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

FORM 8-K

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

Date of Report (Date of earliest event reported) June 29, 2022

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina	1-12597	56-1001967
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1823 Eastchester Drive
High Point, North Carolina 27265
(Address of Principal Executive Offices)
(Zip Code)

(336) 889-5161
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former name or address, if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, par value $0.05 per share	CULP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

This report and the exhibit attached hereto contain “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management’s expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “plan,” “project,” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, public health epidemics, or future developments. There can be no assurance that we will realize these expectations or meet our guidance, or that these beliefs will prove correct.

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic or political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the global coronavirus pandemic currently affecting countries around the world, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments or valuation allowances could affect our financial results. Increases in freight costs, labor costs, and raw material prices, including increases in market prices for petrochemical products, can also significantly affect the prices we pay for shipping, labor, and raw materials, respectively, and in turn, increase our operating costs and decrease our profitability. Finally, disruption in our customers’ supply chains for non-fabric components may cause declines in new orders and/or delayed shipping of existing orders while our customers wait for other components, which could adversely affect our financial results. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.

Item 1.01. Entry into a Material Definitive Agreement.

Culp, Inc. (the “Company”) has entered into an Amended and Restated Credit Agreement (the “Amended Agreement”), dated as of June 24, 2022 (the “Effective Date”), by and between the Company and Wells Fargo Bank, National Association (“Wells Fargo”). The Amended Agreement amends, restates and supersedes, and serves as a replacement for, the Credit Agreement dated August 13, 2013, as amended (the “Existing Agreement”) by and between the Company and Wells Fargo.

The Amended Agreement calls for a revolving credit facility of up to $40 million, secured by a lien on the Company’s assets. The Existing Agreement provided for a revolving facility of up to $30 million and was set to expire in August 2022. The Amended Agreement expires in June 2025. There currently are no outstanding borrowings under the Existing Agreement, although $275,000 in letters of credit are outstanding under the letter of credit facility provided in the Existing Agreement. The proceeds of borrowings under the Amended Agreement are to be used to provide working capital and for general corporate purposes.

The Company’s available borrowings under the Amended Agreement are based on a borrowing base calculation using the Company’s accounts receivable and inventory, subject to certain sub-limits as defined in the Amended Agreement, to be calculated on a monthly basis. Like the Existing Agreement, the Amended Agreement contains a sub-facility that allows the Company to issue letters of credit in an aggregate amount not to exceed $1 million.

Borrowings under the Amended Agreement bear interest at a rate calculated using a margin (the “Applicable Margin”) over the Federal Reserve Bank of New York’s secured overnight funding rate (SOFR). The Applicable Margin is set initially at 1.35% and may vary under the terms of the Amended Agreement from 1.35% to 2.50% depending on the ratio of the Company’s consolidated debt to consolidated EBITDA, as defined in the Amended Agreement, determined on a quarterly basis. The Amended Agreement contains customary affirmative and negative covenants and requires compliance by the Company with certain financial covenants, including minimum tangible net worth of $100 million plus 50% of annual net income, and a minimum ratio of consolidated EBITDA to consolidated net interest expense of 3.0 to 1.0, as defined in the Amended Agreement. The EBITDA to interest expense covenant does not apply during the first three quarters of the Company’s fiscal 2023, and during that period the Company must maintain minimum “access to liquidity” of $15 million, which is defined as unencumbered liquid assets plus available and unused credit under the revolving credit facility as calculated using the borrowing base, all as defined in the Amended Agreement.

Wells Fargo and its affiliates have engaged in, and in the future may engage in, investment banking, commercial lending and other commercial dealings in the ordinary course of business with the Company or its affiliates, and has received or may receive customary fees and commissions in connection with these transactions.

The foregoing description of the Amended Agreement is only a summary, does not purport to be complete, and is qualified in its entirety by reference to the Amended Agreement, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

Item 2.02 – Results of Operations and Financial Condition

On June 29, 2022, we issued a news release to announce our financial results for our fourth quarter and fiscal year ended May 1, 2022. A copy of the news release is attached hereto as Exhibit 99.

The information set forth in this Item 2.02 of this Current Report, and in Exhibit 99, is intended to be “furnished” under Item 2.02 of Form 8-K. Such information shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

The news release contains adjusted income statement information for the three-month and twelve-month periods ending May 2, 2021, which discloses adjusted net income and adjusted earnings per share, non-GAAP performance measures that eliminate items which are not expected to occur on a regular basis, including, for the periods presented, a gain on bargain purchase, the income tax effects from the gain on bargain purchase, a non-cash income tax charge in connection with the establishment of a full valuation allowance against the company's U.S. net deferred income tax assets, and a non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with the final regulations enacted under the GILTI tax provisions of the Tax Cuts and Jobs Act of 2017. The company has included this adjusted information in order to show operational performance excluding the effects of such items, which are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release. Management believes this presentation aids in the comparison of financial results among comparable financial periods. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for net income or earnings per share calculated in accordance with GAAP. In addition, the calculation of the company's income taxes involves numerous estimates and assumptions, which we have made in good faith.

The news release contains disclosures about free cash flow, a non-GAAP liquidity measure that we define as net cash (used in) provided by operating activities, less cash capital expenditures and payments on vendor-financed capital expenditures, plus any proceeds from sale of property, plant, and equipment, less investment in unconsolidated joint venture, plus proceeds from the sale of long-term investments associated with our rabbi trust, less the purchase of long-term investments associated with our rabbi trust, and plus or minus the effects of foreign currency exchange rate changes on cash and cash equivalents, in each case to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases, dividends, additions to cash and investments, or other corporate purposes. We note, however, that not all of the company's free cash flow is available for discretionary spending, as we may have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and possible financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment, and also for making decisions about dividend payments and share repurchases.

The news release contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net (loss) income excluding income tax expense (benefit), net interest income, and gain on bargain purchase, as well as depreciation and amortization expense, and stock-based compensation expense. This measure also excludes other non-recurring charges and credits associated with our business, if and to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release. We believe presentation of Adjusted EBITDA is useful to investors because earnings before interest income and expense, income taxes, depreciation and amortization, and similar performance measures that exclude certain charges from earnings, are often used by investors and financial analysts in evaluating and comparing companies in our industry. We note, however, that such measures are not defined uniformly by various companies, with differing expenses being excluded from net income to calculate these performance measures. For this reason, Adjusted EBITDA should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP, nor should it be used for direct comparisons with similarly titled performance measures reported by other companies. Use of Adjusted EBITDA as an analytical tool has limitations in that this measure does not reflect all expenses that are necessary to fund and operate our business, including funds required to pay taxes, service our debt, and fund capital expenditures, among others. Management uses Adjusted EBITDA to help it analyze the company's earnings and operating performance, by excluding the effects of expenses that depend upon capital structure and debt level, tax provisions, and non-cash items such as depreciation, amortization and stock-based compensation expense that do not require immediate uses of cash.

The news release contains disclosures about return on capital for both the entire company and for individual business segments. We define return on capital as adjusted operating income (loss) (measured on a trailing twelve-month basis and excluding certain non-recurring charges and credits, if applicable for the period presented) divided by average capital employed (excluding goodwill and intangibles and obligations related to acquisitions at the divisional level only). Operating income (loss) excludes certain non-recurring charges, if applicable for the period presented, and average capital employed is calculated over rolling five fiscal periods, depending on which quarter is being presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release. We believe return on capital is an accepted measure of earnings efficiency in relation to capital employed, but it is a non-GAAP performance measure that is not defined or calculated in the same manner by all companies. This measure should not be considered in isolation or as an alternative to net income or other performance measures, but we believe it provides useful information to investors by comparing the operating income we produce to the asset base used to generate that income. Also, operating income on a trailing twelve-months basis does not necessarily indicate results that would be expected for the full fiscal year or for the following twelve months. We note that, particularly for return on capital measured at the segment level, not all assets and expenses are allocated to our operating segments, and there are assets and expenses at the corporate (unallocated) level that may provide support to a segment's operations and yet are not included in the assets and expenses used to calculate that segment's return on capital. Thus, the average return on capital for the company's segments will generally be different from the company's overall return on capital. Management uses return on capital to evaluate the company's earnings efficiency and the relative performance of its segments.

Item 9.01 (d) – Exhibits

10.1	Amended and Restated Credit Agreement by and between Culp, Inc. and Wells Fargo Bank, N.A., dated June 24, 2022
99	News Release dated June 29, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

EXHIBIT INDEX

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SIGNATURES

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

CULP, INC.
(Registrant)

By: /s/ Kenneth R. Bowling
Chief Financial Officer
(principal financial officer)

By: /s/ Thomas B. Gallagher, Jr.
Vice President of Finance
(principal accounting officer)

Dated: June 29, 2022

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") dated ____June 24___, 2022 is by and between CULP, INC., a North Carolina corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"). This Agreement amends, restates and supersedes in its entirety, and is given as a replacement for, and not in satisfaction of or as a novation with respect to, that certain Credit Agreement dated August 13, 2013 by and between Borrower and Bank, as such may have been amended from time to time prior to the date hereof.

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

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

ARTICLE I
DEFINITIONS

As used herein, the following terms shall have the meanings set forth after each, and any other term in this Agreement shall have the meaning set forth at the place defined:

(a) "Applicable Margin" shall be 1.35% until the first Rate Determination Date (hereafter defined) after July 31, 2022, and as of and after such first Rate Determination Date after July 31, 2022 shall be determined based on the pricing grid set forth below and tied to the Consolidated Total Debt to Consolidated EBITDA Ratio as determined by Bank based on the financial statements delivered by Borrower pursuant to the provisions of Section 5.3(c):

Price Level	Consolidated Total Debt to Consolidated EBITDA Ratio	Applicable Margin
I	Less than 0.75 to 1.00	1.35%
II	Greater than or equal to 0.75 to 1.00 but less than 1.50 to 1.00	1.75%
III	Greater than or equal to 1.50 to 1.00 but less than 2.25 to 1.00	2.15%
IV	Greater than or equal to 2.25 to 1.00	2.50%

The Applicable Margin shall be determined effective as of the date (herein, the "Rate Determination Date") which is 10 days after receipt by the Bank of the annual (in the case of the fourth Fiscal Quarter) and quarterly financial statements of the Borrower pursuant to the provisions of Section 5.3 for the Fiscal Quarter as of the end of which the Consolidated Total Debt to Consolidated EBITDA Ratio is being determined, based on such quarterly or annual financial statements, as the case may be, for the Fiscal Quarter then ended, and the Applicable Margin so determined shall remain effective from such Rate Determination Date until the date which is 10 days after receipt by the Bank of the financial statements for the next Fiscal Quarter (which latter date shall be a new Rate Determination Date); provided that if the Borrower shall have failed to deliver to the Bank the financial statements required to be delivered pursuant to the provisions of Section 5.3 with respect to the Fiscal Quarter most recently ended within the time period specified herein, then for the period beginning on the day which is 10 days after the required delivery date of such financial statements and ending on the earlier of (A) 10 days after the date on which the Borrower shall deliver to the Bank the financial statements to be delivered pursuant to the provisions of Section 5.3 with respect to such Fiscal Quarter or any subsequent Fiscal Quarter, or (B) 10 days after the date on which the Borrower shall deliver to the Bank annual financial statements required to be delivered pursuant to the provisions of Section 5.3(a) with respect to the Fiscal Year which includes such Fiscal Quarter or any subsequent Fiscal Year, the Applicable Margin shall be determined at Pricing Level IV set forth above. Any change in the Applicable Margin as of any Rate Determination Date shall result in a corresponding change, effective on and as of such Rate Determination Date, in the interest rate applicable to the advances under the Line of Credit outstanding on such Rate Determination Date.

(b) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in North Carolina are authorized or required by law to close.

(c) "Canadian Subsidiaries" means Rayonese Textile Inc. (which has been incorporated under the laws of Canada), together with any future Subsidiary incorporated under the laws of Canada.

(d) "Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

(e) "Capital Stock" means any capital stock of Borrower or any Consolidated Subsidiary (to the extent issued to a Person other than Borrower), whether common or preferred, that is not redeemable at the option of the holder.

(f) "Consolidated EBITDA" means at any time the sum of the following, determined on a consolidated basis for Borrower and its Consolidated Subsidiaries, at the end of each Fiscal Quarter, for the Fiscal Quarter just ended and the three (3) immediately preceding Fiscal Quarters: (i) Consolidated Net Income (exclusive of (y) non-cash charges and (z) restructuring and related cash charges); plus (ii) Consolidated Net Interest Expense; plus (iii) taxes on income; plus (iv) depreciation; plus (v) amortization.

