of any regulatory authority with respect to the conduct of its business which are known or should be known to the Borrower.

9.12. Compliance with Laws; Governmental Approvals. Upon the occurrence of an Event of Default, or if the Banks reasonably believe that Borrower is not in material compliance with the same, and upon Banks' request, Borrower will furnish evidence satisfactory to the Banks that the Real Property and improvements thereon are currently in compliance in all material respects and will comply in all material respects with all Governmental Requirements and with all covenants, conditions, easements and restrictions to which the Real Property and improvements thereon are subject. Borrower will observe, conform and comply in every material respect with all Governmental Requirements relative to the construction and operation of the Improvements and the conduct of its business. The Borrower will be required to comply with and obtain and at all times keep, in full force and effect such governmental approvals as may be necessary to comply with the Governmental Requirements relating to the Real Property and its occupancy.

9.13. ERISA. Comply with and cause each Subsidiary to comply with all requirements of ERISA applicable to it, including the prompt payment of all liabilities and obligations arising under any Plan (as defined in ERISA), and furnish to each of the Banks as soon as possible, and in any event within thirty (30) days after the Borrower or duly appointed administrator of a Plan

knows that any Reportable Event (as defined in ERISA) with respect to such Plan has occurred, an Officer's Certificate setting forth details as to such Reportable Event or any action which the Borrower proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the Pension Benefit Guaranty Corporation or a statement that said notice will be filed with the annual report to the United States Department of Labor with respect to such Plan if such filing has been authorized.

9.14. Payment of Obligations. Pay and cause each Subsidiary to pay, when due, all its material obligations and liabilities, except where the same (other than Consolidated Funded Debt) may be contested in good faith by appropriate proceedings diligently prosecuted and appropriate reserves for the accrual of same are maintained.

9.15. [RESERVED]

9.16. Consolidated Tangible Shareholders' Equity. Maintain Consolidated Tangible Shareholders' Equity of not less than \$53,000,000 from and after January 28, 1996 through that date which is one day prior to the last day of the Borrower's Fiscal Year ending in 1997 and on the last day of the Fiscal Year ending in 1997 and each subsequent Fiscal Year of the Borrower (the "Computation Date") and continuing in each period from the applicable Computation Date through that date which is one day prior to the end of the next Fiscal Year, the Borrower shall maintain Consolidated Tangible Shareholders' Equity of not less than the previous period's required Consolidated Tangible Shareholders' Equity plus fifty percent (50%) of Net Income (excluding for purposes of this Section 9.16 any net loss) of the Borrower for the Fiscal Year ending on such Computation Date (hereinafter referred to as the "Required Tangible Shareholders' Equity"); provided, that in the event for any Computation Date the Borrower's Consolidated Tangible Shareholders' Equity on such Computation Date exceeds the Required Tangible Shareholders' Equity on such Computation Date by more than \$6,000,000, the Required Tangible Shareholders' Equity shall be increased for the period beginning on such Computation Date to that amount which is \$6,000,000 less than the Borrower's Consolidated Tangible Shareholders' Equity on such Computation Date.

9.17. [RESERVED]

9.18. [RESERVED]

9.19. Operating Cash Flow to Interest Expense. Maintain a ratio of (x) Operating Cash Flow less Capital Expenditures for such period, to (y) Interest Expense for such period, of at least 2.5 to 1.0 for each Fiscal Quarter.

9.20. Consolidated Funded Debt to Total Capitalization.

Maintain a ratio of Consolidated (a) Funded Debt to (b) Total Capitalization plus the amount of unamortized goodwill arising from the acquisition by Borrower of certain assets of Rossville Companies, Inc., Chromatex, Inc. and Rossville Velours, Inc. pursuant to a transaction that closed on November 1, 1993, not in excess of 1 to 1.82 (55%) for each Fiscal Quarter.

9.21. Environmental Provisions and Indemnity.

(a) Borrower will promptly notify the Banks of any change in the nature or extent of (i) any Hazardous Substances maintained on, in or under the Real Property or used or emitted in connection therewith and (ii) any wetlands located on the Real Property.

(b) Borrower will at all times while Agent has any interest in or lien on the Real Property, operate the Real Property in material compliance with the Acts (including any required remediation with respect to Hazardous Substances) and will insure that the Real Property continues to be in material compliance with all applicable federal, state and local, environmental laws, statutes, ordinances and regulations, including but not limited to the Acts.

(c) Borrower will notify Agent immediately upon receipt by Borrower of any citations, orders, notices, consent agreements, lawsuits, claims, or similar communication from a Governmental Authority or third party alleging a violation of any Act or a violation of the common law as it may relate to Hazardous Substances or wetlands.

(d) Borrower will obtain and maintain all licenses, permits and approvals required with respect to the existence, extent and nature of any Hazardous Substances on, in or under the Real Property or used or emitted in connection therewith and will remain in compliance in all material respects with all such licenses, permits and approvals.

(e) Borrower will furnish to Agent promptly upon receipt copies of any and all environmental assessments, reports, studies, audits or approvals performed with respect to the Real Property or any portion thereof.

(f) Borrower shall indemnify and hold the Agent and each of the Banks and each of their respective directors, officers, shareholders and employees harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including clean-up costs) judgments and expenses (including reasonable attorney's, consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against either of the Banks as a direct or indirect result of (i) any warranty, representation, covenant or portion thereof made by Borrower

in this Section 9.21 or Section 7.15 being false or untrue in any respect or, any requirement under any Act, which requires the elimination or removal of any Hazardous Substances by either of the Banks, Borrower or any transferee of Borrower or such Bank, (ii) any default by the Borrower in the observance or performance of the covenants and agreements contained in this Section 9.21, or (iii) as a result of any requirement under any Act or any agreement to which Borrower is a party or by which is bound; or (iv) which are imposed on Borrower, the Banks or any other party having an interest in the Real Property by any court or regulatory agency, in connection with the elimination, storage, handling, treatment or removal of any Hazardous Substances; provided, however, that Borrower's obligation to indemnify and hold harmless as set forth above shall not exist with respect to any matter which can be attributed solely to actions of the Banks or to circumstances which come into existence after Borrower has ceased to occupy and control any such Real Property.

(g) Borrower's obligations hereunder to the Banks shall not be limited to any extent by the terms of the Loan Documents and, as to any act or occurrence prior to payment in full and satisfaction of the Loan Documents which gives rise to liability hereunder, shall continue, survive and remain in full force and effect notwithstanding payment in full and satisfaction of the Loan Documents or foreclosure under the Loan Documents, or delivery of a deed in lieu of foreclosure.

9.22. [INTENTIONALLY LEFT BLANK]

9.23. [INTENTIONALLY LEFT BLANK]

9.24. [INTENTIONALLY LEFT BLANK]

SECTION 10. Negative Covenants of Borrower. Borrower covenants and agrees that from the date hereof until payment in full of the principal and interest on the Notes and other obligations hereunder, unless each of the Banks shall otherwise have consented prior thereto in writing, it will not, nor will it permit any Subsidiary to, either directly or indirectly:

10.1. Limitations on Liens. Incur, create, assume or, permit to exist any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, or permit any Subsidiary to incur, create, assume or permit to exist any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, upon any of item property or assets of any character now owned or hereafter acquired including those arising under conditional sales or other title retention agreements except for Permitted Encumbrances and liens arising under the Loan Documents and except for consensual liens securing non interest-bearing

purchase money obligations, payable over a term not to exceed two (2) years, given to vendors of equipment.

10.2. Guarantee. Guarantee, assume, endorse or otherwise become or remain directly or contingently liable in connection with the obligations of any other Person, excluding any Subsidiary, or permit any Subsidiary to guarantee, assume, endorse or otherwise become or remain directly or contingently liable in connection with the obligations of any other Person, excluding the Borrower, other than:

- (i) the endorsement of negotiable instruments in the ordinary course of business for deposit or collection;
- (ii) guaranties by the Borrower or any of its Subsidiaries of or with respect to industrial revenue bonds and obligations listed on Exhibit 6 hereof and any extensions, modifications, refinancings, refundings or replacements thereto or thereof; and
- (iii) other guaranties not exceeding \$2,000,000 in the aggregate.

10.3. [RESERVED]

10.4. Consolidation or Merger. Enter into any transaction of merger or consolidation except that (i) another corporation may be merged into Borrower or a Subsidiary provided that no Default shall exist hereunder immediately before or following such merger, and (ii) a Subsidiary may merge into Borrower or another Subsidiary.

10.5. Sale of Assets, Dissolution, etc. During any Fiscal Year transfer, sell, assign, lease or otherwise dispose of, or permit any Subsidiary to transfer, sell, assign, lease or otherwise dispose of, more than \$5,000,000 in fair market value of its properties or assets except in the ordinary course of business, or any of its accounts, notes, franchises or contract rights, or any stock or any indebtedness of any Subsidiary or any assets or properties necessary for the proper conduct of its business, or change the nature of its business, or wind up, liquidate or dissolve, or agree to do any of the foregoing, or permit any Subsidiary to do so, except that any Subsidiary may dissolve or transfer all or any part of its properties and assets to Borrower or another Subsidiary.

10.6. [INTENTIONALLY LEFT BLANK]

10.7. Loans and Investments. Make any investment, loan or advance of money, credit or property to any Person or Persons if, after giving effect to such investment, loan or advance, the

aggregate amount of all outstanding investments, loans or advances made by the Borrower and its Subsidiaries since the date of this Agreement and that remain outstanding would exceed \$5,000,000. The Borrower shall make no investments in or advances to any Subsidiary; provided, however, that the Borrower may make investments in and advances to Canada and Rayonese in an amount not to exceed \$25,000,000 at any time outstanding, to purchase equipment to be used by Rayonese in its operations and to provide working capital to Canada and Rayonese.

10.8. Fiscal Year. Change the date of its Fiscal Year end from the Sunday closest to April 30.

10.9. [RESERVED]

10.10. Rental Obligations. Incur, create, assume or permit to exist during any Fiscal Year, in respect of leases of real or personal property, rental obligations or other commitments thereunder by Borrower and any of its Subsidiaries or make any direct or indirect payment, whether as rent or otherwise, for fixed or minimum rentals, percentage rentals, property taxes, or, insurance premiums, if the amount paid in or payable with respect to any such Fiscal Year exceeds \$4,000,000.

10.11. Prepayments. Retire or prepay prior to its stated maturity any Consolidated Funded Debt (other than (i) non interestbearing purchase money obligations payable over a period not to exceed two (2) years, given to vendors of equipment, and (ii) certain subordinated indebtedness evidenced by a promissory note dated December 14, 1994 in the principal amount of \$1,000,000 payable by the Borrower to Rossville Investments, Inc. having a term of repayment in excess of one year, including any renewals, other than indebtedness to either of the Banks arising hereunder or obligations under industrial revenue bonds, or pay rental obligations more than 30 days in advance of the time for payment called for in the lease.

10.12. Other Indebtedness. Incur any additional Consolidated Funded Debt other than

(1) indebtedness existing as of the Closing Date and any refinancings, refundings or extensions thereof,

(2) non interest-bearing purchase money obligations payable over a period not to exceed two (2) years given to vendors of equipment, and

(3) unsecured indebtedness for borrowed money in an aggregate amount of up to \$50,000,000 outstanding at any time, provided that the agreement or indenture pursuant to which such indebtedness is issued or otherwise governed shall have been approved by the Required Banks, such approval not to be unreasonably withheld (it being

understood that the Required Banks will approve such debt if the terms, covenants and conditions governing such debt are no more restrictive than those contained in this Agreement), and provided further that (i) upon the incurrence thereof the Borrower shall promptly make the mandatory prepayment on the Term Loan required by Section 3.4(b) hereof and (ii) to the extent that the net proceeds of such debt exceed the outstanding principal balance of the Term Loan on the date such proceeds are received by the Borrower, the aggregate Revolving Credit Commitments of the Banks will be reduced by the amount of such excess.

SECTION 11. Events of Default.

11.1. Definition. An "Event of Default" shall exist if any of the following shall occur:

(a) Payment of Principal. The Borrower fails to make any payment of principal on any of the Obligations hereunder (including the Revolving Loans, the Term Loan, the Tender Advances, the BA Obligations and the LOC Obligations) within 15 days of the date such payment is due; or

(b) Payment of Interest and other amounts. The Borrower fails to make any payment of interest on any of the Obligations hereunder (including the Revolving Loans, the Term Loan, the Tender Advances, the BA Obligations and the LOC Obligations) or fees or other amounts owing hereunder within 15 days of the date such payment is due; or

(c) Payment of Other Obligations. The Borrower or any Subsidiary defaults in the payment of principal or interest on any other Consolidated Funded Debt (other than the indebtedness to either of the Banks arising hereunder), or on any indebtedness incurred by reason of restrictive investments relating to industrial revenue bond financing, beyond any period of grace provided with respect thereto, or in the performance of any other agreement, term or conditions contained in any agreement under which any such obligation is created, if the effect of such default is to cause such obligation to become due prior to its stated maturity; or

(d) Representation of Warranty. Any representation made by Borrower herein, or in any schedule, exhibit or certificate furnished in connection with or pursuant to this Agreement or any of the Bond Documents to which the Borrower is a party shall be false, misleading or incomplete in any material respect on the date as of which made; or

(e) Financial Covenants. The Borrower or any Subsidiary defaults in the performance or observance of any agreement or covenant contained in Sections 9.15 through

9.20, and Section 10 hereof, unless such default is waived by the Required Banks within ten (10) days after the Borrower acquires knowledge thereof; or

(f) Other Covenants. The Borrower or any Subsidiary defaults in the performance or observance of any agreement, covenant, term or condition binding on it contained herein or in any instrument securing or guaranteeing any of the Notes and such default shall not have been remedied or waived by the Required Banks within thirty (30) days (or any shorter period set forth herein or in such agreement or document) after written notice shall have been received by it from either of the Banks; or

(g) Liquidation or Dissolution. The commencement of the liquidation or dissolution of the Borrower, or suspension of the business of the Borrower or filing by either the Borrower or a Subsidiary of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Reform Act of 1978, as amended (the "Bankruptcy Code"), or under any other insolvency act or law, state or Federal, now or hereafter existing, or any other action of either Borrower or any Subsidiary indicating its consent to, approval of, or acquiescence in any such petition or proceeding, or the application by either the Borrower or any Subsidiary for (or the consent or acquiescence to) the appointment of a receiver or a trustee of either the Borrower or any Subsidiary or an assignment for the benefit of creditors, the inability of either the Borrower or any Subsidiary or the admission by either the Borrower or any Subsidiary in writing of its inability to pay its debts as they mature; or

(h) Bankruptcy, etc. The filing of an involuntary petition against either the Borrower or any Subsidiary in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code or under any other insolvency act or law, state or Federal, now or hereafter existing, or the involuntary appointment of a receiver or trustee of either the Borrower or any Subsidiary or for all or a material part of its property and the continuance of any of such action for sixty (60) days undischarged or undischarged; or the issuance of an order for attachment, execution or similar process against any material part of the property of either the Borrower or any Subsidiary and the continuance of any such order for ten (10) days undischarged or undischarged; or

(i) Order of Dissolution. The entry of an order in any proceedings against the Borrower or any Subsidiary decreeing the dissolution or split-up of the Borrower or any Subsidiary; or

(j) Judgment. The entry of a final judgment against the Borrower or a Subsidiary, which with other outstanding final judgments against the Borrower or any Subsidiary exceeds an aggregate of \$25,000, if within twenty (20) days after entry thereof such judgment shall not have been discharged or execution thereof stayed pending appeal, or if within ten (10) days after the expiration of any such stay such judgment shall not have been discharged; or

(k) Bond Documents. The occurrence of an event of default under any of the Bond Documents.

11.2. Remedies. If an Event of Default occurs, the Agent shall upon the direction of the Required Banks (subject to the provisions of Section 13.3(d) hereof) take any or all of the following action, by notice to the Borrower:

(i) terminate the Commitments, whereupon they shall immediately terminate;

(ii) declare the Obligations (together with accrued interest thereon) and all other amounts due hereunder to be, and whereupon they shall become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower;

(iii) direct the Borrower to immediately pay to the Agent cash collateral in an amount equal to 100% of the BA Obligations and LOC Obligations then outstanding as security for the payment thereof;

(iv) direct the Issuing Bank to (A) declare all Tender Advances and all other amounts due in connection therewith and all interest accrued thereon to be immediately due and payable, and upon such declaration the same shall become and be immediately due and payable, without presentment, protest or other notice of any kind, all of which are hereby waived by the Borrower, (B) notify the Trustees of such occurrence and thereby require each Trustee immediately to declare the principal of all bonds then outstanding and the interest accrued thereon immediately due and payable in accordance with the terms of the respective Indenture, and (C) pursue all other remedies available to it by contract, at law or in equity.