(g) "Consolidated Net Income" means, for any period, the Net Income of Borrower and its Consolidated Subsidiaries determined on a consolidated basis, but excluding (i) extraordinary items and other non-recurring items and (ii) any equity interests of Borrower or any Subsidiary in the unremitted earnings of any Person that is not a Subsidiary.

(h) "Consolidated Net Interest Expense" for any period means interest, whether expensed or capitalized, in respect of Debt of Borrower or any of its Consolidated Subsidiaries outstanding during such period.

(i) "Consolidated Net Worth" means, on a consolidated basis and in accordance with GAAP, at any time, (i) the sum of (x) the par value (or value stated on the books of Borrower) of Capital Stock (excluding therefrom Redeemable Preferred Stock, treasury stock and capital stock subscribed and unissued) plus (y) the amount of paid-in capital and retained earnings of Borrower and its Subsidiaries, minus (ii) to the extent included in the immediately preceding clause (i), all amounts properly attributable to minority interests, if any, in the stock and surplus of any such Subsidiaries.

(j) "Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of Borrower in its consolidated financial statements as of such date.

(k) "Consolidated Total Debt" means, as of any date of determination, all Debt of the Borrower and its Consolidated Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Borrower and its Consolidated Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Consolidated Subsidiaries in accordance with GAAP.

(l) "Consolidated Total Debt to Consolidated EBITDA Ratio" means the ratio of Consolidated Total Debt to Consolidated EBITDA as of each Fiscal Quarter end, determined on a rolling 4-quarter basis, as calculated by Bank based on the documentation provided by Borrower pursuant to Section 5.3(c).

(m) "Debt" as to any Person means (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (iii) all obligations of such Person as a lessee under Capital Leases, and all obligations of such Person as a lessee under Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases, (iv) all obligations or liabilities of others secured by a lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, (v) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices and, for the avoidance of doubt, other than royalty payments payable in the ordinary course of business in respect of non-exclusive licenses), (vi) all monetary obligations of such Person owing under Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Person if the Hedge Agreement were terminated on the date of determination), (vii) any redemption obligations of such Person in respect of mandatorily Redeemable Preferred Stock, and (viii) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (i) through (vii) above; provided, however, that lease liabilities and associated expenses recorded by Borrower and its Subsidiaries pursuant to ASU 2016-02, Leases, shall not be treated as Debt (and shall not be included in Consolidated Net Interest Expense) unless the lease liabilities would have been treated as Capital Lease obligations under GAAP as in effect prior to the adoption of ASU 2016-02, Leases (in which case such lease liabilities and associated expenses shall be treated as Debt and Capital Lease obligations, and the interest component of such Capital Lease obligation shall be included in Consolidated Net Interest Expense).

(n) “Existing Letter of Credit” means the existing letter of credit issued by Bank, as issuer, in the face amount of $250,000.00, for the benefit of Great American Insurance, as beneficiary thereunder.

(o) “Fiscal Quarter” means any fiscal quarter of Borrower.

(p) “Fiscal Year” means any fiscal year of Borrower, ending on the Sunday closest to April 30 of each year.

(q) “GAAP” means generally accepted accounting principles applied on a consistent basis.

(r) “Hedge Agreement” means (i) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including, but without limitation, any options to enter into any of the foregoing), and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement.

(s) “Material Adverse Effect” or “Material Adverse Change” means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (i) the financial condition, operations, business or properties of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents, (iii) the legality, validity or enforceability of any Loan Document, or (iv) the rights and remedies of Bank under the Loan Documents.

(t) “Net Income” means, as applied to any Person for any period, the aggregate amount of net income of such person, after taxes, for such period, as determined in accordance with GAAP.

(u) “Person” means an individual, a corporation, a partnership, a limited liability company, an unincorporated association, a trust or any other entity or organization including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

(v) “Preferred Stock” means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

(w) “Receivables Purchase Agreement” means a receivables purchase agreement or any similar agreement between and among Bank, Borrower and a customer of the Borrower, as such agreement may be amended, restated, replaced or otherwise modified from time to time and as such agreement may be assigned by Bank or any of its assignees.

(x) "Redeemable Preferred Stock" of any Person means any Preferred Stock issued by such Person which is at any time during the term of the Line of Credit either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

(y) "Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

(z) "Synthetic Lease" means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

(aa) "Tangible Net Worth" means, at any time, Consolidated Net Worth less the amount of any intangible items as determined in accordance with GAAP at such time.

(bb) "Wholly Owned Subsidiary" means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Borrower.

ARTICLE II
CREDIT TERMS

SECTION 2.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including June 3, 2025, not to exceed at any time the aggregate principal amount of FORTY MILLION AND NO/100 DOLLARS ($40,000,000.00) ("Line of Credit"), the proceeds of which shall be used to provide working capital and for general corporate purposes; provided, however, that no portion of the proceeds of the Line of Credit will be used by the Borrower or any Subsidiary (i) in connection with, whether directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, unless such tender offer or other acquisition is to be made on a negotiated basis with the approval of the board of directors of the corporation to be acquired, and the provisions of Section 6.6 would not be violated, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock (as hereinafter defined), or (iii) for any purpose in violation of any applicable law or regulation. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of the date hereof (as amended from time to time, the "Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Limitation on Borrowings. Outstanding borrowings under the Line of Credit, to a maximum of the principal amount set forth herein, shall not at any time exceed an aggregate of eighty percent (80%) of Borrower's eligible accounts receivable, plus fifty percent (50%) of the value of Borrower's eligible finished goods inventory, plus thirty percent (30%) of the value of Borrower's eligible raw material inventory (such aggregate amount, collectively, "Availability"); provided however, that outstanding borrowings against inventory shall not at any time exceed an aggregate of the lesser of (i) Twenty Million and No/100 Dollars ($20,000,000.00) and (ii) an amount such that aggregate Availability for inventory (i.e., eligible finished goods inventory plus eligible raw material inventory) does not exceed (x) 65% of total Availability until the end of the Fiscal Quarter ending on or about January 31, 2023 and (y) 50% of total Availability at all times thereafter. All of the foregoing shall be determined by Bank upon receipt and review of all collateral reports required hereunder and such other documents and collateral information as Bank may from time to time reasonably require.

As used herein, "eligible accounts receivable" shall consist solely of trade accounts created in the ordinary course of Borrower's business, upon which Borrower's right to receive payment is absolute and not contingent upon the fulfillment of any condition whatsoever, and in which Bank has a perfected security interest of first priority, and shall not include:

(i) any account that has been outstanding more than 60 days past due or 90 days from the date of the invoice, whichever is greater, except with respect to any account for which Borrower has provided extended payment terms of more than 60 days but not more than 150 days from the date of the invoice, any such account that is more than 30 days past the extended payment due date;

(ii) that portion of any account for which there exists any right of setoff, defense or discount (except regular discounts allowed in the ordinary course of business to promote prompt payment) or for which any defense or counterclaim has been asserted;

(iii) any account which represents an obligation of any state or municipal government or of the United States government or any political subdivision thereof (except accounts which represent obligations of the United States government and for which the assignment provisions of the Federal Assignment of Claims Act, as amended or recodified from time to time, have been complied with to Bank's satisfaction);

(iv) any account which represents an obligation of an account debtor located in a foreign country, other than an account debtor located in a Canadian province or territory, so long as, in Bank's determination, such Canadian jurisdiction recognizes Bank's first priority security interest in and right to collect such account as a consequence of any security agreements and UCC filings in favor of Bank;

(v) any account which arises from the sale or lease to or performance of services for, or represents an obligation of, an employee, affiliate, partner, member, parent or subsidiary of Borrower;

(vi) that portion of any account which represents interim or progress billings or retention rights on the part of the account debtor;

(vii) any account which represents an obligation of any account debtor when thirty percent (30%) or more of Borrower's accounts from such account debtor are not eligible pursuant to (i) above;

(viii) that portion of any account from an account debtor which represents the amount by which Borrower's total accounts from said account debtor exceeds (x) thirty-five percent (35%) of Borrower's total accounts for accounts from La-Z-Boy Inc. or Tempur Sealy International, Inc. and (y) thirty percent (30%) of Borrower's total accounts for accounts from any other account debtor;

(ix) any account deemed ineligible by Bank when Bank, in its sole discretion, based on a reasonable, good faith determination, deems the creditworthiness or financial condition of the account debtor, or the industry in which the account debtor is engaged, to be unsatisfactory.

As used herein, (i) "eligible finished goods inventory" means inventory that qualifies as "eligible inventory" (defined below) and consists of first quality finished goods held for sale in the ordinary course of Borrower's business; (ii) "eligible raw material inventory" means inventory that qualifies as "eligible inventory" (defined below) and consists of goods that are first quality raw materials; and (iii) "eligible inventory" means inventory owned by Borrower or the Canadian Subsidiaries (and in the case of inventory of the Canadian Subsidiaries, such inventory will be eligible only up to an amount not to exceed $4,000,000 in the aggregate), valued at the lower of cost or market in accordance with GAAP in which, with respect solely to inventory owned by Borrower, Bank has a perfected security interest of first priority, and shall not include:

(i) inventory that is in-transit (provided, however, that such limitation on eligibility will not apply to any inventory that is in transit between the Borrower and any Subsidiary or any inventory that is in transit between any of the Borrower's Subsidiaries, provided that such inventory is (A) in transit en route to a facility of the Borrower or such Subsidiary located in the United States or Canada; and (B) insured on commercially reasonable terms for their replacement value; provided further, however, that eligibility of in-transit inventory under the foregoing clauses (A) and (B) will be limited to an amount not to exceed $10,000,000 in the aggregate);

(ii) inventory that is located at any warehouse, job site or other premises not approved by Bank; covered by any negotiable or non-negotiable warehouse receipt, bill of lading or other document of title; on consignment from any consignor; or on consignment to any consignee or subject to any bailment unless the consignee or bailee has executed an agreement with Bank;

(iii) supplies, parts or sample inventory, tooling inventory, customer supplied inventory;

(iv) work-in-process inventory;

(v) inventory that is damaged, defective, obsolete or not currently saleable in the ordinary course of Borrower's business, or is past its expiration date, or the amount of such inventory that has been reduced by shrinkage;

(vi) inventory that Borrower has returned, has attempted to return, is in the process of returning or intends to return to the vendor of the inventory;

(vii) inventory manufactured or held for resale by Borrower pursuant to a license unless the applicable licensor has agreed in writing to permit Bank to exercise its rights and remedies against such inventory;

(viii) inventory that is subject to a security interest or lien in favor of any third party.

(c) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby letters of credit for the account of Borrower (each, a "New Letter of Credit"; the Existing Letter of Credit and each New Letter of Credit are herein referred to individually as a “Letter of Credit” and collectively as "Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed One Million and No/100 Dollars ($1,000,000.00). The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. Each Letter of Credit shall be issued for a term not to exceed seven hundred thirty (730) days, as designated by Borrower; provided however, that no Letter of Credit shall be issued with, nor shall Bank be required to renew or (if applicable) allow automatic renewal of any Letter of Credit so that it will have, an expiration date that is subsequent to the maturity date of the Line of Credit (with any such Letter of Credit with an expiration date subsequent to the maturity of the Line of Credit to be referred to as an “Extended Date Letter of Credit”) unless Borrower, not less than ninety (90) days prior to the maturity date of the Line of Credit, provides Bank with cash collateral (which may be in addition to or, if agreed by Bank, may be a replacement for, such other collateral that may have been granted by Borrower to Bank, pursuant to this Agreement or otherwise), consisting of a deposit account maintained by Borrower with Bank in an amount that is not less than one hundred five percent (105%) of the undrawn amount of such Extended Date Letter of Credit, as evidenced by and subject to the security agreements and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank; and provided further, that in no event shall any Extended Date Letter of Credit have a then current expiration date more than three hundred sixty-five (365) days beyond the maturity date of the Line of Credit. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by Bank in connection with the issuance thereof (each, a “Letter of Credit Agreement”). Each drawing paid under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

(d) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth herein.

SECTION 2.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of the Line of Credit shall bear interest, and the amount of each drawing paid under any Letter of Credit shall bear interest from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest set forth in the Line of Credit Note. The Line of Credit Note may calculate interest at a rate equal to the sum of an index rate of interest plus the Applicable Margin. In the event any index rate of interest would be less than zero percent (0.0%), then the index rate of interest shall be deemed to be zero percent (0.0%) and the applicable promissory note or other instrument or document shall bear interest at a rate equal to the Applicable Margin.

(b) Computation and Payment. Interest shall be computed on the basis set forth in the Line of Credit Note. Interest shall be payable at the times and place set forth in the Line of Credit Note.

(c) Commitment Fee. Borrower shall pay to Bank a non-refundable commitment fee for the Line of Credit equal to One Hundred Forty Thousand and No/100 Dollars ($140,000.00), which fee shall be due and payable in full on the date of this Agreement.

(d) Letter of Credit Fees. Borrower shall pay to Bank (i) fees upon the issuance of each Letter of Credit equal to (x) the face amount thereof multiplied by (y) the Applicable Margin on an annualized basis, and (ii) fees upon the payment or negotiation of each drawing under any Letter of Credit and fees upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

SECTION 2.3. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal, interest and fees due hereunder by charging Borrower's deposit account number 2040230014183 with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower. Should there be insufficient funds in Borrower's business purpose deposit accounts with Bank to pay all such sums when due, or if any such payment is collected but is subsequently reversed or rendered ineffective, or Bank is required to turn over, restore, or otherwise return any such paid amount to Borrower, a trustee-in-bankruptcy, or anyone else, due to a bankruptcy or for any other reason, the full amount of such deficiency, or the full amount reversed, rendered ineffective, turned over, restored or otherwise returned, as applicable, shall be immediately due and payable by Borrower. The determination of whether any such payment must be turned over, restored or otherwise returned shall be made by Bank in its sole discretion (absent manifest error); provided however, that if Bank chooses (but in no event shall Bank be obligated) to contest any such matter at the request of Borrower, Borrower agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in connection therewith, including without limitation, in any litigation with respect thereto. For purposes hereof, a “business purpose deposit account” is any deposit account other than a deposit account established primarily for personal, family or household purposes.

The foregoing authorization shall remain in full force and effect until written revocation from Borrower has been received by Bank at its address for notices set forth in Section 8.2. hereof. In order to commence application of said cancellation with respect to a payment due date or payoff of a loan, Bank must be notified of said cancellation at least three (3) business days prior to such payment due date or payoff.

SECTION 2.4. COLLATERAL.

As security for all indebtedness and other obligations of Borrower to Bank, other than indebtedness that is excluded from such secured obligations by the terms of the security agreement(s) required hereunder, Borrower shall grant to Bank security interests of first priority in all Borrower's accounts receivable and other rights to payment, general intangibles, inventory and equipment.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall pay to Bank upon demand the full amount of all charges, costs and expenses (to include fees paid to third parties), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, on the date hereof, on the date of Borrower's execution hereof, and on the date of each subsequent request for any extension of credit hereunder (including, without limitation, the issuance of any product under any subfeature contained herein, to the extent applicable), which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 3.1. LEGAL STATUS. (a) Borrower is a corporation, duly organized and existing and in good standing under the laws of North Carolina, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required except for any jurisdiction in which the failure to so qualify or to be so licensed does not have and would not reasonably be expected to cause a Material Adverse Effect; and (b) no member of the Borrowing Group (as defined below) is a Sanctioned Target (as defined below) of economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes or restrictions and anti-terrorism laws imposed, administered or enforced from time to time by the United States of America, the United Nations Security Council, the European Union, the United Kingdom, any other governmental authority with jurisdiction over Borrower or any member of the Borrowing Group (collectively, "Sanctions"). As used herein, "Borrowing Group" means: (i) Borrower, (ii) any direct or indirect parent of Borrower, (iii) any affiliate or subsidiary of Borrower, (iv) any Third Party Obligor (as defined below), and (v) any officer, director or agent acting on behalf of any of the parties referred to in items (i) through and including (iv) with respect to the obligations hereunder, this Agreement or any of the other Loan Documents. "Sanctioned Target" means any target of Sanctions, including (i) persons on any list of targets identified or designated pursuant to any Sanctions, (ii) persons, countries, or territories that are the target of any territorial or country-based Sanctions program, (iii) persons that are a target of Sanctions due to their ownership or control by any Sanctioned Target(s), or (iv) persons otherwise a target of Sanctions, including vessels and aircraft, that are designated under any Sanctions program.

SECTION 3.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 3.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 3.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a Material Adverse Effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 3.5. CORRECTNESS OF FINANCIAL STATEMENTS. The consolidated balance sheet of Borrower and its Consolidated Subsidiaries as of January 30, 2022, and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal quarter then ended, reported on by Grant Thornton LLP, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the consolidated financial condition of Borrower and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated, (b) disclose all liabilities of Borrower and its Consolidated Subsidiaries that are required to be reflected or reserved against under GAAP, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with GAAP consistently applied (except to the extent provided in the notes to such financial statements and subject to normal year-end audit adjustments, all of which are of a recurring nature and none of which, individually or in the aggregate, would be material, and subject to the absence of footnotes). Since the dates of such financial statements there has been no Material Adverse Change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted hereunder or by Bank in writing.

SECTION 3.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 3.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 3.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law, except for any such permits, consents, approvals, franchises and licenses the failure to possess which does not have and would not reasonably be expected to cause a Material Adverse Effect.

SECTION 3.9. ERISA. Borrower and each member of the Controlled Group is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower and each member of the Controlled Group has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower or such member of the Controlled Group (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower and any member of the Controlled Group; Borrower and each member of the Controlled Group has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under GAAP. "Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code (including any amendments thereto or successors thereof).

SECTION 3.10. OTHER OBLIGATIONS. Neither Borrower nor any of its Consolidated Subsidiaries is in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, except for any such default that does not have and would not reasonably be expected to cause a Material Adverse Effect.

SECTION 3.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower and its Subsidiaries are in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's and/or its Subsidiaries' operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower or its Subsidiaries is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Neither Borrower nor any Subsidiary of Borrower has any material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 3.12. SUBSIDIARIES. Each of the Borrower's Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, is duly qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required except for any jurisdictions in which the failure to so qualify or to be so licensed does not have and would not reasonably be expected to cause a Material Adverse Effect, and has all corporate powers and governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. The Borrower has no Subsidiaries as of the date hereof except for those Subsidiaries listed on **Schedule 3.12** which schedule accurately sets forth each such Subsidiary's complete name and jurisdiction of incorporation as of the date hereof.

SECTION 3.13. INVESTMENT COMPANY ACT. Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 3.14. PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Borrower nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

SECTION 3.15. CAPITAL STOCK. All Capital Stock, debentures, bonds, notes and all other securities of Borrower and its Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including but not limited to, “Blue Sky” laws of all applicable states and the federal securities laws. The issued shares of Capital Stock of Borrower’s Wholly Owned Subsidiaries are owned by Borrower free and clear of any lien or adverse claim. At least a majority of the issued shares of capital stock of each of Borrower’s other Subsidiaries (other than Wholly Owned Subsidiaries) is owned by Borrower free and clear of any lien or adverse claim.

SECTION 3.16. MARGIN STOCK. Neither Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of the Line of Credit will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder. “Margin Stock” means “margin stock” as defined in said Regulations T, U or X.

SECTION 3.17. SANCTIONS, ANTI-MONEY LAUNDERING AND ANTI-CORRUPTION LAWS. (a) each member of the Borrowing Group has instituted, maintains and complies with policies, procedures and controls reasonably designed to assure compliance with Anti-Money Laundering Laws and Anti-Corruption Laws (each as defined below), and Sanctions; and (b) to Borrower’s knowledge, based on Borrower’s customary compliance procedures, no member of the Borrowing Group is under investigation for an alleged violation of any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws by a governmental authority that enforces such laws. As used herein: “Anti-Corruption Laws” means: (i) the U.S. Foreign Corrupt Practices Act of 1977, as amended; (ii) the U.K. Bribery Act 2010, as amended; and (iii) any other anti-bribery or anti-corruption laws, regulations or ordinances in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business. “Anti-Money Laundering Laws” means applicable laws or regulations in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business that relates to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto.

ARTICLE IV
CONDITIONS

SECTION 4.1. CONDITIONS TO THE EFFECTIVENESS OF THIS AGREEMENT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions.

(a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Agreement shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties:

(i) This Agreement and each promissory note or other instrument or document required hereby.

(ii) Security Agreement: Business Assets.

(iii) Certificates of corporate resolutions and incumbency with respect to this Agreement.
(iv) Such other documents as Bank may reasonably require under any other Section of this Agreement.

(c) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank.

(d) Satisfaction of Regulatory and Compliance Requirements. In addition to any requirements set forth above, and notwithstanding Borrower's execution or delivery of this Agreement or any other Loan Document, all regulatory and compliance requirements, standards and processes shall be completed to the satisfaction of Bank.

SECTION 4.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of each such extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date (except to the extent any such representation or warranty related to a specific date, in which case each such representation or warranty shall be true and correct as of such date), and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit, including, but not limited to, an executed wire request form if requested by Bank.

(c) Letter of Credit Documentation. Prior to the issuance of any letter of credit, Bank shall have received a Letter of Credit Agreement and any other letter of credit documentation required by Bank, in each case completed and duly executed by Borrower.

(d) Payment of Fees. Bank shall have received payment in full of any fee required by any of the Loan Documents to be paid at the time such credit extension is made.

ARTICLE V
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 5.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 5.2. ACCOUNTING RECORDS. Maintain, and cause each Subsidiary to maintain, adequate books and records in accordance with GAAP, and permit any representative of Bank, at any reasonable time and upon reasonable prior notice (but not more than one time per calendar year unless an Event of Default has occurred and is continuing), to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower and each Subsidiary. If at any time any change in GAAP would affect the computation of any covenant (including the computation of any financial covenant) and/or pricing grid set forth in this Agreement or any other Loan Document, Borrower and Bank shall negotiate in good faith to amend such covenant and/or pricing grid to preserve the original intent in light of such change; provided, that, until so amended, (i) such covenant and/or pricing grid shall continue to be computed in accordance with the application of GAAP prior to such change and (ii) Borrower shall provide to Bank a written reconciliation in form and substance reasonably satisfactory to Bank, between calculations of such covenant and/or pricing grid made before and after giving effect to such change in GAAP (it being understood that no Event of Default shall arise under this clause (ii) unless and until the Bank shall have provided written notice to Borrower of such deficiency and the Borrower shall have failed to provide such reconciliation after having had a reasonable opportunity to cure such deficiency).

SECTION 5.3. FINANCIAL STATEMENTS AND OTHER INFORMATION. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than ninety (90) days after and as of the end of each Fiscal Year, a consolidated (and consolidating, if requested by Bank) balance sheet of Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated (and consolidating, if requested by Bank) statements of income, shareholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, all certified by Grant Thornton LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not reasonably acceptable to Bank;

(b) not later than forty-five (45) days after and as of the end of each of the first three (3) Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries (broken down by business unit, if requested by Bank) as of the end of such Fiscal Quarter and the related consolidated statement of income and statement of cash flows (broken down by business unit, if requested by Bank) for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding fiscal quarter and the corresponding portion of the previous fiscal year, all certified as to fairness of presentation in accordance with GAAP consistently applied (except to the extent provided in the notes to such financial statements and subject to normal year-end audit adjustments, all of which are of a recurring nature and none of which, individually or in the aggregate, would be material, and subject to the absence of footnotes) by the chief financial officer or the chief accounting officer of Borrower;

(c) contemporaneously with the delivery of each set of financial statements referred to in paragraphs (a) and (b) above, a certificate, substantially in the form of <u>Exhibit A</u> (a "Compliance Certificate"), of the chief financial officer or chief accounting officer of Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.9, 6.2, 6.3, 6.4 and 6.6 hereof on the date of such financial statements, (ii) setting forth in reasonable detail information sufficient for Bank to determine the Consolidated Total Debt to Consolidated EBITDA Ratio, and (iii) stating whether any Event of Default exists on the date of such certificate and, if any Event of Default then exists, setting forth the details thereof and the action which Borrower is taking or proposes to take with respect thereto;

(d) contemporaneously with the delivery of each set of annual financial statements referred to in paragraph (a) above, a statement from the firm of independent public accountants which reported on such statements to the effect that nothing has come to their attention to cause them to believe that any Event of Default existed under Sections 5.4, 5.5, 5.6, 5.7, 5.8 and 5.9 and Article VI hereof on the date of such financial statements;

(e) not later than fifteen (15) days after and as of the end of each fiscal month, a borrowing base certificate, an inventory collateral report, an aged listing of accounts receivable and accounts payable, and a reconciliation of accounts;

(f) promptly upon the mailing thereof to the shareholders of Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent or any filings under Section 16 of the Securities and Exchange Act) and annual, quarterly or monthly reports which Borrower shall have filed with the Securities and Exchange Commission; and

(h) from time to time such other information as Bank may reasonably request.