(v) exercise and enforce such further rights and remedies as may be available under or in connection with this Agreement or any of the other Loan Documents, including, without limitation, rights and remedies relating to Pledged Bonds set out in Section 14 hereof;

provided, however, that notwithstanding the foregoing, if any

Event of Default specified in clause (g), (h) or (i) of Section 11.1 occurs, then without notice to the Borrower or any other act by the Agent or the Banks, the Commitments shall automatically and immediately terminate, and the Obligations (together with accrued interest thereon) and all other amounts due hereunder shall be and become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 12. The Agent.

12.1. Appointment. The Banks hereby designate and appoint First Union as Agent to act as specified herein. Each Bank hereby irrevocably authorizes, and each holder of any Note or other Obligation hereunder by the acceptance of such Note or Obligation shall be deemed irrevocably to authorize, the Agent to take such action on its behalf under the provisions of this Agreement, to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Agent by the terms hereof and such other powers as are reasonably incidental thereto. Each Bank agrees that no Bank shall have any right individually to seek or to enforce the provisions of any of the Loan Documents or to realize upon the security granted by any mortgage or security agreement, it being understood and agreed that such rights and remedies may be exercised solely by the Agent for the benefit of the Banks upon the terms of the mortgages or security agreement, if any.

12.2. Nature of Duties. The Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement. Neither the Agent, nor any of its officers, directors, employees or agents, shall be liable to the Banks for any action taken or omitted by them as such hereunder or in connection herewith, unless caused by their gross negligence or willful misconduct. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Bank; and nothing in this Agreement, express or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement except as expressly set forth herein.

12.3. Lack of Reliance on the Agent. Independently and without reliance upon the Agent, each Bank, to the extent it has deemed and shall deem appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrower in connection with the making and the continuance of Extensions of Credit hereunder and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Borrower and, except as expressly provided in this Agreement, the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other

information with respect thereto, whether coming into its possession before the making of Extensions of Credit, or at any time or times thereafter. The Agent shall not be responsible to any Bank for any recitals, statements, information, representations or warranties herein or in any other Loan Documents or in any document, certificate or other writing delivered in connection herewith or therewith or for the execution, collectability, priority or sufficiency of this Agreement or the financial condition of the Borrower, or any other Person or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this, Agreement or the financial condition of the Borrower, or any other Person or the existence or possible existence of any Default or Event of Default.

12.4. Certain Rights of the Agent. If the Agent shall request instructions from the Banks with respect to any act or action (including failure to act) in connection with this Agreement, the Agent shall be entitled to refrain from such act or taking such action unless and until the Agent shall have received instructions from the Required Banks; and the Agent shall incur no liability to any Person by reason of so refraining. The Agent shall be fully justified in failing or refusing to take any action hereunder (i) if such action would, in the opinion of the Agent, as the case may be, be contrary to law or the terms of this Agreement, (ii) if it shall not receive such advice or concurrence of the Required Banks as it deems appropriate or (iii) if it shall not first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Bank shall have any right of action whatsoever against the Agent (absent the Agent's gross negligence or willful misconduct) as a result of the Agent's acting or refraining from acting hereunder in accordance with the instructions of the Required Banks.

12.5. Reliance. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, order or other documentary, teletransmission or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. The Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

12.6. Indemnification. To the extent the Agent is not reimbursed and indemnified by or on behalf of the Borrower, the Banks will reimburse and indemnify the Agent, in proportion to their Revolving Credit Commitments hereunder (prior to the

occurrence of an Event of Default and acceleration pursuant to Section 11.2 hereof of the Obligations and other amounts due hereunder) and in proportion to the principal amounts due and owing each Bank from time to time hereunder (after the occurrence of an Event of Default and acceleration pursuant to Section 11.2 hereof of the Obligations and other amounts due hereunder), for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and expenses) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in performing its duties hereunder or in any way relating to or arising out of this Agreement; provided, however, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, audits, costs, expenses or disbursements, finally determined by a court of competent jurisdiction and not subject to any appeal, to be resulting from the Agent's gross negligence or willful misconduct.

12.7. The Agent in its Individual Capacity. With respect to its obligations to make Extensions of Credit under this Agreement, and with respect to Extensions of Credit made by it and the Notes issued to it, the Agent shall have the same rights and powers as any other Bank or holder of a Note and may exercise the same as though it were not performing the agency duties specified herein; and the term "Banks," "Holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity.

12.8. Holders. The Agent may deem and treat the payee of any Note or holder of any Obligation as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Agent. Any request, authority or consent of any Person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note or other Obligation shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Note or other Obligation or of any Notes issued in exchange therefor.

12.9. Reimbursement. Each of the Banks agrees to reimburse the Agent for such Bank's pro rata share (based on their respective Revolving Credit Commitments prior to the occurrence of an Event of Default and acceleration pursuant to Section 11.2 hereof of the Notes and other amounts due hereunder, and based on the principal amounts due and owing each Bank from time to time hereunder from and after the occurrence of an Event of Default and acceleration pursuant to Section 11.2 hereof of the Notes and other amounts due hereunder) of the Agent's expenses to the extent the Agent is not reimbursed by the Borrower upon demand. If any amounts so paid to the Agent by the Banks are subsequently paid to the Agent by the Borrower or by a representative or

successor in interest of the Borrower, the Agent shall promptly upon its receipt of any such amounts distribute the same to the Banks on the same basis as such amounts were originally paid by the Banks to the Agent. In no event shall the Banks be responsible for the normal overhead costs and expenses incident to the performance by the Agent of its agency duties hereunder.

12.10. Defaults. The Agent shall not be deemed to have knowledge of the occurrence of a Default or an Event of Default (other than the non-payment of principal of or interest on the Loans or commitment or facilities fee due hereunder) unless the Agent has received notice from a Bank or the Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that the Agent receives such a notice of the occurrence of a Default or an Event of Default, the Agent shall give prompt notice thereof to the Banks. The Agent shall give each Bank prompt notice of each non-payment of principal of or interest on the Loans or commitment or facilities fee due hereunder, whether or not it has received any notice of the occurrence of such non-payment. The Agent shall (subject to Section 13.1 hereof) take such action with respect to such Default or Event of Default as shall be directed by the Banks pursuant to Section 11.2, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

12.11. Failure to Act. Except for action expressly required of the Agent hereunder or under the other Loan Documents, the Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction by the Banks of their indemnification obligations under Section 12.6 of this Agreement against any and all liability and expense which may be incurred by the Agent by reason of taking, continuing to take, or failing to take any such action.

12.12. Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Banks and the Borrower and the Agent may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Agent's notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent. Any successor Agent shall be a bank which has a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent

hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 12 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder.

12.13. Annual Fee. The Borrower shall pay to the Agent a fee in the amount of \$12,500 per annum, which shall be payable annually in advance on April 1 of each year (with, in the case of such fee payable on April 1, 1996, proper credit being given for the annual fee paid on November 15, 1995).

SECTION 13. Miscellaneous.

13.1. Amendments and Waivers. (a) Any provision of this, Agreement, the Notes or any other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no such amendment or waiver shall, for so long as First Union and Wachovia are the only Banks hereunder, be effective unless signed by both First Union and Wachovia and in no event shall any such amendment or waiver, unless signed by all the Banks, (i) change the Commitment of any Bank or subject any Bank to any additional obligation, (ii) change the principal of or rate of interest on any Obligation or any fees hereunder, (iii) change the date fixed for any payment of principal of or interest on any Obligation or any fees hereunder, (iv) change the amount of principal, interest or fees due on any date fixed for the payment thereof, (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes or other Obligations, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement, (vi) change the manner of application of any payments made under this Agreement or the Notes, (vii) release or substitute all or any substantial part of the collateral (if any) held as security for the Obligations, or (viii) release any guaranty given to support payment of the Obligations.

(b) The Borrower will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement unless each Bank shall be informed thereof by the Borrower and shall be afforded an opportunity of considering the same and shall be supplied by the Borrower with sufficient information to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or consent effected pursuant to the provisions of

this Agreement shall be delivered by the Borrower to each Bank forthwith following the date on which the same shall have been executed and delivered by the Bank. The Borrower will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Bank as consideration for or as an inducement to the entering into by such Bank of any waiver or amendment of any of the terms and provisions of this Agreement unless such remuneration is concurrently paid, on the same terms, ratably to each Bank. Further, the Borrower agrees that it will not pay any fee or other remuneration to any Bank or any affiliate of a Bank unless such fees or remuneration are shared ratably with the other Banks hereunder, except for (i) fees and other amounts which are specifically payable to a Bank hereunder for its own account (such as fees and expenses payable to the Agent pursuant to 12.13 and to the Issuing Bank pursuant to Section 4.5(g) hereof), and (ii) placement and remarketing fees payable in connection with VRDN Programs, but only where such fees are disclosed to the Agent and the other Banks.

13.2. Ratable Sharing of Set-Offs, Payments. Each Bank agrees that if, prior to the occurrence of Event of Default and acceleration pursuant to Section 11.2 hereof, it shall, by exercising any right of set-off or counterclaim or otherwise, or by receipt of any funds from the Borrower or any other source for application to the obligations of the Borrower under this Agreement, receive payment of a proportion of the aggregate amount of principal and interest due with respect to the Obligations held by it hereunder which is greater than the proportion received by the other Bank in respect of the aggregate amount of all principal and interest due with respect to the Obligations held by such other Bank hereunder, the Bank receiving such proportionately greater payment shall purchase (to the extent of such proportionately greater payment) such participations in the Obligations held by the other Bank, and such other adjustments shall be made, as may be required, so that all such payments of principal and interest with respect to the Obligations held by the Banks shall be shared by the Banks pro rata (based upon all amounts due to the Banks hereunder, including without limitation under the Notes and under Section 4.4 hereof). Each Bank hereby agrees that if, from and after the occurrence of an Event of Default and acceleration pursuant to Section 11.2 hereof, it shall by exercising any right of set-off or counterclaim or otherwise or by receipt of any funds from the Borrower or any other source for application to the obligations of the Borrower pursuant to this Agreement, receive payment of a proportion of the aggregate amount of principal and interest due with respect to the Obligations held by it and other amounts due it hereunder (including without limitation amounts due it pursuant to Section 4.4 hereof) which is greater than the proportion received by the other Bank in respect of the aggregate

amount of all principal and interest due with respect to the Obligations held by such other Bank and other amounts due it hereunder, the Bank receiving such proportionately greater payment shall purchase (to the extent of such proportionately greater payment) such participation in the Obligations held by and other amounts due hereunder (including without limitation those due under Section 4.4 hereof) to the other Bank and such other adjustments shall be made as may be required, so that all such payments of principal and interest to the Banks with respect to the Obligations held by and other amounts due hereunder shall be shared by the Banks pro rata (based upon all amounts due to the Banks hereunder, including without limitation under the Notes and under Section 4.4 hereof). Notwithstanding any contrary provision of this Section, however, (i) nothing in this Section shall impair the right of any Bank prior to the occurrence of an Event of Default, to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of any amounts due by the Borrower to such Bank under the provisions of Section 4.4 hereof, (ii) nothing in this Section shall impair the right of any Bank to exercise at any time any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes or this Agreement, and (iii) if all or any portion of such payment received by the purchasing Bank is thereafter recovered from such purchasing Bank, such purchase from the other Bank shall be rescinded and such other Bank shall repay to the purchasing Bank the purchase price of such participation to the extent of such recovery together with an amount equal to such other Bank's ratable share (according to the proportion of (x) the amount of such other Bank's required repayment to (y) the total amount so recovered from the purchasing Bank) any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note or other Obligation or other amounts due hereunder, acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of it participation were a direct creditor of the Borrower in the amount of such participation. Each Bank further agrees that, after the occurrence of an Event of Default and acceleration pursuant to Section 11.2 hereof, proceeds from any property securing the Obligations shall be applied pro rata to the indebtedness (if any) owing to each Bank under Interest Rate Agreements between Borrower and such Bank only at such time after all of the principal and interest with respect to the Notes and other Obligations and other amounts due to each Bank hereunder (including, without limitation, those due under Section 4.4 hereof) shall have been paid in full.

13.3. Successors and Assigns. (a) The provisions of this

Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that the Borrower may not assign or otherwise transfer any of its rights under this Agreement.

(b) Either Bank may at any time sell to one or more Persons (each a "Participant") participating interests in any Loan or Obligation owing to such Bank, and the Note held by such Bank, the Commitments of such Bank or any other interest of such Bank hereunder. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Obligation for all purposes under this Agreement, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. In no event shall a Bank that sells a participation be obligated to the Participant to take or refrain from taking any action hereunder except that such Bank may agree that it will not (except as provided below), without the consent of the Participant, agree to (i) the change of any date fixed for the payment of principal or interest on the related Obligation or for the payment of other amounts due hereunder, (ii) the change of the amount of any principal, interest or fees due on any date fixed for the payment thereof with respect to the related Obligation or other amounts due hereunder or (iii) any change in the rate at which either interest is payable thereon or (if the Participant is entitled to any part thereof) commitment or facilities fee is payable hereunder from the rate at which the Participant is entitled to receive interest, facilities fee or commitment fee (as the case may be) in respect of such participation. Each Bank selling a participating interest in any Obligation, Note, Commitment or other interest under this Agreement shall, within ten Business Days of such sale, provide the Borrower and the Agent with written notification stating that such sale has occurred and identifying the Participant and the interest purchased by such Participant.

(c) Any Bank may at any time, with the prior consent of Borrower whose consent shall not be unreasonably withheld, assign to a bank or financial institution (an "Assignee") all, or a proportionate part of all, of its rights and obligations under, this Agreement and the Notes, and such Assignee shall assume all such rights and obligations pursuant to an Assignment and Acceptance in the form attached hereto as Exhibit 7, executed by such Assignee, such transferor Bank and the Agent (and, prior to the occurrence of an Event of Default, if the Assignee is not then a Bank, by the Borrower); provided that (i) no

interest may be sold by a Bank pursuant to this paragraph (c) unless the Assignee shall agree to assume ratably equivalent portions of the transferor Bank's Commitments and (ii) no interest less than \$5,000,000 may be sold by a Bank pursuant to this paragraph (c). Upon (A) execution of the Assignment and Acceptance by such transferor Bank, such Assignee, the Agent and (if applicable) the Borrower, (B) delivery of an executed copy of the Assignment and Acceptance to the Borrower and the Agent, and (C) payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall for all purposes be a Bank party to this Agreement and shall have the rights and obligations of a Bank under this Agreement to the same extent as if it were an original party thereto with Commitments as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by the Borrower, the other Bank or the Agent shall be required. Upon the consummation of any transfer to an Assignee pursuant to this paragraph (c) and upon request by such Assignee, the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to each of such Assignee and such transferor Bank.

(d) In the event of a disagreement between the Banks as to whether the Obligations and other amounts due hereunder should after the occurrence of an Event of Default hereunder be accelerated by the Agent or whether the Agent should proceed to foreclose against and sell collateral security, if any, pursuant to the provisions of Section 11.2 hereof, the Bank or Banks desiring not to accelerate or to foreclose (the "Non-Electing Bank(s)") shall have the right to acquire all the rights and obligations under this Agreement and the Notes, of the other Banks(s) (the "Electing Bank(s)"). To facilitate the right granted pursuant to this Section, the Agent shall, upon receipt of notice from any Electing Bank(s) requesting that it accelerate or foreclose pursuant to Section 11.2 hereof and prior to such acceleration or foreclosure, provide the Non-Electing Bank(s) notice thereof, whereupon the Non-Electing Bank(s) shall have a period of time not exceeding fifteen (15) days (except if such Non-Electing Bank is First Union, First Union shall have thirty (30) days) within which to elect by Notice to the Agent and the Electing Bank(s) to purchase the rights and obligations of the Electing Bank(s). Such purchase shall occur on the date (which shall be a Business Day) set forth in such notice not later than ten (10) days from the date of such notice. Such purchase shall be evidenced by an Assignment and Acceptance in the form of Exhibit 7. If there are two or more Non-Electing Banks, the Non-Electing Banks shall be entitled to purchase the rights

and, obligations of the Electing Banks in proportion to their Commitments or, if the Commitments have then been terminated, in proportion to the outstanding principal amounts of the Obligations then held by such Non-Electing Banks.

(e) Subject to the provisions of Section 13.4, the Borrower authorizes each Bank to disclose to any Participant, Assignee or other transferee (each a "Transferee") and any prospective Transferee any and all financial and other information in such Bank's possession concerning the Borrower which has been delivered to such Bank by the Borrower pursuant to this Agreement or which has been delivered to such Bank by the Borrower in connection with such Bank's credit evaluation prior to entering into this Agreement.