SECTION 5.4. COMPLIANCE.

(a) Preserve and maintain, and cause each Subsidiary to preserve and maintain, all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business, except for such licenses, permits, governmental approvals, rights, privileges and franchises the failure to maintain which does not have and would not reasonably be expected to cause a Material Adverse Effect; and comply, and cause each Subsidiary to comply, with the provisions of all articles of incorporation, by-laws, and similar formation and corporate governance documents of Borrower and its Subsidiaries and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower, each Subsidiary and/or their respective businesses, except where such non-compliance does not have and would not reasonably be expected to cause a Material Adverse Effect; and

(b) comply with, and cause each member of the Borrowing Group to comply with, all Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws.

SECTION 5.5. INSURANCE. (a) Maintain and keep in force, for each business in which Borrower is engaged, and cause each Subsidiary to maintain and keep in force for each business in which it is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, commercial general liability, flood, and, if required by governmental regulation or Bank, hurricane, windstorm, seismic property damage, workers' compensation, marine cargo insurance, and specific hazards affecting any real property, including terrorism, with all such insurance carried in amounts satisfactory to Bank and where required by Bank, with replacement cost and lender loss payable endorsements in favor of Bank, and (b) deliver to Bank prior to the date hereof, and from time to time at Bank's request, schedules setting forth all insurance then in effect, together with a lender's loss payee endorsement for all such insurance naming Bank as a lender loss payee. Such insurance may be obtained from an insurer or through an insurance agent of Borrower's choice, provided that any insurer chosen by Borrower is acceptable to Bank on such reasonable grounds as may be permitted under applicable law.

SECTION 5.6. FACILITIES. Keep, and cause each Subsidiary to keep, its properties in good condition, repair and working order, reasonable wear and tear excepted.

SECTION 5.7. TAXES AND OTHER LIABILITIES. Pay and cause each of its Subsidiaries to pay promptly when due all taxes (including without limitation federal and state income taxes and state and local property taxes), assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of Borrower or any Subsidiary, except (a) such as Borrower and/or such Subsidiary may in good faith contest or as to which a bona fide dispute may arise, and for which Borrower and/or such Subsidiary has made provision, to Bank's reasonable satisfaction, for eventual payment thereof in the event Borrower and/or such Subsidiary is obligated to make such payment, and/or (b) those which do not exceed $5,000,000.00 in the aggregate.

SECTION 5.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with a claim in excess of $5,000,000.00.

SECTION 5.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using GAAP (except to the extent modified by the definitions herein):

(a) Tangible Net Worth. Tangible Net Worth not less than the sum of (i) $100,000,000, plus (ii) commencing for the Fiscal Year ended nearest to April 30, 2023, an aggregate amount equal to 50% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed Fiscal Year.

(b) Consolidated EBITDA/Consolidated Net Interest Expense Ratio. Ratio of Consolidated EBITDA to Consolidated Net Interest Expense not less than 3.00 to 1.00 as of the end of the Fiscal Quarter ended nearest to April 30, 2022, and as of the end of the Fiscal Quarter ending nearest to April 30, 2023 and as of each Fiscal Quarter end thereafter, all as determined on a rolling 4-quarter basis.

(c) Liquidity. For the Fiscal Quarters ending nearest to July 30, 2022, October 31, 2022 and January 31, 2023, sum of (i) Unencumbered Liquid Assets, valued at fair market value, plus (ii) unused but available borrowings under the Line of Credit (that is, (x) the lesser of the maximum principal amount of the Line of Credit or then-current Availability (as defined in Section 2.1(b)), minus (y) outstanding borrowings and Letters of Credit) shall not be less than Fifteen Million and No/100 Dollars ($15,000,000.00). As used herein, "Unencumbered Liquid Assets" shall mean cash, cash equivalents and/or publicly traded marketable securities acceptable to Bank in its sole, but reasonable, discretion, free of any lien or other encumbrance (provided that retirement account assets held in a fiduciary capacity by Borrower shall not qualify as Unencumbered Liquid Assets).

SECTION 5.10. NOTICE TO BANK. Promptly (but in no event more than five (5) Business Days after Borrower becomes aware of the occurrence of each such event or matter and in no event more than one (1) business day after the occurrence of each such event or matter described below with respect to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default, together with the details of any action which Borrower is taking or proposes to take with respect thereto; (b) any change in the name, jurisdiction of organization or location of the chief executive office, or any material change in the organizational structure of Borrower or any of its Subsidiaries, including, by illustration, merger, conversion or division; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; (d) any termination or cancellation (without replacement therefor by Borrower) of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property in excess of $5,000,000.00 (or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting eligible finished goods inventory and/or eligible raw material inventory); or (e) any breach of any covenant contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws or the Borrower’s inability to make the representations and warranties contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws on any date, or the failure of any representations and warranties contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws to be true and correct in all respects on or as of any date.

SECTION 5.11. DEPOSIT ACCOUNTS. Maintain Borrower’s principal deposit accounts and other traditional banking relationships with Bank.

SECTION 5.12. MAINTENANCE OF EXISTENCE. Maintain, and cause each Subsidiary to maintain, its corporate existence and carry on its business in substantially the same manner and in substantially the same fields as such business is now carried on and maintained, except as permitted by Section 6.4.

SECTION 5.13. COLLATERAL AUDITS. Permit Bank to audit all Borrower's collateral required hereunder, with such audits to be performed from time to time at Bank’s option by collateral examiners reasonably acceptable to Bank and in scope and content satisfactory to Bank, and with all Bank's costs and expenses of each audit to be reimbursed in full by Borrower; provided, however, that Bank shall not have the right to perform, and Borrower will have no obligation to reimburse costs and expenses for, more than one (1) audit per calendar year unless an Event of Default has occurred and is then continuing. Notwithstanding the foregoing, Borrower acknowledges that Bank, at Borrower’ cost and expense, shall have the right to conduct an audit of Borrower’s accounts receivable and inventory within ninety (90) days after the date of this Agreement.

Section 5.14. THIRD PARTY WAIVERS. At Bank’s request, use commercially reasonable efforts to obtain and deliver to Bank such Third Party Waivers as Bank may reasonably require. As used herein, “Third Party Waiver” means a waiver or subordination of liens satisfactory to Bank from any lessors, mortgagees, warehouse operators, processors or other third parties that might have lienholders’ enforcement rights against any collateral securing Borrower’s obligations to Bank, waiving or subordinating those rights in favor of Bank and assuring Bank's access to such collateral in exercise of Bank’s rights hereunder.

ARTICLE VI
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 6.1. USE OF FUNDS. SOURCES OF REPAYMENT AND COLLATERAL.

(a) Use, or permit any member of the Borrowing Group to use, any of the proceeds of any credit extended hereunder except for the purposes stated in Article II hereof, or directly or indirectly use any such proceeds to fund, finance or facilitate any activities, business or transactions: (i) that are prohibited by Sanctions; (ii) that would be prohibited by Sanctions if conducted by Bank or any of Bank's affiliates; or (iii) that would be prohibited by any Anti-Money Laundering Laws or Anti-Corruption Laws.

(b) Fund any repayment of the obligations hereunder or under any other Loan Document with proceeds, or provide any property as collateral for any such obligations, or permit any third party to provide any property as collateral for any such obligations, that is directly or indirectly derived from any transaction or activity that is prohibited by any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws, or that could otherwise cause Bank or any of Bank's affiliates to be in violation of any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws.

SECTION 6.2. CAPITAL EXPENDITURES. Make, and will not permit any of its Subsidiaries to make, capital expenditures in excess of (i) $8,000,000 in the aggregate (combined for Borrower and its Subsidiaries) during the Fiscal Year ending on April 30, 2023, and (ii) $10,000,000.00 in the aggregate (combined for Borrower and its Subsidiaries) during any Fiscal Year thereafter.

SECTION 6.3. LIENS AND OTHER INDEBTEDNESS. Create, incur, assume or permit to exist, nor shall any Consolidated Subsidiary create, incur, assume or permit to exist, any lien on any asset now owned or hereafter acquired by it, and Borrower shall not incur and shall not permit any Subsidiary to incur any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, other than any liabilities of Subsidiaries existing as of, and disclosed to Bank prior to, the date hereof and listed on **Schedule 6.3** (together with any renewal, refinancing or extension thereof), and except for (a) any lien existing on any specific fixed asset of any corporation at the time such corporation becomes a Consolidated Subsidiary and not created in contemplation of such event; (b) any lien on any specific fixed asset securing debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset, provided that such lien attaches to such asset concurrently or within 18 months after the acquisition or completion of construction thereof; (c) any lien on any specific fixed asset of any corporation existing at the time such corporation is merged or consolidated with or into Borrower or a Consolidated Subsidiary and not created in contemplation of such event; (d) any lien existing on any specific fixed asset prior to the acquisition thereof by Borrower or a Consolidated Subsidiary and not created in contemplation of such acquisition; (e) any lien arising out of the refinancing, extension, renewal or refunding of any debt secured by any lien permitted by any of the foregoing clauses (a) through (d), provided that such debt is not secured by any additional assets, and the amount of such debt secured by any such lien is not increased; (f) liens securing debt owed by a

Subsidiary to Borrower or another Subsidiary and any lien arising out of the refinancing, extension, renewal or refunding of any such debt; (g) mechanics, warehousemen, carrier, landlord and other statutory liens which arise in the ordinary course of Borrower's or a Consolidated Subsidiary’s business for amounts not yet due, and liens in security deposits made in the ordinary course of Borrower's or a Consolidated Subsidiary’s business; (h) liens which (x) are incurred in connection with the purchase of looms, (y) secure debt consisting only of the deferred purchase price of such looms, and no other debt, which deferred purchase price debt is non-interest bearing and payable in no more than two (2) years from the date of purchase, and (z) encumber only the looms so purchased, and not any other assets; (i) liens arising on the assets of Borrower and its Subsidiaries but not causing an Event of Default pursuant to Section 7.1(f) (other than any liens on eligible accounts receivable, eligible finished goods inventory and eligible raw material inventory included in the most recent borrowing base certificated delivered to Bank pursuant to Section 5.3(e)); (j) liens on the assets of the Borrower arising under the Receivables Purchase Agreement; (k) debt owing to Borrower or another Subsidiary; and (l) additional unsecured debt (other than the Line of Credit) of Borrower and its Subsidiaries; provided, however, that the sum of (A) the aggregate amount of debt secured by liens listed on **Schedule 6.3** (together with any renewal, refinancing or extension thereof), plus (B) the aggregate amount of debt secured by liens permitted by the foregoing clauses (a) through (e) and (g) through (i), plus (C) debt of Borrower and its Subsidiaries permitted by clause (l) shall not exceed, at any one time, an aggregate amount equal to 5% of Consolidated Net Worth.

SECTION 6.4. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; or discontinue or eliminate any business line or segment; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of its assets, nor shall Borrower permit any Subsidiary to do any of the foregoing; provided that, (a) Borrower may merge with another person if (i) such person was organized under the laws of the United States of America or one of its states, (ii) Borrower is the corporation surviving such merger, and (iii) immediately after giving effect to such merger no Event of Default shall have occurred and be continuing; (b) Subsidiaries of Borrower may merge with each other; and (c) the foregoing limitation on the sale, lease or other transfer of assets and on the discontinuation or elimination of a business line or segment shall not prohibit, during any Fiscal Quarter, a transfer of assets or the discontinuance or elimination of a business line or segment (in a single transaction or in a series of related transactions) including, without limitation, a Bankruptcy Action (as defined herein), dissolution, liquidation, or similar action with respect to one or more Subsidiaries, unless the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued or a Subsidiary subject to a Bankruptcy Action, dissolution, liquidation or similar action, when combined with all other assets transferred, and all other assets utilized in all other business lines or segments discontinued, during such Fiscal Quarter and the immediately preceding three (3) Fiscal Quarters, contributed more than 10% of Consolidated EBITDA during the four (4) Fiscal Quarters immediately preceding such Fiscal Quarter.

SECTION 6.5. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except (a) any of the foregoing in favor of Bank, and (b) additional unsecured guaranties in amounts not to exceed an aggregate of $2,000,000.00 at any time outstanding.

SECTION 6.6. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any Person, nor shall any Subsidiary make any loans or advances to or investments in any Person, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof and listed on **Schedule 6.6**, and except for (a) loans or advances to employees not exceeding $5,000,000.00 in the aggregate principal amount outstanding at any time, in each case made in the ordinary course of business and consistent with practices existing on the date hereof; (b) deposits required by government agencies or public utilities; (c) loans and advances made to any Subsidiaries or to Borrower; (d) other loans and advances in an amount which, together with investments permitted by clause (m) below, does not exceed 10% of Consolidated Net Worth at any one time; (e) investments in direct obligations of the United States Government maturing within one year; (f) investments in certificates of deposit issued by a commercial bank whose credit is satisfactory to Bank; (g) investments in commercial paper rated A1 or the equivalent thereof by Standard & Poor's Rating Group, a division of McGraw-Hill, Inc. ("S&P") or P1 or the equivalent thereof by Moody's Investor Service, Inc. ("Moody's) and in either case maturing within six (6) months after the date of acquisition; (h) investments in tender bonds the payment of the principal of and interest on which is fully supported by a letter of credit issued by a United States bank whose long-term certificates of deposit are rated at least AA or the equivalent thereof by S&P and Aa or the equivalent thereof by Moody's; (i) investments in corporate bonds of domestic United States issuers in an aggregate amount not exceeding $50,000,000.00 at any time, which bonds shall be rated at least BBB or the equivalent thereof by S&P or Baa2 or the equivalent thereof by Moody's and, in either case, shall mature within three (3) years of their issuance; (j) investments pursuant to its deferred compensation plan, funded with life insurance or other investment products through a Rabbi Trust; (k) investments in joint ventures in an aggregate amount not exceeding $25,000,000.00; (l) investments made in any Subsidiary; and/or (m) other investments in an amount which, together with the loans and advances permitted by clause (d) above, does not exceed 10% of Consolidated Net Worth at any one time; provided that after giving effect to the making of any loans, advances, deposits or investments permitted by this Section 6.6, no Event of Default shall be in existence or created thereby.

SECTION 6.7. DIVIDENDS, DISTRIBUTIONS. Other than any restrictions imposed by law, permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay any dividends or make any other distributions on its Capital Stock or any other interest, other than dividends paid or payable in the form of additional Capital Stock, or (b) make or repay any loans or advances to Borrower or the parent of such Subsidiary.

SECTION 6.8. DISSOLUTION. Suffer or permit, nor shall any of Borrower's Subsidiaries suffer or permit, dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of any Subsidiary, except as permitted by Section 6.4.

SECTION 6.9. TRANSACTIONS WITH AFFILIATES. Enter into or be a party to, nor shall any of Borrower's Subsidiaries enter into or be a party to, any transaction with any Affiliate of Borrower or such Subsidiary (which Affiliate is not Borrower or a Wholly Owned Subsidiary), except as permitted by law and pursuant to reasonable terms which are fully disclosed to Bank and are no less favorable to Borrower or such Subsidiary than would be obtained in a comparable arms' length transaction with a Person which is not an Affiliate or as permitted by Sections 6.3, 6.4 and 6.6. "Affiliate" of a relevant Person means (i) a Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "Controlling Person"), (ii) any Person (other than the relevant Person or a Subsidiary of the relevant person) which is controlled by or is under common control with a Controlling Person, or (iii) any Person (other than a Subsidiary of the relevant Person) of which the relevant Person owns, directly or indirectly, 20% or more of the common stock or equivalent equity interests; and "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

SECTION 6.10. CHANGE OF FISCAL YEAR. Change its Fiscal Year.

SECTION 6.11. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof or as permitted by Section 6.3.

SECTION 6.12. RESTRICTIONS ON ENCUMBRANCE AND TRANSFER OF REAL PROPERTY. Without in any way limiting the generality of Section 6.11 hereof, mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower’s real property, whether now owned or hereafter acquired, except (a) security interests or liens on such real property existing as of, and disclosed to Bank in writing prior to, the date hereof, and (b) security interests or liens on such real property in favor of Bank.

ARTICLE VII
EVENTS OF DEFAULT

SECTION 7.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal payable under the Loan Documents or any reimbursement obligation with respect to any Letter of Credit, or shall fail to pay any interest payable under the Loan Documents within five (5) Business Days after such interest shall become due, or shall fail to pay any fee or other amount payable under any of the Loan Documents within five (5) Business Days after such fee or other amount becomes due.

(b) Any financial statement or certificate furnished to Bank pursuant to, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an “Event of Default” in this section 7.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of thirty (30) days from its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any Subsidiary, or any guarantor hereunder (with each such guarantor referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including Bank; provided, however, that any cure period applicable to such default has expired, and with respect to a default under any obligation to any person or entity other than Bank, the amount of said obligation exceeds $5,000,000.00.

(e) Except as permitted by Section 6.4(c), (i) Borrower, any Subsidiary or any Third Party Obligor shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall make a general assignment for the benefit of creditors; (ii) Borrower, any Subsidiary or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; (iii) Borrower, any Subsidiary or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or (iv) Borrower, any Subsidiary or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower, any Subsidiary or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors (items (i) through (iv), individually or collectively, as context may require, shall be referred to herein as a “Bankruptcy Action”).

(f) The filing of a notice of judgment lien of an amount in excess of $5,000,000.00 against Borrower, any Subsidiary or any Third Party Obligor; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower, any Subsidiary or any Third Party Obligor; or the entry of one or more judgments or orders for the payment of money in an aggregate amount in excess of $5,000,000.00 against Borrower, any Subsidiary or any Third Party Obligor which judgment or order shall continue unsatisfied and unstayed for a period of thirty (30) days; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower, any Subsidiary or any Third Party Obligor and the involuntary petition or proceeding continues undismissed more than sixty (60) days following the date of its filing.

(g) The dissolution or liquidation of Borrower, any Subsidiary or any Third Party Obligor, except as may be permitted by Section 6.4(c); or Borrower, any Subsidiary or any Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower, such Subsidiary or such Third Party Obligor, except as may be permitted by Section 6.4(c).

(h) (i) Except for the Culp Family, any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Act of 1934) of 20% or more of the outstanding shares of the voting stock of Borrower; or (ii) as of any date a majority of the board of directors of Borrower consists of individuals who were not either (x) directors of Borrower as of the corresponding date of the previous year, (y) approved or nominated to become directors by the board of directors of Borrower of which a majority consisted of individuals described in the foregoing clause (x), or (z) approved or nominated to become directors by the board of directors of Borrower of which a majority consisted of individuals described in the foregoing clause (x) and individuals described in the foregoing clause (y). “Culp Family” means Robert G. Culp, III, his spouse, his mother, his siblings, his lineal descendants, and any trusts established for the benefit of any of them.

SECTION 7.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 8.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: Culp, Inc.
1823 Eastchester Drive
P.O. Box 2686
High Point, North Carolina 27265
Attention: Kenneth R. Bowling
Vice President and Chief Financial Officer
Telecopier Number: (336) 887-7089

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
100 North Main Street
MAC D4001-048
Winston-Salem, North Carolina 27101
Attention: Timothy Sechrest, Senior Vice President
Telecopier Number: (336) 842-7972

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 8.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

SECTION 8.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. Bank shall use commercially reasonable efforts to give prior notice to Borrower before assigning more than fifty percent (50%) of its interest in the loans made hereunder. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 8.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 8.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 8.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 8.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 8.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 8.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of North Carolina (such State, Commonwealth or District is referred to herein as the “State”), but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

SECTION 8.11. BUSINESS PURPOSE. Borrower represents and warrants that each credit subject hereto is made for (a) a business, commercial, investment, agricultural or other similar purpose, (b) the purpose of acquiring or carrying on a business, professional or commercial activity, or (c) the purpose of acquiring any real or personal property as an investment and not primarily for a personal, family or household use.

SECTION 8.12. RIGHT OF SETOFF; DEPOSIT ACCOUNTS. Upon and after the occurrence of an Event of Default, (a) Borrower hereby authorizes Bank, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Bank to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Bank, in its sole discretion, may elect. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Borrower to Bank and whether or not the Bank is otherwise fully secured. Borrower hereby grants to Bank a security interest in all deposits and accounts maintained with Bank to secure the payment of all obligations and liabilities of Borrower to Bank under the Loan Documents.

SECTION 8.13. ARBITRATION; WAIVER OF JURY TRIAL.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit. In the event of a court ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within 30 days of the abatement order or the time specified by the court. Failure to timely file the demand for arbitration as ordered by the court will result in that party's right to demand arbitration being automatically terminated.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in the State selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State or a neutral retired judge of the state or federal judiciary of the State, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of the State and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the corresponding rules of civil practice and procedure applicable in the State or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment of Arbitration Costs and Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(i) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

(j) Waiver of Jury Trial. The parties hereto hereby acknowledge that by agreeing to binding arbitration they have irrevocably waived their respective rights to a jury trial with respect to any action, claim or other proceeding arising out of any dispute in connection this Agreement or any other agreement or document delivered in connection herewith, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations. This provision is a material inducement for the parties entering into this Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed with the intention that it constitute an instrument under seal and to be effective as of the effective date set forth above.

CULP, INC.	WELLS FARGO BANK NATIONAL ASSOCIATION
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________

Exhibit 99

CULP

Investor Contact:	Kenneth R. Bowling Chief Financial Officer 336-881-5630	Media Contact:	Teresa A. Huffman Senior Vice President, Human Resources 336-889-5161

CULP ANNOUNCES RESULTS FOR FOURTH QUARTER AND FISCAL 2022; COMPANY TAKES STEPS TO ENHANCE LIQUIDITY

HIGH POINT, N.C. (June 29, 2022) ─ Culp, Inc. (NYSE: CULP) (together with its consolidated subsidiaries, “CULP”) today reported financial and operating results for the fourth quarter and fiscal year ended May 1, 2022. The company also announced it has completed the closing of a new three-year secured credit facility with up to $40 million in borrowing availability. This new credit facility replaces the company’s prior $30 million unsecured facility, which was scheduled to expire in August 2022. In addition, the company has suspended the quarterly cash dividend on its common stock and taken other measures to preserve strong liquidity and support CULP’s future growth opportunities in the face of macro-economic headwinds.

Fiscal 2022 Fourth Quarter Financial Summary

- Net sales were $56.9 million, down 28.0 percent from the prior-year period, with mattress fabrics sales down 30.6 percent and upholstery fabrics sales down 24.8 percent compared with the fourth quarter of last year.
- Loss from operations was $(5.4) million, as compared with income from operations of $1.6 million for the prior-year period.
- Net loss was $(6.0) million, or $(0.49) per diluted share, compared with net income of $1.5 million, or $0.12 per diluted share, for the prior-year period. The effective tax rate for the fourth quarter was (4.4)% and was affected by the company’s mix of income between its U.S. and foreign jurisdictions during the period.
- The company’s financial position as of the end of fiscal 2022 reflected total cash and investments of $14.6 million and no outstanding borrowings.

Fiscal 2022 Full Year Financial Summary

- Net sales were $294.8 million, down 1.6 percent from the prior year, with mattress fabrics sales down 3.5 percent and upholstery fabrics sales up 0.4 percent.
- Income from operations for fiscal 2022 was $678,000, compared with income from operations of $12.1 million for the prior year.
- Net loss was $(3.2) million, or $(0.26) per diluted share, compared with net income of $3.2 million, or $0.26 per diluted share, for the prior year. The effective tax rate for the fiscal 2022 year was (888.0)% and was affected by the company’s mix of income between its U.S. and foreign jurisdictions during the period.
- The company paid $5.5 million in dividends and $1.8 million for share repurchases during fiscal 2022.

Financial Outlook

- The company continues to navigate a convergence of headwinds, including significant inflationary pressures that are affecting consumer spending; a challenging labor market; COVID-related disruption in China; and other geopolitical events. Although CULP remains well-positioned over the long-term with its product-driven strategy and flexible global platform, the current conditions are likely to continue pressuring results through at least the first half of fiscal 2023.
- Due to the continued volatility in the macro environment, the company is providing only limited sequential financial guidance for fiscal 2023 at this time. The company’s net sales for the first

quarter of fiscal 2023 are expected to be comparable to the fourth quarter of fiscal 2022. While the company still expects a material consolidated operating loss (loss from operations) for the first quarter of fiscal 2023, it expects a moderate improvement as compared to the loss incurred during the fourth quarter of fiscal 2022. The company also expects its cash position as of the end of first quarter of fiscal 2023 to be comparable to the end of fiscal 2022.

- The company's expectations are based on information available at the time of this press release and reflect certain assumptions by management regarding the company's business and trends and the projected impact of the ongoing headwinds.