13.4. Confidentiality. Each Bank agrees to exercise its best efforts to keep any information delivered or made available by the Borrower to it which is clearly indicated to be confidential information, confidential from anyone other than persons employed or retained by such Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the Loans; provided, however, that nothing herein shall prevent any Bank from disclosing such information (i) to the other Bank, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over such Bank, (iv) which has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which the Agent, either Bank or their respective affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to such Bank's legal counsel and independent auditors and (viii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section 13.4.

13.5. Unavailability of Adjusted LIBOR Rate. If, with respect to any Fiscal Month in which the Agent is requested by Borrower to provide an interest rate quote for a Term Loan Interest Rate or Revolving Loan Interest Rate based on the Adjusted LIBOR Rate and the Agent, in its sole opinion, determines that such a quote cannot be made because the LIBOR Base Rate is not available, then in that event, the Term Loan Interest Rate and Revolving Loan Interest Rate based on the Adjusted LIBOR Rate shall be suspended until such time as the Agent shall have concluded that the LIBOR Base Rate is available.

13.6. Increased Costs. If, at any time after the date hereof, and from time to time, any Bank determines that the adoption or modification of any applicable law, rule or regulation regarding such Bank's required levels of reserves,

insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation administration or compliance of such Bank with any of such requirements, has or would have the effect of (i) increasing such Bank's costs relating to the Loans hereunder, or (ii) reducing the yield or rate of return of such Bank on the Loans hereunder, to a level below that such Bank could have achieved but for the adoption or modification of any such requirements, Borrower shall, within fifteen (15) days of any request by the Agent or such Bank, pay to the Agent such additional amounts as (in such Banks sole judgment, after good faith and reasonable computations, which determinations shall be conclusive absent manifest error) will compensate such Bank for such increase in costs or reduction in yield or rate of return of such Bank. No failure by the Agent or any Bank to demand payment of any additional amounts payable hereunder shall constitute a waiver of such Bank's right to demand payment of any amounts arising at any subsequent time. Nothing herein contained shall be construed or so operate as to require Borrower to pay any interest, fees, costs or charges greater than is permitted by applicable law.

13.7. Headings; Table of Contents. The section and other headings contained in this Agreement and the Table of Contents which precedes this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect.

13.8. Lawful Charges. It is the intent of the parties that the rate of interest and all other charges due from the Borrower be lawful, and if, for any reason, payment of a portion of interest or charges as required by this Agreement or the Notes or in connection with Accepted Drafts would exceed the limit established by applicable law, then the obligation to pay interest or charges shall automatically be reduced to such limit and if any amounts in excess of such limits shall have been paid, then such amounts shall be applied to the unpaid principal amount of the Notes or refunded so that under no circumstances shall interest or charges required hereunder exceed the maximum rate allowed by law.

13.9. Conflict of Terms. The provisions of the Notes and the other Loan Documents are incorporated in this Agreement by this reference thereto. Except as otherwise provided in this Agreement, if any provision contained in this Agreement is in conflict with or inconsistent with any provision of the Notes or the other Loan Documents, the provision contained in this Agreement shall control.

13.10. Notices. All notices, requests and demands to or upon the respective parties hereto shall be deemed to have been

given or made, in the case of telegraphic, telecopy, telex or cable communication, when the same is telegraphed, telecopied and the telecopy is confirmed by telephone or return telecopy, telexed and confirmed by telex answerback, or delivered to the cable company, respectively, when sent by a reputable overnight courier, when the same is delivered to the applicable address described below, and when mailed, when deposited in the mail, postage prepaid, or, in the case of telegraphic notice, when delivered to the telegraph company, addressed as follows or to such other address as may be hereafter designated in writing by the respective parties hereto:

The Borrower: Culp, Inc.
101 S. Main Street
Post Office Box 2686
High Point, North Carolina 27261-2686
Attention: Franklin N. Saxon
Vice President and Chief Financial
Officer
Telecopy No. 910/887-7089

First Union
or the Agent: First Union National Bank of North
Carolina
300 N. Greene Street
P.O. Box 21965
Greensboro, North Carolina 27420
Attention: Kent Phillips
Vice President
Telecopy No. 910/378-4043

Copy to: First Union National Bank of North
Carolina
201 South College Street
Charlotte, North Carolina 28288-0656
Attention: Pat McCormick
Telecopy No. 704/374-4820

Wachovia: Wachovia Bank of North Carolina
200 North Main Street
Post Office Box 631
High Point, North Carolina 27261
Attention: Pete T. Callahan
Vice President
Telecopy No. 910/887-1962

13.11. Survival of Agreements. All agreements, representations and warranties made herein shall survive the delivery of the Notes and the other Loan Documents.

13.12. Governing Law. This Agreement and the Notes issued hereunder shall be governed by and construed in accordance with the laws of the State of North Carolina.

13.13. Enforceability of Agreement. Should any one or more of the provisions of this Agreement, the Notes or the other Loan Documents be determined to be illegal or unenforceable as to one or more of the parties, all other provisions nevertheless shall remain effective and binding on the parties hereto.

13.14. Stamp or Other Tax. Should any stamp or excise tax become payable under the laws of the United States or North, Carolina, or a subdivision thereof or municipality therein in respect of this Agreement or the Notes or any modification hereof or thereof, Borrower shall pay the same (including interest and penalties if any) and shall hold each of the Banks harmless with respect thereto.

13.15. Counterparts and Effectiveness. This Agreement may be executed by the parties hereto in any number of counterparts and each counterpart shall be deemed to be an original but all shall constitute together but one and the same Agreement.

13.16. Fees and Expenses. Whether or not any loans are made hereunder, the Borrower agrees to pay, or reimburse each of the Banks, for actual out-of-pocket expenses, including reasonable counsel fees, incurred by such Bank in connection with the preparation, execution, amendment, administration of this Agreement, the Notes and the other Loan Documents, and, with respect to enforcement of this Agreement, the Notes and the other Loan Documents, reasonable attorneys fees.

13.17. Liens; Set Off by Banks. The Borrower hereby grants to each Bank a continuing lien for the Notes and all other indebtedness of Borrower to such Bank upon any and all monies, securities and other property of Borrower and its Subsidiaries and the proceeds thereof, now or hereafter held or received by, or in transit to such Bank from or for Borrower, and also upon any and all deposits (general or special) and credits of Borrower and its Subsidiaries, if any, against such Bank, at any time existing. Upon the occurrence of any Event of Default as specified above, each such Bank is hereby authorized at any time and from time to time, without prior notice to Borrower and its Subsidiaries, to set off, appropriate and apply any and all items herein referred to against all indebtedness or obligations of Borrower to such Bank, whether under this Agreement, the Notes or otherwise, whether now existing or hereafter arising.

13.18. Loan Documents. Any individual or collective reference to any of the Loan Documents in any of the other Loan Documents to which the Borrower or any of its Subsidiaries is a party shall mean, unless otherwise specifically provided, such Loan Document as amended by this Agreement, and as it is further amended, restated, supplemented or modified from time to time and any substitute or replacement therefor or renewals thereof, including without limitation, all references to the 1994 Amended

and Restated Credit Agreement, which shall mean the 1995 Amended and Restated Credit Agreement as amended and restated hereby.

13.19. Entire Agreement. This Agreement constitutes the entire Agreement between the parties pertaining to its subject matter and supersedes all prior and contemporaneous agreements and understandings of the parties in connection with it, including without limitation that certain commitment letter agreement between the Borrower and First Union dated February 24, 1994.

13.20. Survival of Certain Provisions Upon Termination. Upon termination of this Agreement, the provisions of the Sections of this Agreement, together with the definitions of the capitalized terms used therein, shall remain in full force and effect to the extent that such sections are incorporated by reference in any other agreement, instrument or document between the Borrower and the Agent or the Banks or either of them, acting in any capacity, or between the Borrower and any third party. Upon termination of this Agreement, the indemnity provisions of Section 9.21 shall remain in full force and effect.

13.21. Accounting Terms and Computations. Whenever any accounting term shall be used in this Agreement or the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for purposes of this Agreement, such accounting term, determination or computation shall, to the extent applicable and except as otherwise specified in this Agreement, be defined or made (as the case may be) in accordance with those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board or The American Institute of Certified Public Accountants or which have other authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented or amended; provided, however, that there shall be no instance of upward revaluation of assets; provided, further, however, that if any change in generally accepted accounting principles from those applied in the preparation of the financial reports referred to in Section 9.1(a) and (b) hereof is occasioned by the promulgation of rules or regulations by the Financing Accounting Standards Board, or The American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions), the effective date of which change is after the date of said financial statements, and such change results in a change in the method of calculation of financial covenants, standards or terms found in this Agreement, the parties hereto agree to enter into good faith negotiations in order to amend such provisions so as to reflect, such change as if such change had not been made; and provided, further, however, that until such time as the parties agree upon such amendments, such financial covenants, standards and terms shall be construed and calculated as though

such change had not taken place.

13.22. Obligations Several. The obligation of each Bank hereunder is several, and neither the Agent nor any Bank shall be responsible for the obligation or the commitment of any other Bank.

SECTION 14. Pledge of Bonds.

14.1. The Pledge. The Borrower hereby pledges, assigns, hypothecates, transfers, and delivers to each Issuing Bank all of its right, title and interest to, and hereby grants to each Issuing Bank a first lien on, and security interest in, all right, title and interest of the Borrower in and to the following (hereinafter collectively called the "Pledged Collateral"):

(i) all Pledged Bonds purchased with a drawing under a Letter of Credit of such Issuing Bank;

(ii) all income, earnings, profits, interest, premium or other payments in whatever form in respect of the Pledged Bonds;

(iii) all proceeds (cash and non-cash) arising out of the sale, exchange, collection, enforcement or other disposition of all or any portion of the Pledged Bonds.

The Pledged Collateral shall serve as security for the payment and performance when due of any and all duties, debts, liabilities and obligations of the Borrower (either directly, as maker, or indirectly, as guarantor, surety, endorser or otherwise) to the Issuing Bank, whether now or hereafter existing, howsoever arising or incurred or evidenced under this Agreement or under the reimbursement note or other instrument, including without limitation all LOC Obligations and Tender Advances owing to such Issuing Bank (hereinafter collectively called the "Pledge Obligations"). The Borrower shall deliver, or cause to be delivered, the Pledge Bonds to the Issuing Bank or to a pledge agent designated by the Issuing Bank immediately upon receipt thereof.

14.2. Remedies Upon Default. If any Event of Default shall have occurred and be continuing, the Issuing Bank, upon direction by the Agent in accordance with Section 11.2, may without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Borrower or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), forthwith collect, receive appropriate and realize upon the Pledged Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and

deliver said Pledged Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Issuing Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Issuing Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Pledged Collateral so sold, free of any right or equity of redemption in the Borrower, which right or equity is hereby expressly waived or released. The Issuing Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Pledged Collateral or in any way relating to the rights of the Issuing Bank hereunder, including reasonable attorney's fees and legal expenses, to the payment in whole or in part of the Pledge Obligations in such order as the Issuing Bank may elect, the Borrower remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Issuing Bank of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Uniform Commercial Code, need the Issuing Bank account for the surplus, if any, to the Borrower. The Borrower agrees that the Issuing Bank need not give more than ten days notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Borrower if it has signed after Default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to the Issuing Bank in this Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Pledge Obligations, the Issuing Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State of North Carolina at that time.

If the Issuing Bank sells any of the Pledged Collateral pursuant to this Section 14.2, the Issuing Bank agrees that it will reinstate the Letter of Credit relating thereto in an amount sufficient to cover all the principal and interest components in accordance with the terms and requirements of the Letter of Credit and Indenture relating thereto.

14.3. Valid Perfected First Lien. The Borrower covenants that the pledge, assignment and delivery of the Pledged Collateral hereunder will create a valid, perfected, first priority security interest in all right, title or interest of the Borrower in or to such Pledged Collateral, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance

or to any agreement purporting to grant to any third party a security interest in the property or assets of the Borrower which would include the Pledged Collateral. The Borrower covenants and agrees that it will defend the Issuing Bank's right, title and security interest in and to the Pledged Collateral and the proceeds thereof against the claims and demands of all persons whomsoever.

14.4. Release of Pledged Bonds. Pledged Bonds shall be released from the security interest created hereunder upon satisfaction of the Pledge Obligations with respect to such Pledged Bonds and receipt by the Trustee of notification from the Issuing Bank of the reinstatement of the respective Letter of Credit as provided in the respective Indenture.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Borrower and each of the Banks have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

CULP, INC.

[CORPORATE SEAL]

By: President

ATTEST:

(Assistant Secretary)

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, for itself and as Agent

By: President

WACHOVIA BANK OF NORTH CAROLINA, N.A.

By: President

LETTER AGREEMENT

April 1, 1996

Re: 1996 Amended and Restated Credit Agreement dated as of April 1, 1996, by and among Culp, Inc. ("Borrower"), a North Carolina corporation, First Union National Bank of North Carolina ("First Union"), a national banking association, and Wachovia Bank of North Carolina, N.A., ("Wachovia") (First Union and Wachovia being referred to as the "Banks") a national banking association, and First Union, as the Agent ("Agent") for the Banks

Ladies and Gentlemen:

The undersigned parties hereby acknowledge and agree that all references to the Senior Credit Agreement contained in the Bond Documents (as defined below) shall mean that certain 1996 Amended and Restated Credit Agreement dated as of April 1, 1996, by and among the Borrower, the Banks and the Agent, as amended, modified, supplemented or restated from time to time. For purposes of this Letter Agreement, "Bond Documents" shall mean all, of the documents, as they may be amended, modified, supplemented or restated from time to time, executed in connection with each of the following bond transactions:

1. \$7,900,000 Alamance County, North Carolina, Industrial Revenue Bonds, Series A and B (Culp, Inc. Project) (1988) (Liens held by First Union as Letter of Credit Issuer).
2. \$3,377,000 Chesterfield County, South Carolina, Industrial Revenue Bonds, Series 1988 (Culp, Inc. Project) (Liens held by First Union as Letter of Credit Issuer).
3. \$4,500,000 Guilford County, North Carolina, Industrial Development Revenue Bonds, Series 1989 (Culp, Inc. Project) (Liens held by Wachovia as Letter of Credit Issuer and by First Citizens Bank & Trust Company as Trustee).
4. \$6,580,000 Anderson County, South Carolina, Industrial Revenue Bonds, Series 1993 (Culp, Inc. Project) (Liens held by First Union as Letter of Credit Issuer).
5. \$6,000,000 Chesterfield County, South Carolina, Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project), Series 1996.

IN WITNESS WHEREOF, the undersigned parties have hereby executed this Letter Agreement as of the date hereof.

CULP, INC.

By:
Title:

FIRST UNION NATIONAL BANK OF
NORTH CAROLINA, for itself and
as Agent

By:
Title:

WACHOVIA BANK OF NORTH CAROLINA,
N.A.

By:
Title:

Annex I

Name of Banks -----	Commitment Amount Term Loans -----	Commitment Amount Revolving Loans -----	Commitment Amount Letters of Credit -----	Percentage of Aggregate Commitments -----
First Union National Bank of North Carolina 300 N. Greene Street P.O. Box 21965 Greensboro, NC 27420	\$21,600,000	\$20,100,000	\$13,461,851.12	60.0%
Wachovia Bank of North Carolina, N.A. 200 North Main Street Post Office Box 631 High Point, NC 27261	\$14,400,000	\$13,400,000	\$8,974,567.42	40.0%
	\$36,000,000	\$33,500,000	\$22,436,418.54	100.0%

THIRD AMENDED AND RESTATED TERM NOTE

\$21,600,000

High Point, North Carolina
April 1, 1996

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower"), promises to pay to the order of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (the "Bank"), or order, at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA at High Point, North Carolina, in lawful money of the United States of America, the principal amount of Twenty-One Million Six Hundred Thousand Dollars (\$21,600,000), such principal amount to be payable in Fifty-Nine (59) consecutive equal monthly installments of \$300,000.00, payable on the tenth Business Day of each Fiscal Month of the Borrower commencing April 12, 1996 and (ii) one final installment of \$3,900,000 payable on March 1, 2001, together with interest on the unpaid principal amount, such interest payments beginning on the tenth Business Day of the first Fiscal Month of the Borrower following the date hereof, as provided in the 1996 Amended and Restated Credit Agreement between the Borrower, the Bank (for itself and as Agent) and Wachovia Bank of North Carolina, N.A., dated as of April 1, 1996 (as amended, restated, modified or supplemented, the "Credit Agreement").