Commenting on the results, Iv Culp, president and chief executive officer of Culp, Inc., said, "As previously announced, our results for the fourth quarter were significantly challenged by the unexpected shutdown of our China facilities due to COVID-related restrictions affecting both of our businesses and by further weakening in domestic mattress industry sales. However, our operating loss for the quarter was somewhat less than expected, as our mattress fabrics segment experienced slightly higher sales than previously anticipated during the last two weeks of the quarter. We were also able to return a small number of employees to our CULP China locations at the end of April and facilitate product shipments in a limited capacity. Importantly, we have maintained our strong customer relationships despite this disruption. We also ended the quarter with a higher cash position than expected, with $14.6 million in cash and investments and no outstanding borrowings. In addition, we are pleased to announce the closing of our new secured credit facility, which enhances the company's financial flexibility and is expected to provide us with sufficient liquidity to navigate the ongoing headwinds.

"The fiscal year started off strong for both of our businesses, with moderate pressure on profitability and supply chain disruption. However, as the year progressed, the rapid rise in inflation, changing consumer spending patterns, COVID-related disruption, and other geopolitical events materially affected the performance of our businesses. We took several pricing and cost-reduction actions throughout the year to help mitigate these pressures, but with the ongoing volatility, we are taking additional measures to align our business to meet current demand trends and diligently manage our liquidity. These measures include reducing inventory, limiting capital expenditures and other discretionary spending, eliminating under-utilized equipment, reducing production schedules, and making other workforce adjustments as needed to align with demand. We are also planning to announce additional pricing action during the first quarter. We are strategically taking these steps to adapt to the near-term challenges, while ensuring that we remain well-positioned to continue to meet the needs of our customers now and when conditions normalize.

"In addition to these actions, and considering the current and expected business environment, our Board of Directors has made the difficult decision to suspend the company's quarterly cash dividend. Although we are confident in our business strategy, the duration of the current challenges is unknown, and we believe that preserving capital is in the best interest of the company to support future growth opportunities and the long-term interests of our shareholders. We understand the importance of this decision for our shareholders and will continue to reassess our dividend policy each quarter.

"Our associates around the world continue to persevere, delivering innovative products, creative designs, and exceptional service for our customers. We are especially proud of the tremendous resilience of our China associates, who have energetically returned to work following eight weeks of shutdowns and are diligently working to ship product and resume operations at normalized capacity. Looking ahead, we expect the prevailing macro-economic pressures and retail softness will continue to affect our business through at least the first half of fiscal 2023. We believe our market position remains solid with new planned placements and product development opportunities that we expect to materialize as market conditions improve. We remain focused on generating cash, keeping our expenses in line with demand trends, and ensuring that we have adequate liquidity. Importantly, we remain optimistic about CULP's future," added Culp.

Segment Update

Mattress Fabrics Segment ("CHF") Summary

- Sales were $29.8 million for the fourth quarter of fiscal 2022, down 30.6 percent compared with sales of $42.9 million in the fourth quarter of fiscal 2021. For fiscal 2022, sales were $152.2 million, down 3.5 percent compared with $157.7 million in fiscal 2021.

- Operating performance for the fourth quarter was significantly pressured by a rapid and material decline in revenues for the quarter, causing operating inefficiencies at CHF's U.S. and Canadian facilities. Results were also affected by lower mattress cover sales due to the COVID-related lockdowns in China.

- For the full year, operating performance was affected by the pressures from the fourth quarter, as well as higher freight, raw material, and labor costs; operating inefficiencies related to product mix within CHF's global platform; unfavorable foreign currency exchange rate fluctuations in China and Canada; and operating inefficiencies due to labor shortages in the U.S. and Canada.

- The business has maintained a continued focus on its product-driven strategy, with an emphasis on innovation, design creativity, quality, and personalized customer service.

- Management is taking decisive action to cut additional expenses and further maximize operating efficiencies, with a targeted annual cost savings of approximately $2.0 million; it is also planning to announce additional pricing action during the first quarter.

- The CHF team is optimistic about planned new programs and product development opportunities for fiscal 2023, but industry weakness is expected to continue for some period, which may reduce demand for mattress fabric and cover products and delay new product rollouts.

Upholstery Fabrics Segment ("CUF") Summary

- Sales were $27.2 million for the fourth quarter of fiscal 2022, down 24.8 percent compared with sales of $36.1 million in the fourth quarter of fiscal 2021. For fiscal 2022, sales were $142.7 million, up 0.4 percent compared with $142.1 million in fiscal 2021.

- Top-line recovery continued in CUF's hospitality business for the fourth quarter, with higher sales for both the hospitality/contract fabric business and the Read Window Product business compared to the prior-year period.

- Operating performance for the fourth quarter was primarily pressured by lower sales, as well as unfavorable foreign currency fluctuations in China and additional employee training costs and operating inefficiencies at CUF's new Haiti cut and sew facility as it continues to scale capacity to its full planned output level.

- For the full year, operating performance was also affected by higher freight and material costs; start-up costs for the new Haiti facility; and a lower contribution from the Read Window Products business.

- CUF continued the ramp up in production at its new Haiti cut and sew facility during the fourth quarter and expanded options for fabric sourcing.

- The shutdowns that significantly curtailed this segment's China operations throughout April and May have now been lifted, although lingering constraints from the shutdowns may continue during the first quarter of fiscal 2023.

- The business is well-positioned for the long term with its sustained focus on innovative product offerings, including its popular portfolio of LiveSmart® performance products, and its scalable global platform, but the slowdown in new retail business for the residential home furnishings industry may affect demand for this segment's residential business for some period.

Balance Sheet

- As of May 1, 2022, the company reported $14.6 million in total cash and investments and no outstanding debt. This compares with $46.9 million in total cash and investments and no outstanding debt as of the end of fiscal 2021.

- Cash flow from operations and free cash flow were $(17.4) million and $(24.3) million, respectively, for fiscal 2022. (See reconciliation table at the back of this press release.)

- The company's cash flow from operations and free cash flow during fiscal 2022 were affected by the following uses of cash:

  - Higher inventory levels to help navigate supply chain challenges and support valued customers; also affected by inflation;
  - $5.7 million investment in capital expenditures, including expenditures for machinery, equipment, and IT security and infrastructure investments, as well as expenditures related to the company's new innovation campus;
  - $2.5 million in payments for the new building lease, startup expenses, and other costs associated with ramping up the new Haiti upholstery cut and sew operation; and
  - Increased accounts payable payments related to the company's return to normal credit terms as opposed to the extended terms previously granted in response to the COVID-19 pandemic.

- Additionally, during fiscal 2022, the company paid $5.5 million in regular quarterly dividends and $1.8 million for repurchases of its common stock.

Dividends and Share Repurchases

To preserve liquidity and support future growth opportunities, the company's Board of Directors has suspended the quarterly cash dividend on its common stock.

The company did not repurchase any shares during the fourth quarter of fiscal 2022, leaving approximately $3.2 million available under the current share repurchase program as of May 1, 2022. Despite the current share repurchase authorization, the company does not expect to repurchase any shares during the first quarter of fiscal 2023.

Conference Call

Culp, Inc. will hold a conference call to discuss financial results for the fourth quarter and fiscal 2022 year on June 30, 2022, at 11:00 a.m. Eastern Time. A live webcast of this call can be accessed under the "Upcoming Events" section on the investor relations page of the company's website, www.culp.com. A replay of the webcast will be available for 30 days under the "Past Events" section on the investor relations page of the company's website, beginning at 2:00 p.m. Eastern Time on June 30, 2022.

About the Company

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for residential and commercial furniture. The company markets a variety of fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp's manufacturing facilities and fabrics sourced through other suppliers. Culp has manufacturing and sourcing capabilities located in the United States, Canada, China, Haiti, Turkey, and Vietnam.

Forward Looking Statements

This release contains "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management's expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "anticipate," "estimate," "intend," "plan," "project," and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating *income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, public health epidemics, or future developments. There can be no assurance that we will realize these expectations or meet our guidance, or that these beliefs will prove correct.*

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic or political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the global coronavirus pandemic currently affecting countries around the world, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results. Increases in freight costs, labor costs, and raw material prices, including increases in market prices for petrochemical products, can also significantly affect the prices we pay for shipping, labor, and raw materials, respectively, and in turn, increase our operating costs and decrease our profitability. Finally, disruption in our customers' supply chains for non-fabric components may cause declines in new orders and/or delayed shipping of existing orders while our customers wait for other components, which could adversely affect our financial results. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A "Risk Factors" in our most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.

-MORE-

CULP, INC.
CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME
FOR THREE MONTHS ENDED MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amount			Percent of Sales	
	May 1 2022	(3) May 2, 2021	% Over (Under)	**May 1, 2022**	May 2, 2021
Net sales	**$ 56,940**	$ 79,063	(28.0)%	**100.0%**	100.0%
Cost of sales	**(53,183)**	(67,266)	(20.9)%	**93.4%**	85.1%
Gross profit	**3,757**	11,797	(68.2)%	**6.6%**	14.9%
Selling, general and administrative expenses	**(9,140)**	(10,158)	(10.0)%	**16.1%**	12.8%
(Loss) income from operations	**(5,383)**	1,639	(428.4)%	**(9.5)%**	2.1%
Interest expense	**(17)**	—	100.0%	**0.0%**	0.0%
Interest income	**26**	36	(27.8)%	**0.0%**	0.0%
Gain on bargain purchase (1)	**—**	819	(100.0)%	**0.0%**	1.0%
Other expense	**(396)**	(152)	160.5%	**0.7%**	0.2%
(Loss) income before income taxes	**(5,770)**	2,342	(346.4)%	**(10.1)%**	3.0%
Income tax expense (2)	**(253)**	(857)	(70.5)%	**(4.4)%**	36.6%
Net (loss) income	**$ (6,023)**	$ 1,485	(505.6)%	**(10.6)%**	1.9%
Net (loss) income per share - basic	**$ (0.49)**	$ 0.12	(508.5)%		
Net (loss) income per share - diluted	**$ (0.49)**	$ 0.12	(511.5)%		
Average shares outstanding-basic	**12,222**	12,310	(0.7)%		
Average shares outstanding-diluted	**12,222**	12,399	(1.4)%		

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The gain on bargain purchase represents the amount of net assets acquired from this transaction that were more than the purchase price totaling $954,000.

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

(3) See back of this presentation for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month period ending May 2, 2021, which includes certain charges and credits.

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CULP, INC.
CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME
FOR TWELVE MONTHS ENDED MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands, Except for Per Share Data)

	TWELVE MONTHS ENDED				
	Amount			Percent of Sales	
	May 1 2022	(3) May 2, 2021	% Over (Under)	**May 1 2022**	May 2, 2021
Net sales	**$ 294,839**	$ 299,720	(1.6)%	**100.0%**	100.0%
Cost of sales	**(258,746)**	(249,888)	3.5%	**87.8%**	83.4%
Gross profit	**36,093**	49,832	(27.6)%	**12.2%**	16.6%
Selling, general and administrative expenses	**(35,415)**	(37,756)	(6.2)%	**12.0%**	12.6%
Income from operations	**678**	12,076	(94.4)%	**0.2%**	4.0%
Interest expense	**(17)**	(51)	(66.7)%	**0.0%**	0.0%
Interest income	**373**	244	52.9%	**0.1%**	0.1%
Gain on bargain purchase (1)	**—**	819	(100.0)%	**0.0%**	0.3%
Other expense	**(1,359)**	(2,208)	(38.5)%	**0.5%**	0.7%
(Loss) income before income taxes	**(325)**	10,880	(103.0)%	**(0.1)%**	3.6%
Income tax expense (2)	**(2,886)**	(7,693)	(62.5)%	**(888.0)%**	70.7%
Income from investment in unconsolidated joint venture	**—**	31	(100.0)%	**0.0%**	0.0%
Net (loss) income	**$ (3,211)**	$ 3,218	(199.8)%	**(1.1)%**	1.1%
Net (loss) income per share - basic	**$ (0.26)**	$ 0.26	(200.3)%		
Net (loss) income per share - diluted	**$ (0.26)**	$ 0.26	(200.4)%		
Average shares outstanding-basic	**12,242**	12,300	(0.5)%		
Average shares outstanding-diluted	**12,242**	12,322	(0.6)%		

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The gain on bargain purchase represents the amount of net assets acquired from this transaction that were more than the purchase price totaling $954,000.

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

(3) See back of this presentation for our Reconciliation of Selected Income Statement Information to Adjusted Results for the twelve-month period ending May 2, 2021, which includes certain charges and credits.

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CULP, INC.
CONSOLIDATED BALANCE SHEETS
MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)	
	(Condensed) May 1, 2022	(Condensed) * May 2, 2021	Dollars	Percent
Current assets				
Cash and cash equivalents	**$ 14,550**	37,009	(22,459)	(60.7)%
Short-term investments - Held-To-Maturity	**—**	3,161	(3,161)	(100.0)%
Short-term investments - Available for Sale	**—**	5,542	(5,542)	(100.0)%
Accounts receivable	**22,226**	37,726	(15,500)	(41.1)%
Inventories	**66,557**	55,917	10,640	19.0%
Current income taxes receivable	**857**	—	857	100.0%
Other current assets	**2,986**	3,852	(866)	(22.5)%
Total current assets	**107,176**	143,207	(36,031)	(25.2)%
Property, plant & equipment, net	**41,702**	44,003	(2,301)	(5.2)%
Right of use assets	**15,577**	11,730	3,847	32.8%
Intangible assets	**2,628**	3,004	(376)	(12.5)%
Long-term investments - Rabbi Trust	**9,357**	8,415	942	11.2%
Long-term investments - Held-To-Maturity	**—**	1,141	(1,141)	(100.0)%
Deferred income taxes	**528**	545	(17)	(3.1)%
Other assets	**595**	2,035	(1,440)	(70.8)%
Total assets	**$ 177,563**	214,080	(36,517)	(17.1)%
Current liabilities				
Accounts payable - trade	**20,099**	42,540	(22,441)	(52.8)%
Accounts payable - capital expenditures	**473**	348	125	35.9%
Operating lease liability - current	**3,219**	2,736	483	17.7%
Deferred revenue	**520**	540	(20)	(3.7)%
Accrued expenses	**7,832**	14,839	(7,007)	(47.2)%
Income taxes payable - current	**413**	229	184	80.3%
Total current liabilities	**32,556**	61,232	(28,676)	(46.8)%
Operating lease liability - long-term	**7,062**	6,821	241	3.5%
Income taxes payable - long-term	**3,097**	3,326	(229)	(6.9)%
Deferred income taxes	**6,004**	5,330	674	12.6%
Deferred compensation	**9,343**	8,365	978	11.7%
Total liabilities	**58,062**	85,074	(27,012)	(31.8)%
Shareholders' equity	**119,501**	129,006	(9,505)	(7.4)%
Total liabilities and shareholders' equity	**$ 177,563**	214,080	(36,517)	(17.1)%
Shares outstanding	**12,229**	12,313	(84)	(0.7)%

** Derived from audited financial statements.*

-MORE-

CULP, INC.
SUMMARY OF CASH AND INVESTMENTS
MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands)

	Amounts	
	May 1, 2022	May 2, 2021*
Cash and cash equivalents	**$ 14,550**	$ 37,009
Short-term investments - Available for Sale	**—**	5,542
Short-term investments - Held-To-Maturity	**—**	3,161
Long-term investments - Held-To-Maturity	**—**	1,141
Total Cash and Investments	**$ 14,550**	$ 46,853

** Derived from audited financial statements.*

-MORE-

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands)

	TWELVE MONTHS ENDED	
	Amounts	
	May 1, 2022	May 2, 2021
Cash flows from operating activities:		
Net (loss) income	**$ (3,211)**	$ 3,218
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	**6,994**	6,846
Amortization	**559**	466
Stock-based compensation	**1,133**	1,251
Deferred income taxes	**691**	3,760
Realized loss (gain) from the sale of investments	**450**	(6)
Gain on bargain purchase	**—**	(819)
Gain on sale of equipment	**—**	(57)
Income from investment in unconsolidated joint venture	—	(31)
Foreign currency exchange loss	**16**	1,520
Changes in assets and liabilities, net of effects of acquisition of business:		
Accounts receivable	**15,416**	(12,117)
Inventories	**(10,787)**	(7,225)
Other current assets	**946**	(1,442)
Other assets	**(1,386)**	(1,452)
Accounts payable	**(22,131)**	17,228
Deferred revenue	**(20)**	38
Accrued expenses and deferred compensation	**(5,204)**	9,457
Income taxes	**(907)**	843
Net cash (used in) provided by operating activities	**(17,441)**	21,478
Cash flows from investing activities:		
Cash paid for acquisition of business, net of cash acquired (1)	**—**	(892)
Capital expenditures	**(5,695)**	(6,664)
Proceeds from the sale of equipment	**—**	12
Investment in unconsolidated joint venture	**—**	(90)
Proceeds from the sale and maturity of investments (Held to Maturity)	**13,486**	10,165
Purchase of investments (Held to Maturity)	**(9,751)**	(8,173)
Purchase of short-term investments (Available for Sale)	**(4,391)**	(5,044)
Proceeds from the sale of short-term investments (Available for Sale)	**9,879**	468
Proceeds from the sale of long-term investments (rabbi trust)	**56**	157
Purchase of long-term investments (rabbi trust)	**(1,088)**	(619)
Net cash provided by (used in) investing activities	**2,496**	(10,680)
Cash flows from financing activities:		
Payments associated with lines of credit	**(9,000)**	(30,772)
Proceeds associated with lines of credit	**9,000**	—
Payment associated with Paycheck Protection Program Loan	**—**	(7,606)
Dividends paid	**(5,511)**	(5,292)
Common stock repurchased	**(1,752)**	—
Common stock surrendered for payment of withholding taxes payable	**(50)**	(25)
Payments of debt issuance costs	**(110)**	(15)
Net cash used in financing activities	**(7,423)**	(43,710)
Effect of exchange rate changes on cash and cash equivalents	**(91)**	131
Decrease in cash and cash equivalents	**(22,459)**	(32,781)
Cash and cash equivalents at beginning of year	**37,009**	69,790
Cash and cash equivalents at end of year	**$ 14,550**	$ 37,009
Free Cash Flow (2)	**$ (24,259)**	$ 14,405

-MORE-

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE TWELVE MONTHS ENDED MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands)

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The cash paid for acquisition of business represents the purchase price of $954,000, partially offset by $62,000 of cash acquired.

(2) Reconciliation of Free Cash Flow:

		FY 2022	FY 2021
A) Net cash (used in) provided by operating activities	**$**	**(17,441)**	21,478
B) Minus: Capital Expenditures		**(5,695)**	(6,664)
C) Plus: Proceeds from the sale of equipment		**—**	12
D) Minus: Investment in unconsolidated joint venture		**—**	(90)
E) Plus: Proceeds from the sale of long-term investments (rabbi trust)		**56**	157
F) Minus: Purchase of long-term investments (rabbi trust)		**(1,088)**	(619)
G) Effects of exchange rate changes on cash and cash equivalents		**(91)**	131
Free Cash Flow	**$**	**(24,259)**	14,405

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CULP, INC.
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
Net Sales by Segment	**May 1, 2022**	May 2, 2021	% Over (Under)	**May 1, 2022**	May 2, 2021
Mattress Fabrics	**$ 29,779**	$ 42,938	(30.6)%	**52.3%**	54.3%
Upholstery Fabrics	**27,161**	36,125	(24.8)%	**47.7%**	45.7%
Net Sales	**$ 56,940**	$ 79,063	(28.0)%	**100.0%**	100.0%
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	**$ 355**	$ 5,215	(93.2)%	**1.2%**	12.1%
Upholstery Fabrics	**3,402**	6,582	(48.3)%	**12.5%**	18.2%
Gross Profit	**$ 3,757**	$ 11,797	(68.2)%	**6.6%**	14.9%
Selling, General and Administrative Expenses by Segment				Percent of Sales	
Mattress Fabrics	**$ 3,255**	$ 2,941	10.7%	**10.9%**	6.8%
Upholstery Fabrics	**3,519**	3,969	(11.3)%	**13.0%**	11.0%
Unallocated Corporate	**2,366**	3,248	(27.2)%	**4.2%**	4.1%
Selling, General and Administrative Expenses	**$ 9,140**	$ 10,158	(10.0)%	**16.1%**	12.8%
(Loss) Income from Operations by Segment				Operating (Loss) Income Margin	
Mattress Fabrics	**$ (2,901)**	$ 2,274	(227.6)%	**(9.7)%**	5.3%
Upholstery Fabrics	**(116)**	2,613	(104.4)%	**(0.4)%**	7.2%
Unallocated Corporate	**(2,366)**	(3,248)	(27.2)%	**(4.2)%**	(4.1)%
(Loss) Income from Operations	**$ (5,383)**	$ 1,639	(428.4)%	**(9.5)%**	2.1%
Depreciation Expense by Segment					
Mattress Fabrics	**$ 1,587**	$ 1,435	10.6%		
Upholstery Fabrics	**204**	208	(1.9)%		
Depreciation Expense	**$ 1,791**	$ 1,643	9.0%		

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CULP, INC.
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 1, 2022, AND MAY 2, 2021
Unaudited
(Amounts in Thousands)

	TWELVE MONTHS ENDED				
	Amounts			Percent of Total Sales	
Net Sales by Segment	**May 1, 2022**	May 2, 2021	% Over (Under)	**May 1, 2022**	May 2, 2021
Mattress Fabrics	**$ 152,159**	$ 157,671	(3.5)%	**51.6%**	52.6%
Upholstery Fabrics	**142,680**	142,049	0.4%	**48.4%**	47.4%
Net Sales	**$ 294,839**	$ 299,720	(1.6)%	**100.0%**	100.0%
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	**$ 16,458**	$ 23,864	(31.0)%	**10.8%**	15.1%
Upholstery Fabrics	**19,635**	25,968	(24.4)%	**13.8%**	18.3%
Gross Profit	**$ 36,093**	$ 49,832	(27.6)%	**12.2%**	16.6%
Selling, General, and Administrative Expenses by Segment				Percent of Total Sales	
Mattress Fabrics	**$ 12,246**	$ 12,066	1.5%	**8.0%**	7.7%
Upholstery Fabrics	**14,009**	14,092	(0.6)%	**9.8%**	9.9%
Unallocated Corporate	**9,160**	11,598	(21.0)%	**3.1%**	3.9%
Selling, General, and Administrative Expenses	**$ 35,415**	$ 37,756	(6.2)%	**12.0%**	12.6%
Income (Loss) from Operations by Segment				Operating Income Margin	
Mattress Fabrics	**$ 4,212**	$ 11,798	(64.3)%	**2.8%**	7.5%
Upholstery Fabrics	**5,626**	11,876	(52.6)%	**3.9%**	8.4%
Unallocated Corporate	**(9,160)**	(11,598)	(21.0)%	**(3.1)%**	(3.9)%
Income from operations	**$ 678**	$ 12,076	(94.4)%	**0.2%**	4.0%
Return on Capital (1)					
Mattress Fabrics	**5.3%**	17.1%			
Upholstery Fabrics	**29.7%**	72.7%			
Unallocated Corporate	**N.M.**	N.M.			
Consolidated	**0.7%**	13.8%			
Capital Employed (1) (2)					
Mattress Fabrics	**$ 84,040**	$ 75,451	11.4%		
Upholstery Fabrics	**25,209**	15,166	66.2%		
Unallocated Corporate	**3,817**	(174)	N.M.		
Consolidated	**$ 113,066**	$ 90,443	25.0%		
Depreciation Expense by Segment					
Mattress Fabrics	**$ 6,200**	$ 6,014	3.1%		
Upholstery Fabrics	**794**	832	(4.6)%		
Depreciation Expense	**$ 6,994**	$ 6,846	2.2%		

Notes

(1) See return on capital employed by segment pages at the back of this presentation for calculations.

(2) The capital employed balances are as of May 1, 2022, and May 2, 2021.

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CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE THREE MONTHS ENDED MAY 2, 2021
Unaudited
(Amounts in Thousands, Except for Per Share Data)

	As Reported May 2, 2021	Adjustments	May 2, 2021 Adjusted Results
Gross profit	$ 11,797	—	$ 11,797
Selling, general, and administrative expenses	(10,158)	—	(10,158)
Income from operations	$ 1,639	—	$ 1,639
Gain on bargain purchase (1)	$ 819	(819)	$ -
Income before income taxes	$ 2,342	(819)	$ 1,523
Income tax expense (2)	(857)	742	(115)
Net income	$ 1,485	(77)	$ 1,408
Net income per share - basic	$ 0.12		$ 0.11
Net income per share - diluted	$ 0.12		$ 0.11
Average shares outstanding-basic	12,310		12,310
Average shares outstanding-diluted	12,399		12,399

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The gain on bargain purchase represents the amount of net assets acquired from this transaction that were more than the purchase price totaling $954,000.

(2) The $742,000 represents the income tax effects from the gain on bargain purchase and the change in our estimated full valuation allowance applied against our U.S. net deferred income tax assets during the fourth quarter of fiscal 2021.