This Note is the First Union Term Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. This Note is a replacement of, and evidences the same indebtedness as, that Second Amended and Restated First Union Term Note dated July 1, 1995. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, or in any other document or instrument delivered in connection therewith, all amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Credit Agreement.

In the event the indebtedness evidenced or secured hereby be collected by or through an attorney at law after maturity, the holder shall be entitled to collect reasonable attorney's fees. Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived by all parties bound hereon.

CULP, INC.

[CORPORATE SEAL]

By: President

ATTEST:

Secretary

THIRD AMENDED AND RESTATED TERM NOTE

\$14,400,000

High Point, North Carolina
April 1, 1996

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower"), promises to pay to the order of WACHOVIA BANK OF NORTH CAROLINA, N.A. (the "Bank"), or order, at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (as the Bank's Agent and for the benefit of the Bank) at High Point, North Carolina, in lawful money of the United States of America, the principal amount of FOURTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS (\$14,400,000), such principal amount to be payable in Fifty-Nine (59) consecutive equal monthly installments of \$200,000.00, payable on the tenth Business Day of each Fiscal Month of the Borrower commencing April 12, 1996 and (ii) one final installment of \$2,600,000 payable on March 1, 2001, together with interest on the unpaid principal amount, such interest payments beginning on the tenth Business Day of the first Fiscal month of the Borrower following the date hereof, as provided in the 1996 Amended and Restated Credit Agreement between the Borrower, the Bank and First Union National Bank of North Carolina for itself and as Agent, dated as of April 1, 1996 (as amended, restated, modified or, supplemented, the "Credit Agreement").

This Note is the Wachovia Term Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. This Note is a replacement of, and evidences the same indebtedness as, that Second Amended and Restated Wachovia Term Note dated July 1, 1995. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, or in any other document or instrument delivered in connection therewith, all amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Credit Agreement.

In the event the indebtedness evidenced or secured hereby be collected by or through an attorney at law after maturity, the holder shall be entitled to collect reasonable attorney's fees. Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived by all parties bound hereon.

CULP, INC.

[CORPORATE SEAL]

By:

President

ATTEST:

Secretary

FOURTH AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$20,100,000

High Point, North Carolina
April 1, 1996

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower"), promises to pay to the order of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (the "Bank"), or order, on the Revolving Loan Termination Date (as defined in the 1996 Amended and Restated Credit Agreement dated as of the date hereof between the Borrower, the Bank (for itself and as Agent) and Wachovia Bank of North Carolina, N.A. (as amended, restated, modified or supplemented, the "Credit Agreement")), at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA, High Point, North Carolina, in lawful money of the United States of America, the principal amount of Twenty Million One Hundred Thousand and No/100 Dollars (\$20,100,000). This Revolving Credit Note shall bear interest on the outstanding principal balance from time to time as provided in the Credit Agreement and interest shall be payable at the times set forth in the Credit Agreement.

Notwithstanding the foregoing, the Borrower shall be liable for payment to the Bank only for such principal amount of the First Union Revolving Loan (as defined in the Credit Agreement) as is outstanding, together with interest at the rate per annum as aforesaid on the principal amount outstanding from the date of advance.

This Note is the First Union Revolving Credit Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. This Note is a replacement of, and evidences the same indebtedness as, that Third Amended and Restated First Union Revolving Credit Note dated July 1, 1995. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, or in any other document or instrument delivered in connection therewith, all amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Credit Agreement.

In the event the indebtedness evidenced or secured hereby be collected by or through an attorney at law after maturity, the holder shall be entitled to collect reasonable attorneys' fees. Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived by all parties bound hereon.

CULP, INC.

[CORPORATE SEAL]

By: President

ATTEST:

Secretary

FOURTH AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$13,400,000

High Point, North Carolina
April 1, 1996

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower"), promises to pay to the order of WACHOVIA BANK OF NORTH CAROLINA, N.A. (the "Bank"), or order, on the Revolving Loan Termination Date (as defined in the 1996 Amended and Restated Credit Agreement dated as of the date hereof between the Borrower, the Bank and First Union National Bank of North Carolina (for itself and as Agent) (as amended, restated, modified or supplemented, the "Credit Agreement")), at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (as the Bank's Agent and for the benefit of the Bank), High Point, North Carolina, in lawful money of the United States of America, the principal amount of Thirteen Million Four Hundred Thousand and No/100 Dollars (\$13,400,000). This Revolving Credit Note shall bear interest on the outstanding principal balance from time to time as provided in the Credit Agreement and interest shall be payable at the times set forth in the Credit Agreement.

Notwithstanding the foregoing, the Borrower shall be liable for payment to the Bank only for such principal amount of the Wachovia Revolving Loan (as defined in the Credit Agreement) as is outstanding, together with interest at the rate per annum as aforesaid on the principal amount outstanding from the date of advance.

This Note is the Wachovia Revolving Credit Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. This Note is a replacement of, and evidences the same indebtedness as, that Third Amended and Restated Wachovia Revolving Credit Note dated July 1, 1995. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, or in any other document or instrument delivered in connection therewith, all amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Credit Agreement.

In the event the indebtedness evidenced or secured hereby be collected by or through an attorney at law after maturity, the holder shall be entitled to collect reasonable attorneys' fees. Demand, presentment, protest, notice of protest, and notice of dishonor are hereby waived by all parties bound hereon.

CULP, INC.

[CORPORATE SEAL]

By: President

ATTEST:

Secretary

SUBSIDIARIES

1. Culp International, Inc.
2. Guilford Printers, Inc.
3. 3096726 Canada Inc.
4. Rayonese Textile Inc.

Exhibit 5

[a form of quarterly officers certificates in form and substance to be agreed upon by the Borrower and the Banks, which shall be designed to set forth the calculation of financial information required to be reported by the Borrower to the Banks and to demonstrate the Borrower's compliance with the financial covenants set forth in this Agreement]

Exhibit 6

1. \$7,900,000 Alamance County, North Carolina, Industrial Revenue Bonds, Series A and B (Culp, Inc. Project) (1988) (Liens held by First Union National Bank of North Carolina as Letter of Credit Issuer).
2. \$3,377,000 Chesterfield County, South Carolina, Industrial Revenue Bonds, Series 1988 (Culp, Inc. Project) (Liens held by First Union National Bank of North Carolina as Letter of Credit Issuer).
3. \$4,500,000 Guilford County, North Carolina, Industrial Development Revenue Bonds, Series 1989 (Culp, Inc. Project) (Liens held by Wachovia Bank of North Carolina, N.A. as Letter of Credit Issuer and by First Citizens Bank & Trust Company as, Trustee).
4. \$6,580,000 Anderson County, South Carolina, Industrial Revenue Bonds, Series 1993 (Culp, Inc. Project) (Liens held by First Union National Bank of North Carolina as Letter of Credit Issuer).
5. \$6,000,000 Chesterfield County, South Carolina, Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project), Series 1996.

ASSIGNMENT AND ACCEPTANCE

Dated _____, _____

Reference is made to the 1996 Amended and Restated Credit Agreement dated as of April 1, 1996 (the "Credit Agreement") among CULP, INC. a North Carolina corporation (the "Borrower"), the BANKS (as defined in the Credit Agreement) and FIRST UNION NATIONAL BANK OF NORTH CAROLINA, as Agent (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a ____% interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) (including, without limitation, a ____% interest (which on the Effective Date hereof is \$_____) in the Assignor's Revolving Credit Commitment and at interest (which on the Effective Date hereof is \$_____ in the Loans and, other amounts owing to the Assignor and at interest in the Note[s] held by the Assignor (which on the Effective Date hereof is \$_____)).

2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement, any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder, that such interest is free and clear of any adverse claim and that as of the date hereof its Revolving Credit Commitment (without giving effect to assignments thereof which have not yet become effective) is \$_____ and the aggregate outstanding principal amount of Loans and other amounts owing to it (without giving effect to assignments thereof which have not yet become effective) is \$_____ (Loans of \$_____ and other amounts [specify] of \$_____); (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto;

and (iii) attaches the Note[s] referred to in paragraph 1 above and requests that the Agent exchange such Note[s] for [a new Note dated in the principal amount of payable to the order of the Assignee] (new Notes as follows: a Note dated _____, _____ in the principal amount of \$_____ payable to the order of the Assignor and a Note dated in the principal amount of \$_____ payable to the order of the Assignee].

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.1 thereof (or any more recent financial statements of the Borrower delivered pursuant to Section 9.1 thereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is a bank or financial institution; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their, terms all of the obligation which by the terms of the Credit Agreement are required to be performed by it as a Bank; (vi) specifies as its address for notices the office set forth beneath its name on the signature pages hereof; (vii) represents and warrants that the execution, delivery and performance of this Assignment and Acceptance are within its corporate powers and have been duly authorized by all necessary corporate action, and (viii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Notes or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty].*

4. The Effective Date for this Assignment and Acceptance shall be (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for execution and acceptance by the Agent [and to the Borrower for execution by the Borrower]**.

- -----
* If the Assignee is organized under the laws of a jurisdiction outside the United States.

** Before the occurrence of an Event of Default, if the Assignee is not a Bank prior to the Effective Date.

5. Upon such execution and acceptance by the Agent [and execution by the Borrower], from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent rights and obligations have been transferred to it by this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent its rights and obligations have been transferred to the Assignee by this Assignment and Acceptance, relinquish its rights (other than under Section 13.14 and Section 13.16 of the Credit Agreement) and be released from its obligations under the Credit Agreement.

6. Upon such execution and acceptance by the Agent (and execution by the Borrower)**, from and after the Effective Date, the Agent shall make all payments in respect of the interest assigned hereby to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to such acceptance by the Agent directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

[NAME OF ASSIGNOR]

By:
Title:

[NAME OF ASSIGNEE]

By:
Title:

Lending Office:
[Address]

FIRST UNION NATIONAL BANK OF
NORTH CAROLINA, as Agent

By:
Title:

[NAME OF BORROWER]***

- - - - -
** Before the occurrence of an Event of Default, if the Assignee is not a Bank prior to the Effective Date.

*** Before the occurrence of an Event of Default, if the Assignee is not a Bank prior to the Effective Date.

By:
Title:

Underlying VRDN Obligation	Existing Letter of Credit
\$7,900,000 Alamance County Industrial Facilities and Pollution Control Financing Authority Industrial Revenue Refunding Bonds (Culp, Inc. Project) Series A and B	Wachovia Bank of North Carolina, N.A. Irrevocable Letter of Credit No. LC 968-068486 issued April 1, 1996 in the initial stated amount of \$2,890,863.01
\$3,377,000 Chesterfield County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1988	Wachovia Bank of North Carolina, N.A. Irrevocable Letter of Credit No. LC 968-068488 issued April 1, 1996 in the initial stated amount of \$2,363,057.53
\$4,500,000 Guilford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1989	Wachovia Bank of North Carolina, N.A. Irrevocable Letter of Credit No. LC 968-041786 issued December 1, 1993 in the initial stated amount of \$3,978,000.00
\$6,580,000 Anderson County, South Carolina Industrial Revenue Bonds, (Culp, Inc. Project) Series 1993	Wachovia Bank of North Carolina, N.A. Irrevocable Letter of Credit No. LC 968-068487 issued April 1, 1996 in the initial stated amount of \$6,984,493.00
\$6,000,000 Chesterfield County, South Carolina Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996	Wachovia Bank of North Carolina, N.A. Irrevocable Letter of Credit No. LC 968-068485 issued April 1, 1996 in the initial stated amount of \$6,300,000.00

CULP

1996
ANNUAL
REPORT

(Photo depicting the world with various Culp products appears here.)

Culp

(Photo of fabrics samples, a chair and pillows appears here)

CULP'S TEAM OF 3,000 ASSOCIATES COMPRISES A FULLY INTEGRATED MARKETER OF FABRICS FOR THE FURNITURE, BEDDING AND INSTITUTIONAL FURNISHINGS INDUSTRIES ON A WORLDWIDE BASIS. CULP OPERATES 10 MANUFACTURING PLANTS WITH A COMBINED TOTAL OF 2.2 MILLION SQUARE FEET IN NORTH AND SOUTH CAROLINA, GEORGIA, PENNSYLVANIA AND CANADA. CULP PROVIDES REGIONAL DISTRIBUTION FACILITIES IN AREAS WHERE CONSIDERABLE FURNITURE MANUFACTURING IS CONCENTRATED INCLUDING HIGH POINT, NORTH CAROLINA; TUPELO, MISSISSIPPI; AND LOS ANGELES, CALIFORNIA. CULP'S COMMON SHARES ARE TRADED ON THE NASDAQ STOCK MARKET (NATIONAL MARKET) UNDER THE SYMBOL CULP.

Culp's International Markets

Culp's fabrics are used worldwide by an ever-broadening variety of customers. Residential furniture and bedding remain the company's largest end-use markets, but institutional furnishings ("contract"), juvenile furniture, outdoor furniture and bed furnishings are among the newer markets which are accounting for an increasing proportion of total sales.

Culp now ranks as the largest supplier of upholstery fabrics to a global array of furniture manufacturers and overseas fabric distributors. The company provides the broadest product line of upholstery fabrics, including flat wovens (jacquard and dobby), velvets (woven, tufted and flock) and prints (overprinted jacquards). Culp's hallmark is providing innovative fabric designs at good values with a consistently high level of customer service.

In mattress ticking, Culp ranks as one of the top three suppliers to the highly concentrated bedding industry. The company markets worldwide a broad range of heat-transfer, pigment-printed and damask tickings. Through creative designs utilizing various fabrics and colors, Culp has helped promote the use of covers with a more "fashion-conscious" look to differentiate mattress lines at retail.

(Photo of fabrics samples appears here)

Highlights

Net sales for fiscal 1996 reached a new high of \$351.7 million. Net income also set a new annual record of \$11.0 million, or \$0.98 per share, up 13% from \$0.87 per share in fiscal 1995. Fiscal 1996 represented the seventh consecutive year of higher net income.

Net sales of \$102.2 in the fourth quarter of fiscal 1996 marked the first time Culp has surpassed \$100 million in any quarter. Net income of \$4.1 million in the fourth quarter represented the fourteenth consecutive quarter of higher earnings in comparison to the comparable period in the prior year.

The acquisition of Rayonese Textile Inc. in March 1995 expanded Culp's customer base and enhanced the company's capacity for manufacturing wide and narrow jacquard fabrics used for mattress ticking, comforters and upholstery fabrics.

International sales accounted for \$77 million, or 22% of net sales, up from 19% in fiscal 1995. Shipments were made to customers in more than 50 countries during fiscal 1996.

In June 1996 the Board increased the regular quarterly cash dividend for the seventh consecutive year. The current indicated annual rate of \$0.13 per share represents an 18% increase over the previous annualized payout.

Capital expenditures for fiscal 1996 totaled \$14 million. Major initiatives included expanding capacity for jacquard and wet print product lines as well as completing the expansion project at Rayonese related to the installation of high-speed, air-jet jacquard weaving machines.

The company's financial position remained sound at the close of fiscal 1996 with a funded debt-to-capital ratio of 49%. Book value increased to a new high of \$7.21 per share.

The price of Culp's shares rose 33% during 1996, representing a 28.6% compound return to shareholders over the past five years.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)	FISCAL 1996	FISCAL 1995	PERCENT CHANGE	FIVE-YEAR GROWTH RATE
STATEMENTS OF INCOME				
Net sales	\$ 351,667	308,026	14.2%	15.1%
Gross profit	62,538	54,681	14.4	18.2
Income from operations	23,470	21,249	10.5	35.9
Net income	10,980	9,775	12.3	30.5
Average shares outstanding	11,234	11,203	0.3	0.8
PER SHARE				
Net income	\$ 0.98	0.87	12.6%	29.4%
Cash dividends	0.11	0.10	10.0	19.6
Book value	7.21	6.37	13.2	10.1
Year-end stock price	13.00	9.7	33.3	28.6
BALANCE SHEET				
Working capital	\$ 56,953	38,612	47.5%	11.9%
Total assets	211,644	194,999	8.5	19.0
Funded debt	76,791	72,947	5.3	33.0
Shareholders' equity	81,446	71,396	14.1	11.2
RATIOS				
Gross profit margin	17.8%	17.8%		
Operating income margin	6.7	6.9		
Net profit margin	3.1	3.2		
Return on average equity	14.4	14.6		
Funded debt to equity	94.3	102.2		
Current ratio	2.2%	1.7%		

NET INCOME PER SHARE

(Bar graph appears here with the following plot points.)

92	93	94	95	96
\$0.27	\$0.41	\$0.69	\$0.87	\$0.98

COMPARISON OF TOTAL RETURN TO SHAREHOLDERS

(Bar graph appears here with the following plot points.)