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CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE TWELVE MONTHS ENDED MAY 2, 2021
Unaudited
(Amounts in Thousands, Except for Per Share Data)

	As Reported May 2, 2021	Adjustments	May 2, 2021 Adjusted Results
Gross profit	**$ 49,832**	—	$ 49,832
Selling, general and administrative expenses	**(37,756)**	—	(37,756)
Income from operations	**$ 12,076**	—	$ 12,076
Gain on bargain purchase (1)	**$ 819**	(819)	$ -
Income before income taxes	**$ 10,880**	(819)	$ 10,061
Income tax expense (2)	**(7,693)**	4,852	(2,841)
Income from investment in unconsolidated joint venture	**31**	—	31
Net income	**$ 3,218**	4,033	$ 7,251
Net income per share - basic	**$ 0.26**		$ 0.59
Net income per share - diluted	**$ 0.26**		$ 0.59
Average shares outstanding - basic	**12,300**		12,300
Average shares outstanding - diluted	**12,322**		12,322

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The gain on bargain purchase represents the amount of net assets acquired from this transaction that were more than the purchase price totaling $954,000.

(2) The $4.9 million adjustment for the year ending May 2, 2021, mostly represents an $8.5 million non-cash income tax charge to record a full valuation allowance against the company's U.S.net deferred income tax assets, partially offset by a $3.6 million non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with U.S. Treasury regulations enacted during the first quarter of fiscal 2021 regarding the Global Intangible Low-Taxed Income tax provisions of the Tax Cuts and Jobs Act of 2017.

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CULP, INC.
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED MAY 1, 2022, AND MAY 1, 2021
Unaudited
(Amounts in Thousands)

	May 1, 2022	May 2, 2021
Net (loss) income	$ (3,211)	$ 3,218
Income tax expense	2,886	7,693
Interest income, net	(356)	(193)
Gain on bargain purchase	—	(819)
Depreciation expense	6,994	6,846
Amortization expense	559	466
Stock based compensation	1,133	1,251
Adjusted EBITDA	$ 8,005	$ 18,462
% Net Sales	2.7%	6.2%

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CULP, INC.
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 1, 2022
Unaudited
(Amounts in Thousands)

	Operating Income May 1, 2022 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	$ 4,212	$ 80,088	5.3%
Upholstery Fabrics	5,626	18,911	29.7%
Unallocated Corporate	(9,160)	2,682	N.M.
Total	$ 678	$ 101,681	0.7%

Average Capital Employed	As of the three months ended May 1, 2022				As of the three months ended January 30, 2022				As of the three months ended October 31, 2021			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	$ 92,609	51,124	33,830	177,563	$ 103,370	67,272	40,925	211,567	$ 97,390	55,862	56,073	209,325
Total liabilities	(8,569)	(25,915)	(23,578)	(58,062)	(16,540)	(45,596)	(22,697)	(84,833)	(18,818)	(38,560)	(23,493)	(80,871)
Subtotal	$ 84,040	$ 25,209	$ 10,252	$ 119,501	$ 86,830	$ 21,676	$ 18,228	$ 126,734	$ 78,572	$ 17,302	$ 32,580	$ 128,454
Cash and cash equivalents	—	—	(14,550)	(14,550)	—	—	(11,780)	(11,780)	—	—	(16,956)	(16,956)
Short-term investments - Available-For-Sale	—	—	—	—	—	—	(438)	(438)	—	—	(9,709)	(9,709)
Short-term investments - Held-To-Maturity	—	—	—	—	—	—	(1,315)	(1,315)	—	—	(1,564)	(1,564)
Current income taxes receivable	—	—	(857)	(857)	—	—	(367)	(367)	—	—	(613)	(613)
Long-term investments - Held-To-Maturity	—	—	—	—	—	—	(8,677)	(8,677)	—	—	(8,353)	(8,353)
Long-term investments - Rabbi Trust	—	—	(9,357)	(9,357)	—	—	(9,223)	(9,223)	—	—	(9,036)	(9,036)
Deferred income taxes - non-current	—	—	(528)	(528)	—	—	(500)	(500)	—	—	(452)	(452)
Income taxes payable - current	—	—	413	413	—	—	240	240	—	—	646	646
Income taxes payable - long-term	—	—	3,097	3,097	—	—	3,099	3,099	—	—	3,099	3,099
Deferred income taxes - non-current	—	—	6,004	6,004	—	—	5,484	5,484	—	—	4,918	4,918
Deferred compensation	—	—	9,343	9,343	—	—	9,180	9,180	—	—	9,017	9,017
Total Capital Employed	$ 84,040	$ 25,209	$ 3,817	$ 113,066	$ 86,830	$ 21,676	$ 3,931	$ 112,437	$ 78,572	$ 17,302	$ 3,577	$ 99,451

CULP, INC.
RETURN ON CAPITAL EMPLOYED BY SEGMENT - CONTINUED
FOR THE TWELVE MONTHS ENDED MAY 1, 2022
Unaudited
(Amounts in Thousands)

	As of the three months August 1, 2021				As of the three months Ended May 2, 2021			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	$ 96,846	55,187	60,215	212,248	$ 97,861	53,875	62,344	214,080
Total liabilities	(21,298)	(39,983)	(21,418)	(82,699)	(22,410)	(38,709)	(23,955)	(85,074)
Subtotal	$ 75,548	$ 15,204	$ 38,797	$ 129,549	$ 75,451	$ 15,166	$ 38,389	$ 129,006
Cash and cash equivalents	—	—	(26,061)	(26,061)	—	—	(37,009)	(37,009)
Short-term investments - Available-For-Sale	—	—	(9,698)	(9,698)	—	—	(5,542)	(5,542)
Short-term investments - Held-To-Maturity	—	—	(1,661)	(1,661)	—	—	(3,161)	(3,161)
Current income taxes receivable	—	—	(524)	(524)	—	—	—	—
Long-term investments - Held-To-Maturity	—	—	(6,629)	(6,629)	—	—	(1,141)	(1,141)
Long-term investments - Rabbi Trust	—	—	(8,841)	(8,841)	—	—	(8,415)	(8,415)
Deferred income taxes - non-current	—	—	(455)	(455)	—	—	(545)	(545)
Income taxes payable - current	—	—	253	253	—	—	229	229
Income taxes payable - long-term	—	—	3,365	3,365	—	—	3,326	3,326
Deferred income taxes - non-current	—	—	4,917	4,917	—	—	5,330	5,330
Deferred compensation	—	—	8,795	8,795	—	—	8,365	8,365
Total Capital Employed	$ 75,548	$ 15,204	$ 2,258	$ 93,010	$ 75,451	$ 15,166	$ (174)	$ 90,443

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	$ 80,088	$ 18,911	$ 2,682	$ 101,681

Notes

(1) See page 13 for Statement of Operations by Segment for the twelve months ended May 1, 2022.

(2) Return on average capital employed represents operating income for the twelve months ended May 1, 2022, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Available-For-Sale, and short-term and long-term investments Held-To-Maturity, long-term investments – Rabbi Trust, income taxes receivable and payable, noncurrent deferred income tax assets and liabilities, and deferred compensation.

(3) Average capital employed was computed using the five quarterly periods ending May 1, 2022, January 30, 2022, October 31, 2021, August 1, 2021, and May 2, 2021.

(4) Intangible assets are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics and upholstery fabrics segments.

CULP INC.
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 2, 2021
Unaudited
(Amounts in Thousands)

	Operating Income May 2, 2021 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	$ 11,798	$ 69,044	17.1%
Upholstery Fabrics	11,876	16,332	72.7%
Unallocated Corporate	(11,598)	2,273	N.M.
Total	$ 12,076	$ 87,650	13.8%

Average Capital Employed	As of the three months ended May 2, 2021				As of the three months ended January 31, 2021				As of the three months ended November 1, 2020			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	$ 97,861	53,875	62,344	214,080	$ 91,842	52,803	67,333	211,978	$ 83,667	46,837	72,272	202,776
Total liabilities	(22,410)	(38,709)	(23,955)	(85,074)	(21,503)	(38,061)	(24,052)	(83,616)	(21,628)	(30,287)	(23,610)	(75,525)
Subtotal	$ 75,451	$ 15,166	$ 38,389	$ 129,006	$ 70,339	$ 14,742	$ 43,281	$ 128,362	$ 62,039	$ 16,550	$ 48,662	$ 127,251
Cash and cash equivalents	—	—	(37,009)	(37,009)	—	—	(35,987)	(35,987)	—	—	(45,288)	(45,288)
Short-term investments - Available-For-Sale	—	—	(5,542)	(5,542)	—	—	(5,548)	(5,548)	—	—	(5,462)	(5,462)
Short-term investments - Held-To-Maturity	—	—	(3,161)	(3,161)	—	—	(9,785)	(9,785)	—	—	(5,005)	(5,005)
Long-term investments - Held-To-Maturity	—	—	(1,141)	(1,141)	—	—	(512)	(512)	—	—	(759)	(759)
Long-term investments - Rabbi Trust	—	—	(8,415)	(8,415)	—	—	(8,232)	(8,232)	—	—	(8,060)	(8,060)
Deferred income taxes - non-current	—	—	(545)	(545)	—	—	(640)	(640)	—	—	(645)	(645)
Income taxes payable - current	—	—	229	229	—	—	1,129	1,129	—	—	1,413	1,413
Income taxes payable - long-term	—	—	3,326	3,326	—	—	3,325	3,325	—	—	3,325	3,325
Deferred income taxes - non-current	—	—	5,330	5,330	—	—	5,543	5,543	—	—	6,089	6,089
Deferred compensation	—	—	8,365	8,365	—	—	8,179	8,179	—	—	8,000	8,000
Total Capital Employed	$ 75,451	$ 15,166	$ (174)	$ 90,443	$ 70,339	$ 14,742	$ 753	$ 85,834	$ 62,039	$ 16,550	$ 2,270	$ 80,859

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CULP INC.
RETURN ON CAPITAL EMPLOYED BY SEGMENT - CONTINUED
FOR THE TWELVE MONTHS ENDED MAY 2, 2021
Unaudited
(Amounts in Thousands)

	As of the three months ended August 2, 2020				As of the three months ended May 3, 2020			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	$ 79,016	41,239	64,332	184,587	$ 82,060	38,517	94,507	215,084
Total liabilities	(14,444)	(23,644)	(20,630)	(58,718)	(9,239)	(20,908)	(55,239)	(85,386)
Subtotal	$ 64,572	$ 17,595	$ 43,702	$ 125,869	$ 72,821	$ 17,609	$ 39,268	$ 129,698
Cash and cash equivalents	—	—	(39,986)	(39,986)	—	—	(69,790)	(69,790)
Short-term investments - Available for Sale	—	—	(983)	(983)	—	—	(923)	(923)
Short-term investments - Held-to-Maturity	—	—	(5,092)	(5,092)	—	—	(4,271)	(4,271)
Current income taxes receivable	—	—	(782)	(782)	—	—	(1,585)	(1,585)
Long-term investments - Held-to-Maturity	—	—	(1,314)	(1,314)	—	—	(2,076)	(2,076)
Long-term investments - Rabbi Trust	—	—	(7,916)	(7,916)	—	—	(7,834)	(7,834)
Deferred income taxes - non-current	—	—	(593)	(593)	—	—	(793)	(793)
Line of credit - China operations	—	—	—	—	—	—	1,015	1,015
Paycheck Protection Program Loan	—	—	—	—	—	—	7,606	7,606
Income taxes payable - current	—	—	613	613	—	—	395	395
Line of credit - U.S. operations	—	—	-	—	—	—	29,750	29,750
Income taxes payable - long-term	—	—	3,591	3,591	—	—	3,796	3,796
Deferred income taxes - non-current	—	—	5,311	5,311	—	—	1,818	1,818
Deferred compensation	—	—	7,869	7,869	—	—	7,720	7,720
Total Capital Employed	$ 64,572	$ 17,595	$ 4,420	$ 86,587	$ 72,821	$ 17,609	$ 4,096	$ 94,526

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	$ 69,044	$ 16,332	$ 2,273	$ 87,650

Notes

(1) See page 13 for Statement of Operations by Segment for the twelve months ended May 2, 2021.

(2) Return on average capital employed represents operating income for the twelve months ended May 2, 2021, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Available-For-Sale, and short-term and long-term investments Held-To-Maturity, long-term investments–Rabbi Trust, income taxes receivable and payable, lines of credit associated with our U.S. and China operations, Paycheck Protection Program loan, deferred income tax assets and liabilities, and deferred compensation.

(3) Average capital employed was computed using the five quarterly periods ending May 2, 2021, January 31, 2021, November 1, 2020, August 2, 2020, and May 3, 2020.

(4) Intangible assets are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics and upholstery fabrics segments.

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