	91	92	93	94	95	96
Culp	100	143	200	325	276	368
Media General Textile Mfg.	100	148	160	147	142	144
NASDAQ	100	121	139	155	180	257

Fiscal 1996 was a year of rewarding progress. Sales rose to a new high of \$352 million, and net income increased 13% to \$0.98 per share, also a record. Sales and net income were up in each quarter versus the comparable year-earlier periods; and in the fourth quarter, we achieved the milestone of surpassing \$100 million in net sales for the first time ever for a three-month period. Our stock price at the end of the year was up 33% from the close at the end of fiscal 1995. That gain contrasted with essentially no change in the market value of a peer group of other companies in the home furnishings industry. Now, we recognize that looking at stock prices, especially at two points in time just 12 months apart, does not always provide a valid measure of one's underlying corporate performance. We are pleased, however, that the market has recognized the progress we have made.

Yes, these financial highlights present a gratifying backdrop. But remember that fiscal 1996 was not a turnaround year for Culp. It actually marked the seventh year in which we have attained higher net income in an industry which historically has shown a more cyclical than consistent pattern of growth. In fact, many of our competitors experienced a difficult year. Consumer spending on furniture and other home furnishings is still subject to a host of variables including interest rates, employment levels and the buoyancy of the overall economy. None of these we can control. What we can influence are issues such as fabric design, customer service, product quality and manufacturing efficiency. By executing our strategy to make continued progress in each of these vital areas, we have gained market share, increased the company's profitability and experienced a broadening recognition of Culp's prospects by Wall Street. What lies ahead? That is always the tough question to answer, but we have challenged ourselves to sustain the outstanding record Culp has attained.

This annual report provides a timely opportunity to review with you not only the past year but also the steps we are taking to follow our vision for Culp as one of the preeminent marketers of upholstery fabrics and mattress ticking worldwide. Our message here is not intended to repeat the discussion starting on page 23 about the significant operational and financial developments during fiscal 1996. We did benefit from the inclusion for a full year of Rayonese Textile which was acquired during the fourth quarter of fiscal 1995. The major portion of the increase in sales for the year, however, reflected growth in existing lines of upholstery fabrics and mattress ticking. Shipments to customers based in the United States rose 10% while international sales increased 34% and provided a key impetus to our corporate progress.

(Photo of a chair and pillow appear here)

The insertion of the word "worldwide" in our corporate description for Culp is intentional. Residential and commercial furnishings are global industries, and we have literally redefined the company's mission statement to encompass this perspective. The financial results of broadening our corporate profile is clear. For fiscal 1996, international sales accounted for \$77 million, or 22%, of net sales, up from 19% in fiscal 1995. Culp's

international shipments, principally upholstery fabrics, have risen more than tenfold since fiscal 1990. Without those incremental sales, we would still have compiled a well above-average record and would rank as one of the top marketers of upholstery fabrics and mattress ticking in the United States. But the contribution from higher sales to customers outside the United States has markedly accelerated our progress and enabled us to achieve a stronger competitive posture.

NET SALES

(Bar graph appears here with the following plot points.)

92	93	94	95	96
\$191,311	\$200,783	\$245,049	\$308,026	\$351,667

NET INCOME

(Bar graph appears here with the following plot points.)

92	93	94	95	96
\$2,973	\$4,501	\$7,665	\$9,775	\$10,980

What is driving our growth in sales? A critical underpinning is our ability to provide value to customers. Value is a deceptively simple word that may be one of the more complex terms any corporation has to comprehend. Customers provide the true definition of value, not us. Whatever blend of quality, service and price an account demands, we must strive to provide value by delivering the required blend, regardless of the geographical location of the customers we are servicing. Our success in building Culp's global presence relates directly to our continuous quality improvement process that remains a cornerstone of our corporate culture. We were far from the first company to adopt this approach, but the tangible returns realized thus far have reinforced teamwork throughout the Culp organization. The meaningful gains we have accomplished in product quality not only indicate that we are headed in the right direction, but also highlight that the drive to deliver value is an ongoing journey.

One element of value that is important for every customer we serve today involves the physical delivery of our fabrics and mattress ticking. The logistics of completing international deliveries within our objective of OTET ("on-time, every time") demands a sophisticated information system. Our proprietary Culp Link software allows customers and sales agents as distant as Australia, Belgium and Poland to check the status of orders and deliveries on a real-time basis. Culp Link also provides the ability to review the accounting status of any account, as well as check the exact status of any shipment with individual identification of each roll and color specification. Shipments to international accounts involve longer distances, but the same framework which has allowed us to form working partnerships with many of the leading manufacturers of furniture and bedding in the United States is proving to be very effective in serving international customers.

Apart from the absolute growth in international shipments, the geographical expansion of our customer base stands as firm evidence of our success on a worldwide basis. Our initial shipments several years ago outside the United States were logically into the nearby North American markets of Canada and Mexico. During fiscal 1996, however, those two nations combined represented less than one-third of the company's shipments outside of the United States. Europe is now our largest market for exports outside of North America, and we have established a growing presence in the Middle East, Asia and the Pacific Rim. We fully intend to broaden the geographical diversity of our customer base. We are continuing to add new customers, are considering establishing sales offices in selected overseas locations, and plan to introduce new products as part of an aggressive plan to capitalize on the potential we have identified.

To some, Culp's proven ability to prosper in international markets must appear an anomaly within the overall textile industry. Two vital points distinguish us from other companies caught in stiff competition with offshore manufacturers. First,

(Photo of Rob Culp and Howard Dunn appears here.)

Rob Culp
Howard Dunn

weaving and printing upholstery fabrics and mattress ticking is more capital intensive than other textile niches, particularly those that involve sewing and garment-finishing steps. Second, customers value the creative designs and finishes on our decorative fabrics as essential components of their product planning and marketing programs.

Our efforts to deliver innovative, appealing designs involve much more than just investing more dollars in additional equipment. Culp has the latest CAD (computer-aided design) workstations which facilitate the process of creating desirable patterns. High-resolution images of prototype designs present concepts to customers much faster and much less expensively than the conventional practice of producing a proposed design on a sample swatch of fabric. Designers are encouraged to experiment and to invite customers into the process at a much earlier stage than practically possible in the past. This involvement can help establish strong, long-lasting customer relationships; but the step demands a recognition that the development of new designs has to be linked integrally with practical manufacturing considerations. We have worked hard to establish this internal coordination, and the progress to date encouraged us to more than double the company's design staff during the last several years.

The same technological advances which support our design of new fabrics have led us to move aggressively in pursuing new marketing opportunities. Having the flexibility to generate new designs quickly is aided by our ability to control resources in most every major discipline in fabric and yarn manufacturing. In addition to being well established in jacquard and dobby woven fabrics, we have expertise in woven and tufted velvets, as well as wet and heat-transfer printing. This versatility plays directly to customer demands for new fabrics, as customer preferences can change dramatically, even over a few seasons. Being able to identify these shifts in the market has been helped considerably by our formation of four distinct business units over two years ago. By targeting our efforts based on major types of fabrics instead of by customer categories, we have built an organization far more responsive to swings in demand. We know that a Culp team focused on creative applications of their assigned product lines has frequently served a key role in motivating customers to try new placements for furniture and bedding. Because design is such an integral aspect of our business, change truly is one constant we have to be able to accept and use to our advantage. Having these four operational units has proven to be an effective way of realizing overall corporate growth within such a dynamic environment.

Culp's strong balance sheet ensures our ability to continue making the capital investments necessary to extend our competitive leadership. Capital spending in fiscal 1996 totaled \$14.4 million, and represented only 55% of operating cash flow (net income plus depreciation, amortization and deferred income taxes) for the year. Plans for fiscal 1997 include capital spending of \$16.5 million. The focus of this spending has increasingly shifted over the past couple of years toward expanding capacity rather than modernizing existing equipment. An example of that emphasis is the \$6 million invested

RETURN
ON AVERAGE
EQUITY
(Bar graph appears here with the following plot points.)

92	93	94	95	96
6.0%	8.6%	13.1%	14.6%	14.4%

CLOSING
STOCK
PRICE
(Bar graph appears here with the following plot points.)

92	93	94	95	96
\$5.23	\$7.20	\$11.63	\$9.75	\$13.00

at Rayonese Textile during fiscal 1995 and 1996 to install highly efficient, air-jet jacquard looms, planned specifically for fabrics used for mattress ticking, comforters, and overprinted jacquard fabrics.

We are pleased that the company's performance for fiscal 1996 led the Board to approve an 18% increase in the quarterly cash dividend in June 1996. This marked the seventh consecutive year in which the quarterly cash dividend has been raised. Our goal is to manage Culp's resources in a manner which allows this record to be extended. The initial indications for fiscal 1997 are colored in part by the strong finish we experienced in our business in fiscal 1996. The pace of incoming orders has remained positive well into the first quarter. Although we must acknowledge that there are conflicting projections about the economy and interest rates, the sentiment among manufacturers and retailers of home furnishings seems generally optimistic at this time.

Our task, as always, is not to get entangled in the near term but to focus on the longer term growth of Culp. The team of 3,000 associates under the Culp banner has accomplished much over the past several years and certainly seems eager for the challenges that we know lie ahead. We appreciate the earnest efforts of each individual and join them in expressing thanks to our customers for the opportunity to serve them. An increasing worldwide presence, a renewed emphasis on developing innovative new fabrics and designs and a sound organization all encourage us about our ability to meet the market's needs ever more competently in the future.

Sincerely,

(Signature of Robert G. Culp, III)
Robert G. (Rob) Culp, III
Chairman and Chief Executive Officer

(Signature of Howard L. Dunn, Jr.)
Howard L. Dunn, Jr.
President and Chief Operating Officer

To the Shareholders of Culp, Inc.:

We have changed our process for distributing information about Culp's quarterly progress during the year. We want to keep you informed about the Company's performance but believe that the most timely and cost-effective approach is to mail an update only to those requesting the information.

We have made this decision for two reasons. One is the rising cost of producing and mailing quarterly reports. The other is the recognition that many investors now have access to the news wires and computerized data bases that report Culp's results on the same day that we release them to the media.

If you wish to be mailed a copy of Culp's three quarterly news releases during 1997, simply complete and return the attached postcard.

Please send me a copy of Culp's 1997 quarterly news releases.

Name _____

Address _____

City _____ State _____ Zip _____

Place
Stamp
Here

Culp, Inc.
101 South Main Street
High Point, NC 27261

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Consolidated
Balance Sheets

APRIL 28, 1996 AND APRIL 30, 1995 (DOLLARS IN THOUSANDS,
EXCEPT SHARE DATA)

	1996	1995
ASSETS		
current assets:		
cash and cash investments	\$ 498	1,393
accounts receivable	52,038	44,252
inventories	47,395	45,771
other current assets	4,191	3,194
total current assets	104,122	94,610
restricted investments	5,250	795
property, plant and equipment, net	76,961	75,805
goodwill	22,871	22,600
other assets	2,440	1,189
total assets	\$211,644	194,999
LIABILITIES AND SHAREHOLDERS' EQUITY		
current liabilities:		
current maturities of long-term debt	\$ 7,100	11,555
accounts payable	27,308	32,250
accrued expenses	12,564	11,532
income taxes payable	197	661
total current liabilities	47,169	55,998
long-term debt	74,941	62,187
deferred income taxes	8,088	5,418
total liabilities	130,198	123,603
commitments and contingencies (note 11)		
shareholders' equity:		
preferred stock, \$.05 par value, authorized 10,000,000 shares	0	0
common stock, \$.05 par value, authorized 40,000,000 shares, issued and outstanding 11,290,300 at April 28, 1996 and 11,204,766 at April 30, 1995	565	560
capital contributed in excess of par value	16,878	16,577
retained earnings	64,003	54,259
total shareholders' equity	81,446	71,396
total liabilities and shareholders' equity	\$211,644	194,999

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL
STATEMENTS.

Consolidated
Statements of Income

	FOR THE YEARS ENDED APRIL 28, 1996, APRIL 30, 1995, AND MAY 1, 1994		
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	1996	1995	1994
net sales	\$ 351,667	308,026	245,049
cost of sales	289,129	253,345	202,426
gross profit	62,538	54,681	42,623
selling, general and administrative expenses	39,068	33,432	27,858
income from operations	23,470	21,249	14,765
interest expense	5,316	4,715	2,515
interest income	(92)	(64)	(79)
other expense	956	1,082	350
income before income taxes	17,290	15,516	11,979
income taxes	6,310	5,741	4,314
net income	\$ 10,980	9,775	7,665
net income per share	\$ 0.98	0.87	0.69

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated
Statements of Shareholders' Equity

FOR THE YEARS ENDED APRIL 28, 1996, APRIL 30, 1995, AND MAY 1, 1994 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	CAPITAL CONTRIBUTED IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
balance, May 2, 1993	7,259,161	\$ 362	15,333	38,826	54,521
cash dividends (\$0.08 per share)				(887)	(887)
net income				7,665	7,665
common stock issued in connection with stock option plan, including \$484 of tax benefit	212,140	11	1,339		1,350
three-for-two stock split	3,706,052	185	(185)		--
balance, May 1, 1994	11,177,353	558	16,487	45,604	62,649
cash dividends (\$0.10 per share)				(1,120)	(1,120)
net income				9,775	9,775
common stock issued in connection with stock option plan	27,413	2	90		92
balance, April 30, 1995	11,204,766	560	16,577	54,259	71,396
cash dividends (\$0.11 per share)				(1,236)	(1,236)
net income				10,980	10,980
common stock issued in connection with stock option plan	85,534	5	301		306
balance, April 28, 1996	11,290,300	\$ 565	16,878	64,003	81,446

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated
Statements of Cash Flows

FOR THE YEARS ENDED APRIL 28, 1996, APRIL 30, 1995, AND MAY 1, 1994
(DOLLARS IN THOUSANDS)

	1996	1995	1994
cash flows from operating activities:			
net income	\$ 10,980	9,775	7,665
adjustments to reconcile net income to net cash provided by operating activities:			
depreciation	12,348	11,257	8,497
amortization of intangible assets	748	628	344
provision for deferred income taxes	2,210	1,373	1,118
changes in assets and liabilities, net of effects of businesses acquired:			
accounts receivable	(7,786)	(5,515)	(1,839)
inventories	(1,624)	(7,281)	(4,330)
other current assets	(537)	(310)	(304)
other assets	(103)	(518)	(389)
accounts payable	(1,077)	159	(420)
accrued expenses	1,032	2,180	539
income taxes payable	(464)	25	(401)
net cash provided by operating activities	15,727	11,773	10,480
cash flows from investing activities:			
capital expenditures	(14,385)	(18,058)	(16,764)
purchase of restricted investments	(6,019)	(57)	(3,593)
purchase of investments to fund deferred compensation liability	(1,286)	--	--
sale of restricted investments	1,564	2,185	670
businesses acquired	--	(10,455)	(38,205)
net cash used in investing activities	(20,126)	(26,385)	(57,892)
cash flows from financing activities:			
proceeds from issuance of long-term debt	19,854	23,455	49,203
principal payments on long-term debt	(11,555)	(11,275)	(14,223)
dividends paid	(1,236)	(1,120)	(887)
proceeds from common stock issued	306	92	1,350
change in accounts payable - capital expenditures	(3,865)	2,160	7,443
net cash provided by financing activities	3,504	13,312	42,886
decrease in cash and cash investments	(895)	(1,300)	(4,526)
cash and cash investments, beginning of year	1,393	2,693	7,219
cash and cash investments, end of year	\$ 498	1,393	2,693

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Notes
To Consolidated Financial Statements

1 General and Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION--The consolidated financial statements include the accounts of the company and its subsidiary, which is wholly-owned. All significant intercompany balances and transactions are eliminated in consolidation.

DESCRIPTION OF BUSINESS--The company manufactures and markets upholstery fabrics and mattress ticking internationally for the furniture, bedding, and related industries, with the majority of its business conducted in the United States.

FISCAL YEAR --The company's fiscal year is the 52 or 53 week period ending on the Sunday closest to April 30. Fiscal years 1996, 1995 and 1994 included 52 weeks.

STATEMENTS OF CASH FLOWS--For purposes of reporting cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash investments.

ACCOUNTS RECEIVABLE --Substantially all of the company's accounts receivable are due from manufacturers and distributors in the markets noted above. The company grants credit to customers, a substantial number of which are located in the United States. Management performs credit evaluations of the company's customers and generally does not require collateral.

INVENTORIES --Principally all inventories are valued at the lower of last-in, first-out (LIFO) cost or market. Information related to the first-in, first-out (FIFO) method may be useful in comparing operating results to those of companies not on LIFO. The LIFO valuation method decreased net income \$66,000 (\$.01 per share) in 1996, had no effect on net income in 1995, and decreased net income \$73,000 (\$.01 per share) in 1994 compared with the FIFO method.

RESTRICTED INVESTMENTS--Restricted investments were purchased with proceeds from industrial revenue bond issues and are invested pending application of such proceeds to project costs or repayment of the bonds. The investments are stated at cost which approximates market value.

PROPERTY, PLANT AND EQUIPMENT --Property, plant and equipment is recorded at cost. Depreciation is generally computed using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Amounts received on disposal less the book value of assets sold are charged or credited to income.

FOREIGN CURRENCY TRANSLATION--The United States dollar is the functional currency for the company's Canadian subsidiary. Translation gains or losses for this subsidiary are reflected in net income.

GOODWILL AND OTHER INTANGIBLE ASSETS--Goodwill, which represents the unamortized excess of the purchase price over the fair values of the net assets acquired, is being amortized using the straight-line method over 40 years. The company assesses the recoverability of goodwill by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired businesses. The assessment of the recoverability of goodwill will be impacted if estimated cash flows are not achieved.

Other intangible assets are included in other assets and consist principally of debt issue costs. Amortization is computed using the straight-line method over the respective terms of the debt agreements.

INCOME TAXES --Deferred taxes are recognized for the temporary differences between the financial statement carrying amounts and the tax bases of the company's assets and liabilities and operating loss and tax credit carryforwards at income tax rates expected to be in effect when such amounts are realized or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

No provision is made for income taxes which may be payable if undistributed income of the company's Canadian subsidiary were to be paid as dividends to the company, since the company intends that such earnings will continue to be invested. At April 28, 1996 the amount of such undistributed income was \$1.5 million. Foreign tax credits may be available as a reduction of United States income taxes in the event of such distributions.

REVENUE RECOGNITION --Revenue is recognized when products are shipped to customers. Provision is made currently for estimated product returns, claims and allowances.

FAIR VALUE OF FINANCIAL INSTRUMENTS--The carrying amount of cash and cash investments, accounts receivable, other current assets, accounts payable and accrued expenses approximates fair value because of the short maturity of these financial instruments.

The fair value of the company's long-term debt is estimated by discounting the future cash flows at rates currently offered to the company for similar debt instruments of comparable maturities. The fair value of the company's long-term

debt approximates the carrying value of the debt due to the variable interest rates on the majority of long-term debt at April 28, 1996.

INTEREST RATE SWAP AGREEMENTS --Interest rate swap agreements generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. These agreements are used to effectively fix the interest rates on certain variable rate borrowings. Net amounts paid or received are reflected as adjustments to interest expense.

FORWARD CONTRACTS--Gains and losses related to qualifying hedges of firm commitments are deferred and included in the measurement of the related foreign currency transaction when the hedged transaction occurs.

PER SHARE DATA --Primary income per share is computed by dividing net income by the weighted average number of common shares outstanding during each year, as restated for stock splits (11,234,363 in 1996, 11,203,160 in 1995, and 11,075,988 in 1994). The effect of stock options on the calculation is not materially dilutive.

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

RECLASSIFICATION--Certain items in the 1995 consolidated financial statements have been reclassified to conform with the presentation adopted in the current year. The reclassifications did not impact net income as previously reported.

2 Acquisitions

On March 6, 1995, the company acquired Rayonese Textile Inc. (Rayonese), a manufacturer of home furnishings fabrics based near Montreal, Canada. The transaction was valued at approximately \$10.5 million and included the purchase of 100% of the Rayonese common stock and the assumption of Rayonese's funded debt. Goodwill on the transaction was approximately \$5 million, which is being amortized on the straight-line method over 40 years. The acquisition was accounted for as a purchase, and accordingly, the net assets and operations of Rayonese have been included in the company's consolidated financial statements since March 6, 1995.

On November 2, 1993, the company purchased the operations and assets relating to an upholstery fabric business operating as Rossville Mills, Chromatex and Rossville Velours (Rossville/Chromatex). The transaction was valued at approximately \$39.3 million and involved the purchase of assets for cash, the repayment of Rossville/ Chromatex debt and the assumption of certain liabilities. Goodwill on the transaction was approximately \$18.9 million, which is being amortized on the straight-line method over 40 years. The acquisition was accounted for as a purchase, and accordingly, the net assets and operations of Rossville/Chromatex have been included in the company's consolidated financial statements since November 1, 1993.

3 Accounts Receivable

A summary of accounts receivable follows:

(DOLLARS IN THOUSANDS)	1996	1995
customers	\$ 53,321	44,014
factors	71	1,314
allowance for doubtful accounts	(1,016)	(739)
reserve for returns and allowances	(338)	(337)
	\$ 52,038	44,252

4 Inventories

A summary of inventories follows:

(DOLLARS IN THOUSANDS)	1996	1995
inventories on the FIFO cost method		
raw materials	\$ 29,150	25,385
work-in-process	5,067	3,465
finished goods	16,708	19,834
total inventories on the FIFO cost method	50,925	48,684
adjustments of certain inventories to the LIFO cost method	(3,530)	(2,913)
	\$ 47,395	45,771

5 Property, Plant and Equipment

A summary of property, plant and equipment follows:

(DOLLARS IN THOUSANDS)	depreciable lives (in years)	1996	1995
land and improvements	10	\$ 1,765	958
buildings and improvements	7-40	13,529	12,793
leasehold improvements	7-10	1,320	1,242
machinery and equipment	3-12	109,906	101,427
office furniture and equipment	3-10	12,152	12,020
capital projects in progress		8,517	6,047
		147,189	134,487
accumulated depreciation		(70,228)	(58,682)
		\$ 76,961	75,805

6 Goodwill

A summary of goodwill follows:

(DOLLARS IN THOUSANDS)	1996	1995
goodwill	\$ 24,218	23,337
accumulated amortization	(1,347)	(737)
	\$ 22,871	22,600

7 Accounts Payable

A summary of accounts payable follows:

(DOLLARS IN THOUSANDS)	1996	1995
accounts payable--trade	\$21,570	22,647
accounts payable--capital expenditures	5,738	9,603
	\$27,308	32,250

8 Accrued Expenses

A summary of accrued expenses follows:

(DOLLARS IN THOUSANDS)	1996	1995
compensation and benefits	\$ 8,153	6,497
other	4,411	5,035
	\$12,564	11,532

9 Income Taxes

A summary of income taxes follows:

(DOLLARS IN THOUSANDS)	1996	1995	1994
current			
federal	\$3,345	3,473	2,420
state	700	699	383
Canadian	0	0	0
	4,045	4,172	2,803
deferred			
federal	1,422	1,374	1,279
state	145	195	232
Canadian	698	0	0
	2,265	1,569	1,511
	\$6,310	5,741	4,314

Income before income taxes related to the Company's Canadian operation for the year ended April 28, 1996 was \$2,100,000. In the prior year, income before income taxes from this operation was not significant.

The following schedule summarizes the principal differences between income taxes at the federal income tax rate and the effective income tax rate reflected in the consolidated financial statements:

	1996	1995	1994
federal income tax rate	34.2%	34.1%	34.0%
state income taxes, net of			
federal income tax benefit	3.4	3.8	3.8
exempt income of foreign sales			
corporation	(1.7)	(1.5)	(1.4)
other	.6	0.6	(0.4)
	36.5%	37.0%	36.0%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities consist of the following:

(DOLLARS IN THOUSANDS)	1996	1995
deferred tax liabilities:		
property, plant and equipment, net	\$(7,328)	(5,625)
goodwill	(720)	(432)
employee benefits	(295)	(249)
other	(142)	(139)
total deferred tax liabilities	(8,485)	(6,445)
deferred tax assets:		
accounts receivable	474	357
inventories	148	81
compensation	960	475
liabilities and reserves	782	922
alternative minimum tax	0	699
gross deferred tax assets	2,364	2,534
valuation allowance	0	0
total deferred tax assets	2,364	2,534
	\$(6,121)	(3,911)

Deferred taxes are classified in the accompanying consolidated Balance Sheet captions as follows:

(DOLLARS IN THOUSANDS)	1996	1995
other current assets	\$ 1,967	1,507
deferred income taxes	(8,088)	(5,418)
	\$ (6,121)	(3,911)

The company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the remaining deferred tax assets.

Income taxes paid, net of income tax refunds, were \$4,623,000 in 1996; \$4,071,000 in 1995; and \$3,113,000 in 1994.

A summary of long-term debt follows:

(DOLLARS IN THOUSANDS)	1996	1995
industrial revenue bonds and other obligations	\$ 22,241	15,787
revolving credit line	23,300	10,000
term loan	35,500	41,500
subordinated note payable	1,000	1,000
convertible note payable	0	5,455
	82,041	73,742
current maturities	(7,100)	(11,555)
	\$ 74,941	62,187

The company has an unsecured loan agreement with two banks, which provides for a \$36,000,000 five-year term loan and a \$33,500,000 revolving credit line, which also has a five-year term. The term loan requires monthly installments of \$500,000, and a final payment of \$6,500,000 on March 1, 2001. The revolving credit line requires payment of an annual facility fee in advance. Additionally, the term loan and the credit line require payment of interest on any outstanding borrowings at an interest rate based on a spread over the one month LIBOR (this LIBOR rate at April 28, 1996 was 5.4%).

The industrial revenue bonds (IRB) are collateralized by restricted investments of \$5,250,000 and letters of credit for \$22,436,000 at April 28, 1996. Substantially all of the bonds are due in one-time payments at various dates from 2008 to 2013, with interest at variable rates at approximately 60% of the prime rate (prime at April 28, 1996 was 8.25%).

In connection with the Rossville/Chromatex acquisition (note 2), the company has a subordinated note payable to the former owners with interest based on a spread over the one month LIBOR. The note is payable on November 1, 1996.

In connection with the purchase of Rayonese Textile Inc. (note 2), the company issued a convertible note payable of \$5,455,000. The note was payable on March 6, 1998 or upon 45 days notice to the company by the holders starting on March 6, 1996. The holders gave 45 days notice, and the company repaid the note payable in March 1996.

The company's loan agreements require, among other things, that the company maintain certain financial ratios. At April 28, 1996, the company was in compliance with these required financial covenants.

At April 28, 1996, the company had five interest rate swap agreements with two banks in order to reduce its exposure to floating interest rates on a portion of its variable rate borrowings.

The following table summarizes certain data regarding the interest rate swaps:

NOTIONAL AMOUNT	INTEREST RATE	EXPIRATION DATE
\$ 2,300,000	6.4%	July 1996
\$ 150,000	7.6%	July 1996
\$15,000,000	7.3%	April 2000
\$ 5,000,000	6.9%	June 2002
\$ 5,000,000	6.6%	July 2002

The estimated amount at which the company could terminate these agreements as of April 28, 1996 is approximately \$220,000. Net amounts paid under these agreements increased interest expense by approximately \$290,000 in 1996; \$138,000 in 1995; and \$227,000 in 1994. Management believes the risk of incurring losses resulting from the inability of the bank to fulfill its obligation under the interest rate swap agreements to be remote and that any losses incurred would be immaterial.

The principal payment requirements of long-term debt during the next five years are: 1997--\$7,100,000; 1998--\$6,100,000; 1999--\$6,275,000; 2000--\$6,200,000; and 2001--\$5,154,000, excluding payments, if any, on the revolving credit line for its five year term. The term loan and revolving credit facilities expire on March 1, 2001, at which time a final payment of \$6,500,000 is due for the term loan and any outstanding borrowings on the revolver are due. These final payments at the expiration date are not included in the scheduled payments above.

Interest paid during 1996, 1995 and 1994 totalled \$5,365,000, \$4,668,000, and \$2,254,000, respectively.

The company leases certain office, manufacturing and warehouse facilities and transportation and other equipment under noncancellable operating leases. Lease terms related to real estate range from five to ten years with renewal options for additional periods ranging from five to fifteen years. The leases generally require the company to pay real estate taxes, maintenance, insurance and other expenses. Rental expense for operating leases, net of sublease income, was \$3,502,000 in 1996; \$2,486,000 in 1995; and \$2,021,000 in 1994. Future minimum rental commitments for noncancellable operating leases are \$2,874,000 in 1997; \$2,466,000 in 1998; \$1,458,000 in 1999; \$1,221,000 in 2000; \$727,000 in 2001; and \$5,242,000 in later years.

The company is involved in several legal proceedings and claims which have arisen in the ordinary course of its 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 liquidity of the company.

The company has outstanding capital expenditure commitments of \$1,521,000 as of April 28, 1996.

12 Stock Option Plans

The company has a stock option plan under which options to purchase common stock may be granted to officers, directors and key employees. At April 28, 1996, 984,187 shares of common stock were authorized for issuance under the plan. Options are granted under the plan at an option price not less than fair market value at the date of grant. Options are generally exercisable one year after the date of grant and generally expire beginning ten years after the date of grant. At April 28, 1996, 371,437 shares were exercisable and 540,750 shares were available for future grants. At April 30, 1995, 369,721 shares were exercisable and 614,000 shares were available for future grants.

Stock option activity under this plan is summarized as follows:

	NUMBER OF SHARES GRANTED	NUMBER OF SHARES CANCELLED/EXPIRED	NUMBER OF SHARES EXERCISED	NUMBER OF SHARES OUTSTANDING AT YEAR-END	OPTION PRICE PER SHARE
1994	98,269	0	(288,855)	385,884	\$2.82-\$14.03
1995	97,250	0	(27,413)	455,721	\$2.82-\$14.03
1996	83,250	(10,000)	(85,534)	443,437	\$2.82-\$14.03

During fiscal 1995, the company adopted a performance-based stock option plan which provided for the one-time grant to officers and certain senior managers of options to purchase 121,000 shares of the company's common stock at \$.05 (par value) per share. Coincident with the adoption of this plan, the company's 1993 stock option plan was amended to reduce the number of shares issuable under that plan by 121,000 shares. Options under the plan are exercisable the earlier of January 1, 2003 or approximately 45 days after the end of fiscal 1997 if the company achieves an annual compound rate of growth in its primary earnings per share of 17% during the three-year period ending April 28, 1997. At April 28, 1996, 114,000 options were outstanding.

13 Defined Contribution Plan

The company has a defined contribution plan which covers substantially all employees and provides for participant contributions on a pre-tax basis and discretionary matching contributions by the company which are determined annually. Company contributions to the plan were \$791,000 in 1996; \$771,000 in 1995; and \$574,000 in 1994.

14 International Sales

International sales, of which 90% were denominated in U.S. dollars, accounted for 22% of net sales in 1996, 19% in 1995, and 18% in 1994, and are summarized by geographic area as follows:

(DOLLARS IN THOUSANDS)	1996	1995	1994
Europe	\$18,927	19,177	17,334
North America (excluding USA)	23,528	16,707	12,128
Asia and Pacific Rim	12,124	8,969	5,529
South America	2,753	3,749	1,248
Middle East	15,609	6,081	1,740
All other areas	4,456	3,288	6,059
	\$77,397	57,971	44,038

15 Related Party Transactions

A director of the company is also an officer and director of a major customer of the company. The amount of sales to this customer was approximately \$27,739,000 in 1996; \$20,484,000 in 1995; and \$15,464,000 in 1994. The amount due from this customer at April 28, 1996 was approximately \$2,608,000 and at April 30, 1995 was approximately \$2,443,000.

A director of the company is also a director of the company's lead bank, an officer and director of one of the company's factors, and an officer and director of the lessor of the company's office facilities in High Point. The amount of factor commissions paid to this factor was approximately \$28,000 in 1996; \$55,000 in 1995; and \$158,000 in 1994, and the amount due from the factor at April 28, 1996 and April 30, 1995 was \$67,000 and \$808,000, respectively. The amount of interest and other fees paid to the bank was approximately \$2,580,000 in 1996; \$2,039,000 in 1995; and \$1,555,000 in 1994, and the loans payable to the bank and amounts guaranteed through letters of credit by the bank at April 28, 1996 and April 30, 1995 aggregated \$48,402,000 and \$42,862,000, respectively. Rent expense for the company's office facilities in High Point was approximately \$421,000 in 1996; \$435,000 in 1995; and \$427,000 in 1994.

Rents paid to entities owned by certain shareholders and officers of the company and their immediate families were \$680,000 in 1996; \$670,000 in 1995; and \$630,000 in 1994.

16 Foreign Exchange Forward Contracts

The company generally enters into foreign exchange forward contracts as a hedge against its exposure to currency fluctuations on firm commitments to purchase certain machinery and equipment and raw materials. Machinery and equipment and raw material purchases hedged by foreign exchange forward contracts are valued by using the exchange rate of the applicable foreign exchange forward contract. The company had approximately \$1,924,000 and \$6,056,000 of outstanding foreign exchange forward contracts as of April 28, 1996 and April 30, 1995, respectively (primarily denominated in German marks and Australian shillings). The contracts outstanding at April 28, 1996 mature at various dates in fiscal 1997. The fair values of these contracts were \$1,850,000 and \$6,553,000 at April 28, 1996 and April 30, 1995, respectively. Fair values were estimated by obtaining quotes from banks assuming all contracts were purchased on April 28, 1996 and April 30, 1995, respectively.

Report of Independent Auditors

To the Board of Directors and Shareholders of Culp, Inc.:

We have audited the accompanying consolidated balance sheets of Culp, Inc. and subsidiary as of April 28, 1996 and April 30, 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended April 28, 1996. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Culp, Inc. and subsidiary as of April 28, 1996 and April 30, 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended April 28, 1996, in conformity with generally accepted accounting principles.

(signature of KPMG Peat Marwick LLP appears here)
Greensboro, North Carolina
May 29, 1996

Management's Responsibility
For Financial Statements

The management of Culp, Inc. is responsible for the accuracy and consistency of all the information contained in this Annual Report, including the financial statements. These statements have been prepared to conform with generally accepted accounting principles. The preparation of financial statements and related data involves estimates and the use of judgment.

Culp, Inc. maintains internal accounting controls designed to provide reasonable assurance that the financial records are accurate, that the assets of the company are safeguarded, and that the financial statements present fairly the financial position and results of operations of the company.

KPMG Peat Marwick LLP, the company's independent auditors, conducts an audit in accordance with generally accepted auditing standards and provides an opinion on the financial statements prepared by management. Their report for 1996 appears on the preceding page.

The Audit Committee of the Board of Directors reviews the scope of the audit and the findings of the independent auditors. The internal auditor and the independent auditors meet with the Audit Committee to discuss audit and financial reporting issues. The Committee also reviews the company's principal accounting policies, significant internal accounting controls, the Annual Report and annual SEC filings (Form 10-K and Proxy Statement).

(signature of Robert G. Culp, III appears here)
Robert G. Culp, III
Chairman and Chief Executive Officer

(signature of Franklin N. Saxon appears here)
Franklin N. Saxon
Senior Vice President and Chief Financial Officer
May 29, 1996

RETURN ON AVERAGE TOTAL CAPITAL
(bar chart appears here, plot points are below)

92	93	94	95	96
6.0%	7.4%	9.2%	9.6%	9.5%

CAPITAL EXPENDITURES
(bar chart appears here, plot points are below)

92	93	94	95	96
\$12,396	\$11,938	\$16,764	\$18,058	\$14,385

CAPITAL EXPENDITURES AS A PERCENT OF CASH FLOWS
(bar chart appears here, plot points are below)

92	93	94	95	96
126.7%	101.8%	95.1%	78.4%	54.7%

INTERNATIONAL SALES
(bar chart appears here, plot points are below)

92	93	94	95	96
\$37,913	\$41,471	\$44,038	\$57,971	\$77,397

Management's Discussion & Analysis

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

GENERAL--The company's business, which is linked to the demand for upholstery fabrics and mattress ticking, is cyclical in nature and can be significantly affected by changes in overall economic conditions. The company believes the key economic indicators influencing demand for its products are housing starts, sales of existing homes, the level of consumer confidence, population demographics, trends in disposable income and prevailing interest rates for home mortgages. Industry-wide demand for upholstery fabrics and mattress ticking is directly determined by consumer purchases of upholstered furniture and bedding (mattresses and box springs). Although the majority of the company's sales continues to be derived from sales to U.S.-based manufacturers, international sales are increasing as a percentage of total shipments. The company believes that most of its upholstery fabrics and mattress ticking sold internationally is used in the manufacture of furniture and bedding which is marketed outside the United States.

OVERVIEW--For the fiscal year ended April 28, 1996, net sales were \$351.7 million, up 14% from \$308.0 million in fiscal 1995. For the year, sales of upholstery fabrics increased 11% and accounted for 81% of the company's net sales. Sales of mattress ticking, including sales for Rayonese, contributed the balance of net sales and rose 29% from the prior year. The gain in sales reflected higher shipments of upholstery fabrics and mattress ticking to U.S.-based manufacturers as well as increased international shipments, principally of upholstery fabrics. Net income for fiscal 1996 increased to \$11.0 million, or \$0.98 per share, up from \$9.8 million, or \$0.87 per share, for fiscal 1995. The company's business ended fiscal 1996 on a generally strong note with a 19.6% increase in sales in the fourth quarter. Although the pace of incoming orders remains positive, there are conflicting projections about the economy and interest rates over the remainder of the company's fiscal 1997 year. The company's managerial focus continues to be extending the longer term gains realized in market share and corporate profitability.

RECENT ACQUISITIONS--On March 6, 1995, the company completed the acquisition of Rayonese Textile Inc. ("Rayonese"). The transaction was valued at approximately \$10.5 million and included the purchase of 100% of the common stock of Rayonese and the assumption of that company's funded debt. The acquisition is described in more detail elsewhere in this report and in the company's filing with the Securities and Exchange Commission on Form 8-K filed December 23, 1994. See also footnote 2 to the Consolidated Financial Statements.

As of November 1, 1993, the company completed the purchase of the upholstery fabric business operating as Rossville Mills, Chromatex, and Rossville Velours. The transaction was valued at \$39.3 million and involved the purchase of assets for cash and the assumption of certain liabilities related to the business. The assets acquired are principally located in Rossville, Georgia and West Hazelton, Pennsylvania. The acquisition is described in more detail elsewhere in this report and in the company's filings with the Securities and Exchange Commission on form 8-K filed November 16, 1993, and amendments to that filing on Form 8-K/A filed January 15, 1994, and July 15, 1994. See also footnote 2 to the consolidated financial statements.

ANALYSIS OF OPERATIONS--The table below sets forth certain items in the Consolidated Statements of Income as a percentage of net sales. Income taxes are expressed as a percentage of income before income taxes.

	1996	1995	1994
Net sales	100.0%	100.0%	100.0%
Cost of sales	82.2	82.2	82.6
Gross profit	17.8	17.8	17.4
Selling, general and administrative expenses	11.1	10.9	11.4
Income from operations	6.7	6.9	6.0
Interest expense	1.5	1.5	1.0
Interest income	0.0	0.0	0.0
Other expense	0.3	0.4	0.1
Income before income taxes	4.9	5.0	4.9
Income taxes (*)	36.5	37.0	36.0
Net income	3.1%	3.2%	3.1%

(*) Calculated as a percent of income before income taxes

FISCAL 1996 COMPARED WITH FISCAL 1995--The following table sets forth the company's sales divided into various categories, including in each case the percentage change in the category's sales from fiscal 1995 to fiscal 1996. The first major division is between the company's major product categories, Upholstery Fabrics and Mattress Ticking. Additionally, sales are broken down by the company's four business units: Culp Textures, Rossville/Chromatex and Velvets/Prints, which produce upholstery fabrics, and Culp Home Fashions, which produces primarily mattress ticking.

PRODUCT CATEGORY/BUSINESS UNIT	AMOUNTS		PERCENT CHANGE
	1996	1995	
Upholstery Fabrics			
Culp Textures	\$ 84,384	85,125	(0.9)%
Rossville/Chromatex	74,203	63,765	16.4 %
	158,587	148,890	6.5 %

Velvets/Prints	125,70	106,803	17.7 %
	284,28	255,693	11.2 %
Mattress Ticking			
Culp Home Fashions	67,379	52,333	28.8 %
	\$351,667	308,026	14.2 %

The company's sales of upholstery fabrics increased \$28.6 million, or 11.2%. Sales from the Rossville/Chromatex and Velvets/Prints business units were up significantly from last year while sales of the Culp Textures business unit were down slightly. The gain of \$15.0 million in sales of mattress ticking reflected higher shipments to existing accounts and the additional sales from Rayonese. Sales of mattress ticking for fiscal 1996 included \$7.7 million from Rayonese which was acquired on March 6, 1995. Rayonese contributed \$1.4 million to sales for the portion of fiscal 1995 in which it was included in the company's results. International sales, consisting primarily of upholstery fabrics, increased to \$77.4 million, up 34% from fiscal 1995. International shipments accounted for 22% of the company's sales for fiscal 1996, up from 19% in fiscal 1995. The base of the company's international customers continued to broaden, with sales to over 50 countries during fiscal 1996.

Gross profit for fiscal 1996 increased by \$7.9 million and remained constant as a percentage of net sales at 17.8%. The cost of most raw materials generally rose throughout fiscal 1996, and the company was unable to offset very much of the impact of these increases through higher prices. During the latter part of the year, the company began experiencing some easing in the rate of increase in the cost of raw materials. A continuation of this trend could help the company's profitability in future periods.

Selling, general and administrative expenses increased as a percentage of net sales for fiscal 1996. Although the company is continuing to emphasize cost-containment programs, planned increases in expenses related to the design of new fabrics and higher selling commissions related to international sales led to the higher ratio of expenses to net sales.

Interest expense for fiscal 1996 rose 12.7% to \$5.3 million. The increase principally reflected additional borrowings related to funding the acquisition of Rayonese, capital expenditures and an increased level of working capital needed to support increased sales. The company experienced generally lower prevailing interest rates during fiscal 1996. The effective tax rate for fiscal 1996 decreased slightly to 36.5% compared with 37.0% in fiscal 1995.

FISCAL 1995 COMPARED WITH FISCAL 1994--The following table sets forth the company's sales divided into various categories, including in each case the percentage change in the category's sales from fiscal 1994 to fiscal 1995. The first major division is between the company's major product categories, Upholstery Fabrics and Mattress Ticking. Additionally, sales are broken down by the company's four business units: Culp Textures, Rossville/Chromatex and Velvets/Prints, which produce upholstery fabrics, and Culp Home Fashions, which produces primarily mattress ticking.

(DOLLARS IN THOUSANDS) PRODUCT CATEGORY/BUSINESS UNIT	AMOUNTS		PERCENT CHANGE
	1995	1994	
Upholstery Fabrics			
Culp Textures	\$ 85,125	78,317	8.7 %
Rossville/Chromatex	63,76	531,047	N/A
	148,890	109,364	36.1 %
Velvets/Prints	106,80	97,036	10.1 %
	255,69	206,400	23.9%
Mattress Ticking			
Culp Home Fashions	52,333	38,649	35.4 %
	\$308,026	245,049	25.7 %

The increase of \$49.3 million in upholstery fabrics was attributable primarily to the incremental sales of \$32.8 million contributed by Rossville/Chromatex acquired on November 1, 1993. Excluding that contribution, the company's sales of upholstery fabrics increased \$16.5 million, or 8.0%. Shipments of each business unit within upholstery fabrics were up for the year. The sales gain in mattress ticking primarily reflected higher shipments to existing accounts and, to a lesser degree, to the success of programs to broaden the customer base. Sales of mattress ticking for fiscal 1995 included \$1.4 million from Rayonese, which was acquired on March 6, 1995. International sales, consisting primarily of upholstery fabrics, increased to \$58.0 million, up 32% from fiscal 1994. This category of sales represented 19% of total sales in fiscal 1995 and 18% of total sales in fiscal 1994.

Gross profit for fiscal 1995 increased both in absolute dollars and as a percentage of net sales. The Rossville/Chromatex and Culp Home Fashions business units contributed significantly to those gains. Culp Textures and Velvets/Prints were up, although not as significantly. The company experienced increased raw material prices during fiscal 1995 which were not passed along to customers through price increases. Selling, general and administrative expenses declined as a percentage of net sales for fiscal 1995.

Interest expense for fiscal 1995 increased 88% to \$4.7 million. The increase principally reflected the full-year inclusion of the bank borrowings and financing provided by the seller related to the acquisition of Rossville/Chromatex and increased capital expenditures. Significantly higher prevailing interest rates also contributed to the increase in interest expense for the year.

Other expense for fiscal 1995 increased to \$1.1 million compared with \$350,000 in fiscal 1994. The principal factors contributing to the increased expense were amortization of goodwill related to the Rossville/Chromatex acquisition and to higher debt issue costs.

The effective tax rate for fiscal 1995 increased to 37.0% compared with 36.0% in fiscal 1994. The increase was primarily due to the significantly higher level of pretax income for fiscal 1995.

LIQUIDITY AND CAPITAL RESOURCES--The company maintained a sound financial position during fiscal 1996. Funded debt (which includes long-and short-term debt less restricted investments) increased 5.3% to \$76.8 million at the close of fiscal 1996, up from \$72.9 million a year earlier. As a percentage of total capital (funded debt plus shareholders' equity), the company's debt declined to 48.5% as of April 28, 1996 compared with 50.5% as of April 30, 1995. The company's current ratio at the close of fiscal 1996 increased to 2.2 compared with 1.7 a year earlier. Shareholders' equity increased 14.1% to \$81.4 million as of April 28, 1996 compared with \$71.4 million as of April 30, 1995.

Cash flows from operating activities totaled \$15.7 million for fiscal 1996. The primary factor contributing to operating cash flows was cash from earnings (net income plus depreciation, amortization, and deferred income taxes) of \$26.3 million. An increase of \$7.8 million in accounts receivable and \$1.6 million in inventories offset a portion of these sources of operating cash flows. The funds from operations and financing activities were used to fund capital expenditures for fiscal 1996 of \$14.4 million compared with \$18.1 million for fiscal 1995.

The company's borrowings are through financing arrangements with two banks that provide for a \$36.0 million term loan and a \$33.5 million revolving credit facility and letters of credit on its IRB's. As of April 28, 1996, the company had \$10.2 million in borrowings available under the revolving credit facility. In April 1996, the company amended its loan agreements to provide for certain less stringent financial covenants including the provision for all borrowings under the agreement to be unsecured.

The company's Board of Directors has approved a capital expenditure budget of \$16.5 million for fiscal 1997. The company believes that cash flows from operations and funds available under existing credit facilities and new IRB's, where available, will be sufficient to fund capital expenditures and working capital requirements during fiscal 1997.

At April 28, 1996, the company had five interest rate swap agreements with two banks to reduce its exposure to floating interest rates on a portion of its variable rate borrowings. The effect of these contracts is to "fix" the interest rate payable on approximately 43% of the company's bank borrowings at a weighted average rate of 7.1%. The company also enters into foreign exchange forward contracts to hedge against currency fluctuations with respect to firm commitments to purchase machinery, equipment and certain raw materials when those commitments are denominated in foreign currencies. See footnotes 10 and 16 to the company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS--The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which permits a change from the intrinsic value based method of accounting for stock options (Accounting Principles Board Opinion No. 25) to a fair value based method for employee stock option and similar equity investments.

As an alternative, the Statement allows the continued use of the intrinsic value based method accompanied with pro forma disclosures of the fair value based method. The company plans to adopt this alternative.

Other than the disclosure required by SFAS No. 123, the implementation of new accounting standards will not have a material impact on the company's financial statements in 1997.

INFLATION--The company has experienced higher costs of raw materials over the past two fiscal years. Other operating expenses such as for manufacturing supplies and spare parts also rose over this period, putting pressure on the company's profitability. Competitive conditions did not allow the company to offset very much of these increases through higher prices for its products. Some easing in the cost of raw materials has begun to occur.

FORWARD-LOOKING INFORMATION--This annual report to shareholders and the company's annual report on Form 10-K contain forward-looking statements that are inherently subject to risks and uncertainties. Factors that could influence the matters discussed in the forward-looking statements include the level of housing starts and existing home sales, consumer confidence, and trends in disposable income. Decreases in these economic indicators could have a negative effect on the company's business and its prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely.

EBITDA
MARGIN

(Bar chart appears here, plot points are below)

92	93	94	95	96
6.6%	7.4%	9.5%	10.4%	10.1%

CASH DIVIDENDS PER SHARE

(Bar chart appears here, plot points are below)

92	93	94	95	96
\$0.049	\$0.064	\$0.080	\$0.100	\$0.110

Selected
Quarterly Data

	FISCAL 1996	FISCAL 1996	FISCAL 1996	FISCAL 1996	FISCAL 1995	FISCAL 1995
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER	4TH QUARTER	3RD QUARTER
INCOME STATEMENT DATA (4) (5)						
net sales	\$ 102,162	86,476	90,672	72,357	85,441	77,791
cost of sales	82,957	71,447	74,565	60,159	69,039	64,785
gross profit	19,205	15,029	16,107	12,198	16,402	13,006
SG & A expenses	11,300	9,639	9,675	8,454	9,205	8,295
income from operations	7,905	5,390	6,432	3,744	7,197	4,711
interest expense	1,352	1,279	1,388	1,297	1,374	1,120
interest income	(92)	0	0	0	(3)	(14)
other expense	365	266	219	107	470	245
income before income taxes	6,280	3,845	4,825	2,340	5,356	3,360
income taxes	2,230	1,430	1,825	825	1,931	1,260
net income	4,050	2,415	3,000	1,515	3,425	2,100
EBITDA (6)	\$ 10,814	8,450	9,494	6,852	9,917	7,523
depreciation	3,070	3,140	3,071	3,067	3,020	2,897
cash dividends	310	309	309	308	280	280
weighted average shares outstanding	11,284	11,211	11,211	11,207	11,205	11,205
PER SHARE DATA (3) (4) (5)						
net income	\$ 0.36	0.22	0.27	0.14	0.31	0.19
cash dividends	0.0275	0.0275	0.0275	0.0275	0.025	0.025
book value	7.21	6.89	6.72	6.48	6.37	6.09
BALANCE SHEET DATA (4) (5)						
working capital	\$ 56,953	52,266	46,373	45,069	38,612	46,399
property, plant and equipment	76,961	73,356	73,876	75,744	75,805	69,373
total assets	211,644	197,704	200,404	192,725	194,999	179,138
capital expenditures	6,675	2,620	2,084	3,006	4,452	3,422
long-term debt	74,941	68,112	65,137	67,662	62,187	65,711
funded debt (1)	76,791	79,667	76,692	79,217	72,947	70,209
shareholders' equity	81,446	77,623	75,351	72,624	71,396	68,251
capital employed (7)	158,237	157,290	152,043	151,841	144,343	138,460
RATIOS & OTHER DATA (4) (5)						
gross profit margin	18.8%	17.4%	17.8%	16.9%	19.2%	16.7%
operating income margin	7.7	6.2	7.1	5.2	8.4	6.1
net profit margin	4.0	2.8	3.3	2.1	4.0	2.7
EBITDA margin	10.6	9.8	10.5	9.5	11.6	9.7
effective income tax rate	35.5	37.2	37.8	35.3	36.1	37.5
funded debt-to-total capital ratio (1)	48.5	50.6	50.4	52.2	50.5	50.7
working capital turnover	5.3	5.3	5.4	5.4	5.6	5.5
days sales in receivables	46	43	47	45	47	44
inventory turnover	6.8	5.7	6.0	5.1	6.1	6.0
STOCK DATA (3)						
stock price						
high	\$ 13.25	11.50	11.00	10.00	9.75	10.50
low	10.00	9.50	9.00	7.75	8.50	8.75
close	13.00	10.00	9.75	7.75	9.75	9.50
P/E ratio (2)						
high	13.5	12.2	12.1	11.2	11.2	12.3
low	10.2	10.1	9.9	8.7	9.7	10.3
trading volume (shares)	1,325	1,142	1,011	1,454	1,617	1,886

	FISCAL 1995	FISCAL 1995
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2ND QUARTER	1ST QUARTER
INCOME STATEMENT DATA (4) (5)		
net sales	78,445	66,349
cost of sales	64,272	55,249
gross profit	14,173	11,100
SG & A expenses	8,363	7,569
income from operations	5,810	3,531
interest expense	1,144	1,077
interest income	(24)	(23)
other expense	190	177
income before income taxes	4,500	2,300
income taxes	1,700	850
net income	2,800	1,450
EBITDA (6)	8,500	6,112
depreciation	2,718	2,622
cash dividends	280	280
weighted average shares outstanding	11,205	11,198
PER SHARE DATA (3) (4) (5)		
net income	0.25	0.13
cash dividends	0.025	0.025
book value	5.93	5.70
BALANCE SHEET DATA (4) (5)		
working capital	42,964	43,164

property, plant and equipment	68,848	66,535
total assets	178,404	164,585
capital expenditures	5,031	5,153
long-term debt	63,462	64,187
funded debt (1)	67,846	66,493
shareholders' equity	66,431	63,912
capital employed (7)	134,277	130,405
RATIOS & OTHER DATA (4) (5)		
gross profit margin	18.1%	16.7%
operating income margin	7.4	5.3
net profit margin	3.6	2.2
EBITDA margin	10.8	9.2
effective income tax rate	37.8	37.0
funded debt-to-total capital ratio (1)	50.5	51.0
working capital turnover	5.8	5.7
days sales in receivables	50	42
inventory turnover	6.2	5.8
STOCK DATA (3)		
stock price		
high	9.25	12.50
low	7.50	7.25
close	8.75	8.75
P/E ratio (2)		
high	11.2	17.0
low	9.1	9.8
trading volume (shares)	3,702	2,956

(1) FUNDED DEBT INCLUDES LONG- AND SHORT-TERM DEBT, LESS RESTRICTED INVESTMENTS.

(2) P/E RATIOS BASED ON TRAILING 12-MONTH INCOME PER SHARE.

(3) SHARE AND PER SHARE DATA ADJUSTED FOR STOCK SPLITS, EXCEPT FOR TRADING VOLUME.

(4) ROSSVILLE/CHROMATEX INCLUDED IN CONSOLIDATED RESULTS FROM ITS NOVEMBER 1, 1993 ACQUISITION BY CULP.

(5) RAYONESE INCLUDED IN CONSOLIDATED RESULTS FROM ITS MARCH 6, 1995 ACQUISITION BY CULP.

(6) EBITDA REPRESENTS EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION.

(7) CAPITAL EMPLOYED INCLUDES FUNDED DEBT AND SHAREHOLDERS' EQUITY.

Selected
Annual Data

	FISCAL	FISCAL	FISCAL	FISCAL	FISCAL	PERCENT	FIVE-YEAR
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1996	1995	1994	1993	1992	CHANGE	GROWTH
INCOME STATEMENT DATA (4) (5)						1996/1995	RATE
net sales	\$ 351,667	308,026	245,049	200,783	191,311	14.2%	15.1%
cost of sales	289,129	253,345	202,426	168,599	161,204	14.1	14.5
gross profit	62,538	54,681	42,623	32,184	30,107	14.4	18.2
S G & A expenses	39,068	33,432	27,858	24,203	24,597	16.9	12.2
income from operations	23,470	21,249	14,765	7,981	5,51	10.5	35.9
interest expense	5,316	4,715	2,515	1,409	1,421	12.7	27.9
interest income	(92)	(64)	(79)	(29)	(136)	43.8	--
other expense	956	1,082	350	1	288	(11.6)	26.8
income before income taxes	17,290	15,516	11,979	6,600	3,937	11.4	35.8
income taxes	6,310	5,741	4,314	2,099	964	9.9	49.4
net income	10,980	9,775	7,665	4,501	2,973	12.3	30.5
EBITDA(6)	\$ 35,610	32,052	23,256	14,933	12,562	11.1	26.0
depreciation	12,348	11,257	8,497	6,724	7,085	9.7	14.8
cash dividends	1,236	1,120	887	696	533	10.4	20.5
weighted average shares outstanding	11,234	11,203	11,076	10,875	10,827	0.3	0.8
PER SHARE DATA (3) (4) (5)							
net income	\$ 0.98	0.87	0.69	0.41	0.27	12.6%	29.4%
cash dividends	0.11	0.10	0.08	0.064	0.049	10.0	19.6
book value	7.21	6.37	5.60	5.01	4.66	13.2	10.1
BALANCE SHEET DATA (4) (5)							
working capital	\$ 56,953	38,612	37,949	34,942	26,665	47.5%	11.9%
property, plant and equipment	76,961	75,805	64,004	44,529	39,315	1.5	17.5
total assets	211,644	194,999	164,948	106,548	93,195	8.5	19.0
capital expenditures	14,385	18,058	16,764	11,938	12,396	(20.3)	5.2
businesses acquired	0	10,455	38,205	0	0	0	--
long-term debt	74,941	62,187	58,512	23,147	14,082	20.5	34.8
funded debt (1)	76,791	72,947	58,639	26,582	16,817	5.3	33.0
shareholders' equity	81,446	71,396	62,649	54,521	50,651	14.1	11.2
capital employed (7)	158,237	144,343	121,288	81,103	67,468	9.6	19.0
RATIOS & OTHER DATA (4) (5)							
gross profit margin	17.8%	17.8%	17.4%	16.0%	15.7%		
operating income margin	6.7	6.9	6.0	4.0	2.9		
net profit margin	3.1	3.2	3.1	2.2	1.6		
EBITDA margin	10.1	10.4	9.5	7.4	6.6		
effective income tax rate	36.5	37.0	36.0	31.8	24.5		
funded debt-to-total capital ratio (1)	48.5	50.5	48.3	32.8	24.9		
return on average total capital	9.5	9.6	9.2	7.4	6.0		
return on average equity	14.4	14.6	13.1	8.6	6.0		
working capital turnover	5.3	5.6	5.7	5.4	5.7		
days sales in receivables	46	47	43	43	43		
inventory turnover	6.0	6.0	6.3	6.4	7.0		
STOCK DATA (3)							
stock price							
high	\$ 13.25	12.50	17.33	7.33	5.59		
low	7.75	7.25	5.67	3.60	3.28		
close	13.00	9.75	11.63	7.20	5.23		
P/E ratio (2)							
high	13.5	14.3	25.1	17.7	20.4		
low	7.9	8.3	8.2	8.7	11.9		
trading volume (shares)	4,932	10,161	11,178	2,646	1,497		

(1) - (7) SEE SELECTED QUARTERLY DATA TABLE FOOTNOTE.

Corporate
Directory

Robert G. Culp, III
Chairman of the Board and Chief Executive Officer;
Director (E,N)

Howard L. Dunn, Jr.
President and Chief Operating Officer; Director (E)

Andrew W. Adams
Senior Vice President of Corporate Development; Director (E)

Franklin N. Saxon
Senior Vice President and Chief Financial Officer, Treasurer, Secretary;
Director (E)

Kenneth M. Ludwig
Senior Vice President-Human Resources; Assistant Secretary

Baxter P. Freeze, Sr.
Director (A,C); Retired President, Chairman of the Board,
Commonwealth Hosiery Mills, Inc., Randleman, NC

Earl M. Honeycutt
Director (A,C); Retired President, Amoco Fabrics and Fibers Company,
Atlanta, GA

Bland W. Worley
Director (A,C,N); Retired Chairman of the Board and Chief Executive
Officer, BarclaysAmericanCorporation,
Charlotte, NC

Patrick H. Norton
Director (N); Senior Vice President, Sales and Marketing;
La-Z-Boy Chair Company, Monroe, MI

Judith C. Walker
Director
Charlotte, NC

Earl N. Phillips, Jr.
Director; Co-Founder and President, First Factors Corporation, High
Point, NC

BOARD COMMITTEES:

A-AUDIT
C-COMPENSATION
E-EXECUTIVE
N-NOMINATING

Shareholder
Information

TRANSFER AGENT

Wachovia Bank of North Carolina, N.A.
Corporate Trust Department
P. O. Box 3001
Winston-Salem, North Carolina 27102
(800) 633-4236

GENERAL COUNSEL

Robinson, Bradshaw & Hinson, PA
Charlotte, NC 28246

INDEPENDENT AUDITORS

KPMG Peat Marwick LLP
Greensboro, NC 27401

MARKET MAKERS

Herzog, Heine, Geduld, Inc.
Interstate/Johnson Lane
Mayer & Schweitzer, Inc.
Nash Weiss/Div. of Shatkin Inv.
Neuberger & Berman
Raymond, James & Associates
Robinson-Humphrey Co., Inc.
Sherwood Securities Corp.
Troster Singer Corp.
Wheat First Securities, Inc.

STOCK LISTING

Culp, Inc. common stock is traded on the Nasdaq Stock Market (National Market)
under the symbol CULP. As of April 28, 1996, the company had approximately 2,800
shareholders based on the number of holders of record and an estimate of the
number of individual participants represented by security position listings.

CORPORATE HEADQUARTERS

Culp, Inc.
101 South Main Street

Post Office Box 2686
High Point, NC 27261
(910) 889-5161

FORM 10K, OTHER INVESTOR INFORMATION

If you would like a copy of the Form 10K (Annual Report filed with the Securities and Exchange Commission) or other information about Culp, please contact Frank Saxon at the address listed above or at telephone number (910) 888-6266.

ANNUAL MEETING

Shareholders are cordially invited to attend the company's annual meeting to be held Tuesday, September 17, 1996 at 9:00 AM in the Radisson Hotel, 135 South Main Street, High Point, North Carolina.

(Full page photo of fabric appears here)

CULP, INC.

101 SOUTH MAIN STREET
POST OFFICE BOX 2686
HIGH POINT
NORTH CAROLINA 27261
(910) 889-5161

PHOTOGRAPHY: STEVE KNIGHT; OFFICE CHAIR PHOTO COURTESY OF MILLER DESK INC.

EXHIBIT 22

LIST OF SUBSIDIARIES OF CULP, INC.

GUILFORD PRINTERS, INC.
INCORPORATED IN NORTH CAROLINA

CULP INTERNATIONAL, INC.
INCORPORATED IN VIRGIN ISLANDS

3096726 CANADA INC.
INCORPORATED UNDER LAWS OF CANADA

RAYONESE TEXTILE INC.
INCORPORATED UNDER LAWS OF CANADA

EXHIBIT 24(a)

CONSENT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Culp, Inc.:

We consent to incorporation by reference in the registration statement numbers 33-13310, 33-37027, 33-80206 and 33-62843 on Form S-8 of Culp, Inc. of our report dated May 29, 1996, relating to the consolidated balance sheets of Culp, Inc. and subsidiary as of April 28, 1996 and April 30, 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended April 28, 1996, which report is incorporated by reference in the April 28, 1996 annual report on Form 10-K of Culp, Inc.

KPMG PEAT MARWICK LLP

Greensboro, North Carolina
July 24, 1996

EXHIBIT 25(a)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of CULP, INC., a North Carolina corporation, hereby constitutes and appoints FRANKLIN N. SAXON the true and lawful agent and attorney-in-fact to sign for the undersigned as a director of the Corporation the Corporation's Annual Report on Form 10-K for the year ended April 28, 1996 to be filed with the Securities and Exchange Commission, Washington, D. C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment or amendments to such Annual Report, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

/s/ Andrew W. Adams
Andrew W. Adams

Date: June 14, 1996

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of CULP, INC., a North Carolina corporation, hereby constitutes and appoints FRANKLIN N. SAXON the true and lawful agent and attorney-in-fact to sign for the undersigned as a director of the Corporation the Corporation's Annual Report on Form 10-K for the year ended April 28, 1996 to be filed with the Securities and Exchange Commission, Washington, D. C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment or amendments to such Annual Report, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

/s/ Judith C. Walker
Judith C. Walker

Date: June 16, 1996

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of CULP, INC., a North Carolina corporation, hereby constitutes and appoints FRANKLIN N. SAXON the true and lawful agent and attorney-in-fact to sign for the undersigned as a director of the Corporation the Corporation's Annual Report on Form 10-K for the year ended April 28, 1996 to be filed with the Securities and Exchange Commission, Washington, D. C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment or amendments to such Annual Report, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

/s/ Howard L. Dunn, Jr.
Howard L. Dunn, Jr.

Date: June 16, 1996

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of CULP, INC., a North Carolina corporation, hereby constitutes and appoints FRANKLIN N. SAXON the true and lawful agent and attorney-in-fact to sign for the undersigned as a director of the Corporation the Corporation's Annual Report on Form 10-K for the year ended April 28, 1996 to be filed with the Securities and Exchange Commission, Washington, D. C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment or amendments to such Annual Report, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

/s/ Baxter P. Freeze
Baxter P. Freeze

Date: June 18, 1996

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned director of CULP, INC., a North Carolina corporation, hereby constitutes and appoints FRANKLIN N. SAXON the true and lawful agent and attorney-in-fact to sign for the undersigned as a director of the Corporation the Corporation's Annual Report on Form 10-K for the year ended April 28, 1996 to be filed with the Securities and Exchange Commission, Washington, D. C., under the Securities Exchange Act of 1934, as amended, and to sign any amendment or amendments to such Annual Report, hereby ratifying and confirming all acts taken by such agent and attorney-in-fact, as herein authorized.

/s/ Earl M. Honeycutt
Earl M. Honeycutt

Date: June 16, 1996

POWER OF ATTORNEY

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/s/ Patrick H. Norton
Patrick H. Norton

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/s/ Earl N. Phillips, Jr.
Earl N. Phillips, Jr.

Date: June 17, 1996

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/s/ Bland W. Worley
Bland W. Worley

Date: June 18, 1996

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APR-28-1996

MAY-01-1995

APR-28-1995

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53,392

(1,354)

47,395

104,122

147,189

(70,228)

211,644

47,169

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211,644

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351,667

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289,129

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0.98